Wickes

# Helping the nation feel house proud


**Wickes Group Plc** Annual Report & Accounts 2021

53 weeks ending 1 January 2022


# Welcome to our first Annual Report.

## Who we are

We are a digitally-led, service-enabled home improvement retailer, offering choice, convenience, value and best-in-class service to customers across the UK. We fulfil all of this through a low-cost, efficient and integrated operating model.

## Why we are different

We have a highly distinctive proposition, which is differentiated from the competition and underpinned by our uniquely balanced business, with revenues split between our three customer propositions: **Local Trade**, **Do-it-for-me** and **DIY Retail**.

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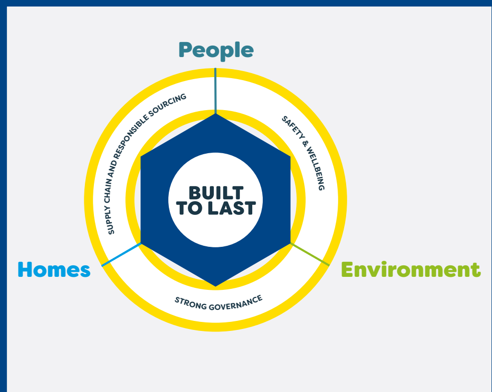


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## GOVERNANCE



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## FINANCIAL

### REVENUE (£M)
2020: £1,346.9M

**£1,534.9m**

| | |
|---|---|
| 2021 | 1,534.9 |
| 2020 | 1,346.9 |
| 2019 | 1,292.4 |
| 2018 | 1,199.6 |

### ADJUSTED PBT (£M)[1]
2020: £49.5M

**£85.0m**

| | |
|---|---|
| 2021 | 85.0 |
| 2020 | 49.5 |
| 2019 | 62.3 |
| 2018 | 41.4 |

### STATUTORY PBT (£M)
2020: £28.9M

**£65.4m**

| | |
|---|---|
| 2021 | 65.4 |
| 2020 | 28.9 |
| 2019 | 22.7 |
| 2018 | 22.1 |

### NET DEBT (£M)
2020: £783.5M

**£618.7m**

| | |
|---|---|
| 2021 | 618.7 |
| 2020 | 783.5 |
| 2019 | 829.6 |
| 2018 | 879.0 |

### ADJUSTED BASIC EARNINGS PER SHARE (P)[2]
2020: 16.1P

**27.2p**

| | |
|---|---|
| 2021 | 27.2 |
| 2020 | 16.1 |
| 2019 | 20.0 |
| 2018 | 13.2 |

### STATUTORY BASIC EARNINGS PER SHARE (P)[2]
2020: 10.4P

**23.3p**

| | |
|---|---|
| 2021 | 23.3 |
| 2020 | 10.4 |
| 2019 | 5.1 |
| 2018 | 5.9 |

### LFL SALES GROWTH[3]
2020: 5.0%

**13.0%**

| | |
|---|---|
| 2021 | 13.0 |
| 2020 | 5.0 |
| 2019 | 8.8 |
| 2018 | (4.4) |

### TRADEPRO ACCOUNTS (K)
2020: 553k

**634k**

| | |
|---|---|
| 2021 | 634k |
| 2020 | 553k |
| 2019 | 509k |
| 2018 | 418k |

### STORES IN NEW FORMAT %
2020: 61%

**65%**

| | |
|---|---|
| 2021 | 65 |
| 2020 | 61 |
| 2019 | 57 |
| 2018 | 51 |

1 Refer to the Income Statement on page 110 and note 9 on page 125
2 Refer to note 11 on pages 128-129
3 Refer to note 5 on page 121

For more information, please see pages 16-25

## STRATEGIC

### Digitally-led
With two thirds of sales coming through digital channels, we have made significant enhancements to our digital proposition to improve the customer experience. These include introducing an online showroom tour as part of our Do-it-for-me (DIFM) virtual journey, a new DIY app, the launch of a digital picking app for colleagues to help them pick products for Click & Collect and Home Delivery orders, and the ongoing development of our Missions Motivation Engine, which will use data and analytics to better understand our customers and meet their home improvement needs.

### Innovation
Along with digital innovation, we launched innovative new product ranges, highly successful new bathroom and kitchen ranges, and a home-office proposition, swiftly responding to changing customer trends.

### Strong return on investments
We refitted ten stores to our new format with sales uplifts of over 25% driving strong return on investment. We also reconfigured 50 of our highest-volume Home Delivery and Click & Collect fulfilment stores to create 50,000 sq ft of additional storage space.

### Keeping people safe
As an essential retailer, we kept our stores open throughout 2021, with the exception of our showrooms which were closed during lockdowns. Our number-one priority was to keep our colleagues and customers safe by implementing stringent pandemic-secure measures. We promoted our Let's Care For Each Other campaign to make it clear that physical, verbal or racial abuse of any kind to our colleagues is unacceptable.

For more information, please see pages 28-48

## ESG

### New Responsible Business Strategy
Following our demerger we established our Responsible Business Committee, chaired by Non-executive Director, Sonita Alleyne, and launched a new **Responsible Business** Strategy that we call **'Built to Last'**, focused on three pillars – **People, Environment, Home**.

### People

FT FINANCIAL TIMES statista LEADER IN DIVERSITY 2022

We were recognised in the 2022 Financial Times Diversity Leaders in Europe report for a second year running, ranking as No. 2 in the top 10 retailers in the UK and in the **top 20 of overall UK companies**.

### Environment

**99.8%**
**of all timber FSC or PEFC certified**

### Home
We have set new targets to reduce packaging across our business:

- By 2023, we will eliminate all unnecessary packaging.
- By 2025, all of our packaging will be easy to recycle, reuse or compost.
- By 2025, 50% of all of our packaging materials will come from recycled materials.

# At a glance

## A uniquely balanced business supporting three customer propositions:

OUR VISION

### A Wickes project in every home

OUR PURPOSE

### To help the nation feel house proud

OUR MISSION

### To be the partner of choice for Home Improvers and Local Trade

OUR WINNING BEHAVIOURS

Our business is powered by highly engaged teams, who operate around a simple, yet deeply held set of beliefs we call our Winning Behaviours.


**£26.5bn**

SIZE OF UK HOME IMPROVEMENT MARKET

**8,200+**

COLLEAGUES

**232**

STORES, WITH 151 REFITTED


### Local Trade

From trade-trusted brands to always being 10% cheaper, we can save you time and money when you shop with TradePro:

- ✓ Extension
- ✓ Loft conversion
- ✓ Driveway

### Do-it-for-me

From concept to completion, plus all the finishing touches, we can help you with your project every step of the way:

- ✓ Bathroom
- ✓ Kitchen
- ✓ Tiling

### DIY

From our curated range to bringing you the right quality products at the right prices, we can help you to tackle your project, providing advice, guidance and knowledge:

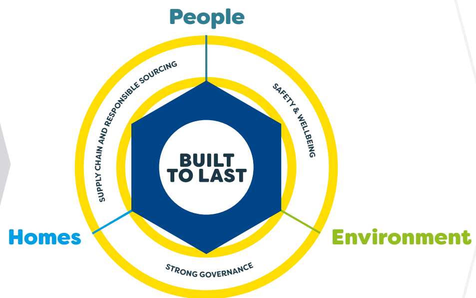
- ✓ Painting
- ✓ Hang a shelf
- ✓ Gardening

SUPPORTED BY AN EFFICIENT AND INTEGRATED MODEL

- Curated product ranges
- Digitally-led
- Distinctive service model
- Low-cost, physical estate
- Simple, clear pricing

## Our commitment to growing responsibly

Our Responsible Business Strategy supports a diverse and inclusive society, an environment that is protected for the next generation, and homes that are fit for a sustainable future for everyone.




For more information, please see pages 28-48

# A Wickes project in every home

**Christopher Rogers**
CHAIRMAN

**It gives me great pleasure to welcome you to Wickes Group Plc's first Annual Report. 2021 was a momentous year for Wickes. We demerged from Travis Perkins Group Plc in April to become a standalone Company listed on the London Stock Exchange and I was honoured to be invited to chair this fantastic Company.**

The demerger was thoughtfully executed and well planned, and David has built a strong team to lead the next chapter of Wickes' growth. It is a business with a very clear and distinctive position in the market which, with its newly found independence, can be even more agile and responsive to the ever-changing needs of its customers.

2021 will be remembered as a year when the world continued to grapple with the impact of the pandemic and while, as an 'essential retailer', we were able to continue to welcome customers to our 232 stores, for the first quarter of the year our Do-it-for-me showrooms remained closed. As people had to spend more time at home than ever before, their desire to create a safe, comfortable and functional living space generated increased demand for home improvement and our purpose – to help the nation feel house proud – has never been more relevant and meaningful.

Wickes' special culture has come into its own during the pandemic, as colleagues have lived and breathed our behaviours, demonstrating their kindness and compassion in supporting customers and colleagues. Personally, and on behalf of the Board, I would like to thank every member of the Wickes family for their hard work, caring and commitment during this time of such great change and uncertainty.

1 Refer to note 5 on page 121

## Performance

We achieved a strong performance in 2021, with a 13% growth in our like for like sales[1] and an increase in adjusted pre-tax profits of 71.7% to £85.0m, along with good progress across our non-financial key performance indicators.

Our balanced business model, which spans Local Trade, Do-it-for-me (DIFM) and DIY, has served us particularly well during the pandemic, enabling us to meet rapidly changing consumer needs and shopping habits arising out of lockdowns and the subsequent easing of restrictions.

Wickes is emerging from the pandemic as a stronger business, with significantly enhanced digital capabilities, a larger, loyal customer base, innovative new products and services, and more agile ways of working that enable us to adapt swiftly to new trends and customer demand.

> As a new Board we are excited by the growth prospects for this fantastic business and passionate about ensuring that, as we grow, we do so responsibly and in a way that benefits all our stakeholders.
>
> **Christopher Rogers**
> CHAIRMAN

**Growing responsibly**
As we grow, it's imperative that we do so responsibly, reducing our impact on the environment, helping our customers make their homes more sustainable, and making a positive difference to our colleagues, our partners and our communities.

On pages 28-48, we have laid out our environmental, social and governance (ESG) focus areas and goals, which our Board level Responsible Business Committee, chaired by Non-executive Director, Sonita Alleyne, will champion and oversee.

You can read first hand all the great work that is going on across the business to reduce emissions, plastic packaging and waste, to support local communities, build skills and create an inclusive and diverse place to work, where all our 8,200 colleagues can truly feel at home. We were especially pleased to be listed for two years running in the Financial Times European Diversity Leaders survey, ranking as a top 10 UK retailer for inclusion and diversity (I&D).

Of course, there is so much more for us to do, and as a Board we are united and determined to drive forward our ESG agenda and set ambitious goals that will bring meaningful change.

**Maiden dividend**
Reflecting our strong performance and confidence in future growth, the Board is pleased to recommend a final dividend of 8.8 pence per share. This takes our maiden full year ordinary dividend to 10.9 pence per share.

**Board**
As a newly listed business, in 2021 we established the Wickes Group Plc Board and we have assembled a bench of experienced independent Non-executive Directors, with relevant skills and qualifications who are focused on creating value over the medium term for all our stakeholders.

**Celebrating 50 years and a bright future**
As we enter 2022, Wickes has another milestone to celebrate – the 50th anniversary of the brand in the UK.

The past 50 years have seen phenomenal change to the way people use and experience their homes and, at Wickes, we are very proud to have played our small part in the history of home improvement.

As we build on our strengths as a digitally-led, service-enabled business, we look forward to helping shape future decades of home improvement and continuing to help the nation feel house proud.

**Christopher Rogers**
Chairman
24 March 2022

> To celebrate the demerger, every colleague was granted shares in the Company.
>
> **Christopher Rogers**
> CHAIRMAN

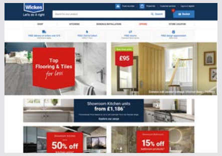
## Brief history of Wickes in the UK


**1972**
First UK Wickes opens in Whitefield, Manchester

**1987**
Wickes is floated on the London Stock Exchange

**1995**
Wickes opens its 100th store in the UK

**2005**
Travis Perkins Group Plc acquires Wickes

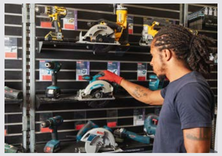


**2006**
Wickes.co.uk launches as a transactional website

**2009**
Wickes launches its installation service

**2015**
First new format Wickes store opens

**2016**
Wickes first Inclusion and Diversity network established



**2017**
Wickes launches TradePro


**2021**
Wickes demerges from Travis Perkins Group Plc to list on the London Stock Exchange

**2022**
Wickes celebrates 50 years of helping the nation feel house proud

# We're here to help the nation feel house proud

**David Wood**
CHIEF EXECUTIVE OFFICER

> Our strategy is delivering strong growth and return on investment. The results we are seeing, plus these strong returns, give us confidence to accelerate our investments to drive further growth.
>
> **David Wood**
> CHIEF EXECUTIVE OFFICER

2021 was an important year in Wickes' history, as we became a stand-alone Company, listed on the London Stock Exchange, and it gives me great pleasure to report our first set of annual results. It has been a year of excellent growth and our performance is testament to the resilience and hard work of our colleagues, our strong supplier relationships, our uniquely balanced business model and our market leading customer proposition. I am tremendously proud of all our colleagues who have truly embodied our Winning Behaviours as they continue to deliver our purpose – to help the nation feel house proud. I would like to take this opportunity to sincerely thank them all for their tireless dedication, commitment and support.

Looking ahead, we expect to continue outperforming the market and are well-placed to capitalise on the ongoing requirement for home improvement, namely an ageing housing stock, favourable consumer trends, and the increased focus on insulating and retrofitting homes. While we recognise the pressure that consumers will be facing in 2022, we have the right model, a strong pipeline and order book, and remain very confident in our outlook and of making further progress in the current year driven by a material increase in Do-it-for-me revenues.

Wickes has performed strongly in 2021 supported by our digitally-led, service-enabled proposition. Two thirds of our sales were driven from digital channels, as we have both retained those customers acquired during the pandemic, and continued to grow the base further.

Our performance in the financial year has been driven by the benefits of having a uniquely balanced business – providing market-leading products and services across Local Trade, DIFM and DIY. Whichever way customers want to improve their homes, we are there for them with everything they require to complete their project.

### Market

The appetite to invest in home improvement played out strongly in 2021 as customers sought to complete projects either through DIY, employing a local tradesman or seeking concept to completion services on projects such as a kitchen or bathroom installation. We believe the market has all the right attributes for long-term sustainable growth, underpinned by the UK's ageing housing stock, rising property prices and transactions, a strong jobs market and the increased focus on climate change and the importance of retrofitting homes. These all support project work and investment in the home.

Despite the easing of the pandemic restrictions, hybrid working patterns are likely to result in more time spent in the home for the foreseeable future, fuelling further desire to renovate and refurbish. We have also seen increased appetite from rental tenants to invest in their properties, and interest from the millennial generation in DIY, combined with a higher level of savings which supports pent up demand. When taken together these factors continue to indicate strong growth opportunities in the home improvement market.

## Autonomy/IT separation progress

Following the decision by the Board of Travis Perkins plc to progress the demerger of Wickes, a TSA (transitional service agreement) was established to manage an effective and successful separation of the two businesses. The IT separation programme was fully re-mobilised during the year, having been considerably reduced in scope in 2020. We are currently on track to complete separation of the IT infrastructure away from Travis Perkins within two years of the demerger, with a remaining associated 'one off' separation cost of around £30m in 2022-23.
All aspects of the programme will continue to be overseen by the Wickes Executive and PLC Board who monitor delivery and mitigate any operational risk arising.

More recently, we believe that any volatility in energy prices and more acute focus on the cost of living may act as a catalyst for many homeowners to prioritise improved insulation for their property, and to examine alternative forms of heating.

In summary, we believe that there is much more to go for in 2022 and beyond, and that the Wickes' balanced business model and proposition means that it is well-positioned irrespective of how a customer chooses to complete their home improvement project.

### Ukraine

Wickes is greatly saddened by the invasion of Ukraine. Our thoughts continue to be with all of those people impacted by this tragic conflict and we are providing support for all of our affected colleagues in the UK. In addition, we are making a £100,000 donation to Unicef to help children in Ukraine, and offering our customers the opportunity to add a 50p donation to their purchases. From a business perspective, Wickes has no operations in Ukraine or Russia, and minimal supply chain exposure to the region.

### Operational progress

In a year which continued to be impacted by the pandemic, we made further operational progress and were pleased to see a further increase in customer numbers and an improvement in our Core market share.[1]

Wickes continued to be classed as an 'essential' retailer through the pandemic restrictions in the first half of the year, although our showrooms were closed until 12 April. Despite this, demand in Core remained very strong over this period, with Wickes teams performing well in ensuring product availability under difficult market conditions.

During this financial year, both our store and distribution environments handled record levels of throughput, driving strong operational leverage in challenging circumstances by continuing to develop and refine working practices whilst delivering improvement in customer satisfaction measures.

Investment and innovations in this area included new in-store digital handheld terminal picking capability, and 'park and collect' allowing customers to remain in their vehicles when collecting goods from stores. During the year we also reconfigured 50 of our highest-volume Home Delivery and Click and Collect fulfilment stores to create 50,000 square feet of additional storage space without affecting store ranges or compromising the store format. Many of these initiatives are now being rolled out across the business.

While in the first half we continued to invest in areas such as cleaning, social distancing and marshalling, pandemic-related costs started to unwind in the second half of the year.

As the financial year progressed, as expected like for like (LFL) sales declined moderately against very strong comparatives, although still increased by 35.7% on a two year basis. During the second half, we continued to prioritise our price leadership within a highly inflationary environment. Working closely with our suppliers, and with our strategy of maintaining cash gross margin (as opposed to percentage), our relative price position remained strong during the year. In addition to providing customers with the best possible value, it gives us opportunities to drive further market share gains. The estimated level of price inflation for the full year was 7%, compared with 3% in the first half.

Availability challenges in certain categories have been widely discussed. Whilst we are not immune to these challenges, our strong supplier relationships, curated range and operational agility have served us well to continue to provide customers with the products they need through this period.

DIFM orders strengthened over the course of the financial year, especially from the second quarter onwards. However, our ability to convert this increase in orders into delivered sales was hampered in the final quarter of the financial year by the onset of the new Covid variant Omicron, which affected both availability of installation teams and the ability and willingness of customers to have tradesmen in their homes. Together with the elevated pipeline of orders from earlier in the year, our year end order book has more than doubled on a two year basis.

Despite this disruption, we have continued to offer customers excellent service levels, and have retained our 'distinction' level of service from the Institute of Customer Service in challenging circumstances. We continue to grow our installer network with around 700 new installation teams approved in the year, taking the total to over 2,600 and strengthening the capacity and quality of our installation capability. Additionally, we continue to progress our Installer Apprenticeship Programme with the initial cohort completing their training in the first half of the year.

### Growth levers

In 2022 and beyond, we see further significant revenue and margin opportunities from our growth levers. The performance of refitted stores has been excellent, and we will be accelerating the pace of refits as well as examining opportunities for stores in new catchments. TradePro is now a substantial business, and we will be looking to drive sales per account through both basket size and frequency, and to increase the range of products and services offered. Our DIFM installer base continues to grow, and this year we plan to test, learn and roll out new installation services such as joinery and landscaping to increase our scale and reach. All these will be supported by our strong digital presence in all areas of the business.

### Store refits and new openings

During the financial year there were 10 refits completed, and two refreshes. In line with our strategy to continually improve the quality of the estate, there was one relocation (Sunderland) and one closure (Chichester).

We now have 151 stores trading in the new format, with refitted stores continuing to deliver strong sales uplifts and investment returns. For the stores refitted over the last 12 months, the average sales outperformance was over 25%, with DIFM again

1 Source: GfK GB PoS data, sourced from GfK DIY Category Reporting December 2021

# **Chief Executive Officer's review** continued

showing a particularly strong uplift, delivering strong returns on investment. Our refitted stores now generate sales per square foot of £260 versus £198 for heritage stores.

The excellent performance of new format stores has two implications for our store estate. Firstly, we will look to accelerate the pace of refits over the next few years, completing the programme within five years compared with the previous plan of seven years, with 12-15 refits annually and each costing c£1m.

Secondly, our ability to drive higher sales densities and value enhancing returns through new format stores, plus changes in the competitive landscape, creates an opportunity to enter new catchment areas. As such, we now believe there is scope to open up to 20 new stores over the next five years, although this pipeline will take time to build.

### Winning for Trade

Our Local Trade offer is based on creating efficiency and simplicity for our customers, who turn to us knowing that they get market-leading value on the products that matter and a brand which they know their own customers trust. With a 10% discount on all purchases, and an efficient digital journey and fulfilment model, we save our TradePro customers time and money.

We have continued to grow our TradePro membership, enrolling over 80,000 new Local Trade customers, bringing total membership at the financial year end to over 630,000. Our Local Trade customers indicate that they have a strong pipeline of work and this has translated into increased transactions and spend, with demand remaining strong even against tougher second half comparatives.

We continued to evolve our digital capability during the year, with more personalisation introduced in the TradePro app together with the ability to target promotional offers and give early visibility of these offers to drive loyalty. We continue to develop our Mission Motivation Engine (MME), with an initial focus on Local Trade. The MME incorporates internal and external data to help us identify which missions our customers are on, leading to more relevant personalised communication across all channels. In addition, our new digital picking capability in stores enables prioritisation of the trade customer orders to ensure we can better deliver on the need to 'save me time, save me money.'

Looking ahead, we see major opportunities to drive our TradePro business. In addition to our target of 1 million members and measures to drive order frequency, we will be focusing further on how we can improve the offer to drive basket size. This could involve improving personalisation, broadening the proposition and extending TradePro reach.

### Accelerating DIFM

We believe digital development and product innovation has underpinned our success in DIFM and will drive accelerated growth. As such, this remained an area of focus and investment during the year. Throughout the period the virtual showroom journey and virtual tour functionality have enabled us to continue to engage with customers and take them through the design and sales process entirely remotely, supported by our experienced design consultants. The proportion of leads through our digital channels has continued to grow strongly over the year, and we expect further progress here in 2022.

We have made additional investment in product innovation in line with changing customer demands and needs, including a major refresh of the kitchen range, a completely new bathroom range together with a standalone home office proposition, all of which are indicating encouraging levels of interest from customers. The home office proposition notably demonstrates our agility to respond to changing consumer behaviour and leverages our existing design and installation capability. Our new kitchen and bathroom ranges were progressively introduced into our showroom displays, and this was completed in the second half of the year. We also took our new bathroom range above the line, launching our first ever bathroom TV advertisement, helping to drive substantial growth in this category.

We continue to see high attachment rates of tiling and flooring sales to kitchen and bathroom projects, confirming the opportunity to grow adjacent categories and increase overall project spend. Digital development has delivered improved imaging, features and pricing illustrations for DIFM projects, together with new video content supporting flooring and tiling.

As outlined above, we continue to make further progress in extending the range of DIFM projects offered. In addition to adjacent categories, we have identified opportunities over the medium term to deepen and broaden our proposition in the overall kitchen market.

### Digital developments

We are further developing our digital offer to enhance the customer experience. This is underpinned by our Missions Motivation Engine, identifying opportunities to drive better customer and commercial outcomes by engaging earlier in the customer project planning phase. This helps to ensure that we maximise our share of total project spend.

In DIFM, we have expanded our very successful kitchen digital experience to include bathrooms, and we are leveraging virtual / augmented reality to improve the showroom journey online and in store. Additional content is being added to support the growth in DIFM service categories.

We are increasing the appeal of the TradePro scheme by creating a loyalty proposition stronger than a simple discount scheme. There is more personalisation, targeted events, and additional services for our most loyal customers.

Our DIY app launched successfully in the fourth quarter of 2021, and conversion rates are already double that of other devices. We continue to develop the app features, for example adding different payment options and improving the accessibility of our extended range.

Our performance in the year has been driven by the benefits of having a uniquely balanced business – providing market-leading products and services across Local Trade, DIFM and DIY. Whichever way customers want to improve their homes, we are there for them with everything they require to complete their project.

We continue to strengthen our six inclusion and diversity colleague networks who are passionate about creating a workplace culture where everyone can feel at home.

As a result of their outstanding work we have grown our LGBT+ allies, delivered disability smart training, extended our mental health first aiders, and seen over 380 managers taking part in our Race, Ethnicity and Identity programme. We also launched a partnership with Peppy Health, supporting our colleagues and their families with menopause and fertility services.

**DIY category wins**
Our highly curated range continues to work well, supporting strong levels of Core sales growth and market share improvement through the year, with extended ranges available through our in-store online terminals (OLI), our website and our new consumer app.

As part of our strategy to capture market share in underweight categories, range reviews were completed in garden maintenance and decorating areas, as well as flooring, timber & sheet materials and doors, delivering strong sales growth and improved stock turn, with an in-store SKU range reduction supported by an extended range online. We also introduced innovative new products such as water-resistant laminate flooring, Wickes branded peat-free compost and a Samsung range of connected smart appliances.

**Responsible Business Strategy**
At the point of demerger, we laid out our ambition to grow a responsible, sustainable business. We have now repositioned all of our ESG work under the banner of Responsible Business, and the three pillars of People, Environment, and Homes, supported by strong governance, safety and wellbeing, and responsible sourcing. This strategy is the framework on which all of our ESG targets and disclosures will be built. Our Responsible Business Committee, chaired by Non-executive Director Sonita Alleyne, oversees and guides the work of the strategy, supported by the newly formed Responsible Business Working Group.

**People** – In the year, we continued to strengthen our inclusion and diversity colleague networks. We have grown our LGBT+ allies, delivered disability smart training, extended the number of mental health first aiders, and seen over 380 managers taking part in our Race, Ethnicity and Identity programme. Store management diversity continues to improve, with over 67% of stores having at least one female in the leadership team. We also launched a partnership with Peppy Health, supporting our colleagues with menopause and fertility services. Wickes continues to focus on supporting young people across our communities. We have launched our first to market 'Installer Apprenticeship' scheme, as well as supporting the government's Kick Start programme. We have now raised over £1m for Young Minds, our charity partner and, following a trial of our new store Community Programme, which supported over 50 charity partners and schools across four regions, this programme is now being rolled out across our store estate.

**Environment** – This year we have been working hard to understand our environmental impact. We have completed our first carbon footprinting exercise for our Scope 1, 2, and 3 emissions, as well as successfully assuring the data to be used in future carbon reduction targets. We have started testing new low-carbon technologies for future use in our estate, including electric air source heat pumps for our stores, and electric vans for our distribution centres. We have also invested in a new energy analytics platform to improve our energy efficiency, and are working on new low-carbon guidance for refits and new stores.

**Homes** – We continue to improve our products and packaging. We are developing a packaging portal for launch this year, that will consolidate all of our packaging data into a single database to allow for improved visibility and management.

In order to better understand our customers needs when it comes to sustainable products, we have hosted several customer closeness sessions to understand how we can support customers with sustainable home improvement. We have also started a review of our ranges to increase our offering of responsibly sourced and energy efficient products.

We have been working hard to integrate environmental and social considerations into our supply chain and partnerships, completing our first supply chain scope 3 carbon emissions assessment. We continue our Sedex membership (Supplier Ethical Data Exchange), one of the world's leading ethical trade membership organisations, and will continue to ensure all factories supplying Wickes branded products undergo a periodic ethical audit using the SMETA format (Sedex Members Ethical Trade Audit). All of our imported timber supply chains have been mapped to ensure products continue to come from legal, verified sources, we have introduced a Wickes branded Peat-free multipurpose compost and have been working on the removal of chromium VI (Cr6) from all Wickes branded products.

We operate in a growing market with strong fundamentals and our uniquely balanced business, with revenues split between our three customer propositions of Local Trade, Do-it-for-me and DIY, offers the best exposure to the fastest growing sectors in the market. Throughout 2021, we have continued to capitalise on our distinctive proposition, while at the same time adapting, transforming and innovating and critically, accelerating the key strategic growth levers that underpin and ensure the exciting future ahead of us.

**David Wood**
Chief Executive Officer
24 March 2022

Understanding our world

# Our investment case

We are a successful, growing, cash generative and profitable home improvement business, with a compelling investment case.

## Distinctive and hard-to-replicate customer proposition

Understanding the customer is at the heart of what we do:

- For Local Trade, we offer trusted brands and always 10% cheaper, saving customers time and money through our simple digital TradePro scheme.
- For DIFM customers, we help with their home improvement project from concept to completion, providing inspiration, advice and quality installation with a guarantee.
- For DIY customers, we offer a curated range with the right quality of products at the right prices, providing advice, guidance and knowledge to help them tackle their DIY project.

TradePro – 10% discount for all TradePro members

**10%**


## Uniquely balanced business

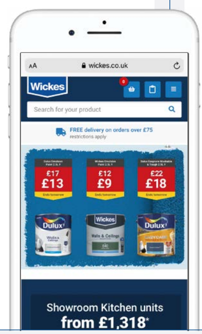
- Revenues are split between three customer propositions – Local Trade, Do-it-for-me and DIY Retail. This, importantly, gives us greater exposure to the fastest growing sectors in the market.
- It also provides us with greater resilience to consumer trends. This has been especially true during the pandemic, as customer shopping habits and behaviours have been heavily influenced by lockdowns and subsequent easing of restrictions.
- As a result of our unique business model we do not face any specific competitors, but a wider competitive set within a large and growing £26.5bn UK home improvement market.

## Low-cost and efficient operating model

- Our model is to drive growth and gain operational leverage through our cost base.
- All three customer propositions of Local Trade, Do-it-for-me and DIY Retail are underpinned by the same products, creating operational efficiency.
- We have the right-sized store estate with the average store at 28,000 sq ft of rentable internal space.
- Our stores hold an average 9,500 lines, so we can swiftly flex to fulfil greater choice for customers with a broader range online and through our online in-store terminals (OLI).
- Our stores underpin the digital journey, as 98% of sales touch the stores.

**98%**

of sales are touched by our stores




## Proven levers for growth

- We have been growing at twice the market rate despite opening no net new space, and have plans to continue to grow and take market share. Our key growth drivers are:
  - Digital capability – continued development of a seamless offer.
  - Winning for Trade – TradePro growth
  - Accelerating DIFM – natural growth extensions, broadening the proposition.
  - DIY category wins – getting our fair share in underweight categories.
  - Store investment – high return on investment refits, exploit new space.
  - Enhanced store service model – laying the foundations for future growth.
  - Delivering exceptional customer experience through engaged colleagues, a winning culture and growing responsibly.

**To read more about our levers for growth, please see** pages 16-25

## Strong cash generation

- Our business is ordinarily cash generative with a neutral working capital position
- We operate with sector leading stock-turn, reflecting our curated range, operational agility and strong supplier relationships
- We have established a capital allocation framework that enables investment in the business for growth and a 40% ordinary dividend on adjusted post tax profit
- There is potential opportunity to return any surplus cash to shareholders.

**£26.5bn**

UK home improvement market

Market review

# Wickes operates in a structural growth market

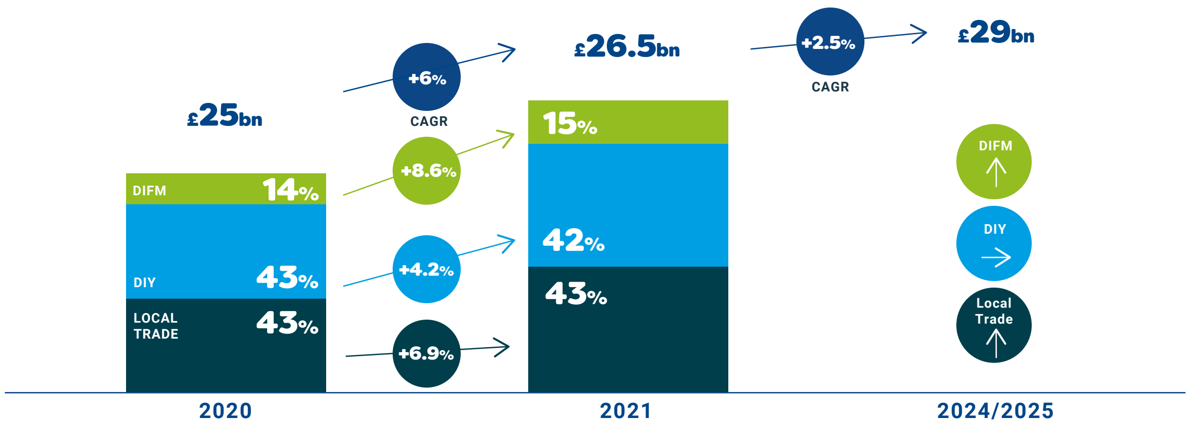
MARKET OVERVIEW

**£26.5bn**
2021

UK home improvement market forecast to grow from £26.5bn to £29bn by 2024/25

**£29bn**
2024/25

The Wickes Group operates in the UK retail market for home repair, maintenance and improvement products and services, with a specific focus on home improvement projects undertaken either directly by the homeowner or occupier, or with the assistance of a Local Trade professional or DIFM service provider.




We support customers, however they decide to undertake their home improvement plans, through three tailored customer propositions: ● **DIY** ● **Local Trade** ● **Do-it-for-me**

The pandemic has had a dramatic impact on the home improvement market as government lockdowns have enforced the need for people to stay at home. This has fuelled a desire for people to improve their living space, and in many cases to repurpose their home, so it can fulfil other functions such as a home office, a gym or a classroom.

The pandemic severely disrupted customer behaviour during the course of 2020 and early 2021, with lower levels of demand for local trade and DIFM service providers who were unable to access people's homes during lockdowns. Conversely, as people had more time on their hands they turned to DIY to improve their living spaces, and this part of the home improvement market flourished during the pandemic. As restrictions have eased and people have resumed more normal routines, the demand for Local Trade and Do-it-for-me services has ramped up, and our most recent market research suggests that these high levels of demand are set to continue.

During this period of intense and rapid change, our uniquely balanced business model has come to the fore. We have benefited from our differentiated customer proposition that spans the three distinct home improvement routes, and with positive consumer trends and robust structural fundamentals, we are well positioned to capture the full breadth of market opportunity.

Market growth is underpinned by robust fundamentals:

### Ageing housing stock
The majority of the 29 million private homes in the UK are more than 50 years old. This generates a significant and growing need for repair, maintenance and upgrading.

### Property transactions
Residential housing transactions are significantly higher, helped by the stamp duty holiday. Major renovations tend to happen within 12 months of purchase, suggesting there will be a strong pipeline of activity.

### High savings rate
One of the consequences of the pandemic has been a substantial increase in the amount of savings on deposit as people had less opportunity to spend their disposable income due to lockdown restrictions. While restrictions have lifted, continued high rates of savings indicate the potential for pent-up demand on major home improvement projects. In recent months, we have also started to see evidence of home equity withdrawal, which could further stimulate home improvement project spend.

### Move to energy efficient housing
40% of the UK's carbon emissions come from the residential sector* and to achieve the government's net zero target by 2050, there will be increasing pressure to decarbonise our homes through retrofitting energy saving solutions.

### Market growth despite lower consumer confidence
The UK home improvement market has been growing sustainably despite historic low levels of consumer confidence.

* source: www.theccc.org.uk

## **Market review** continued

# 3 out of 4

home improvers expect to spend the same or more on home improvement in the next 12 – 24 months than they did in the last year

**MARKET DRIVER**

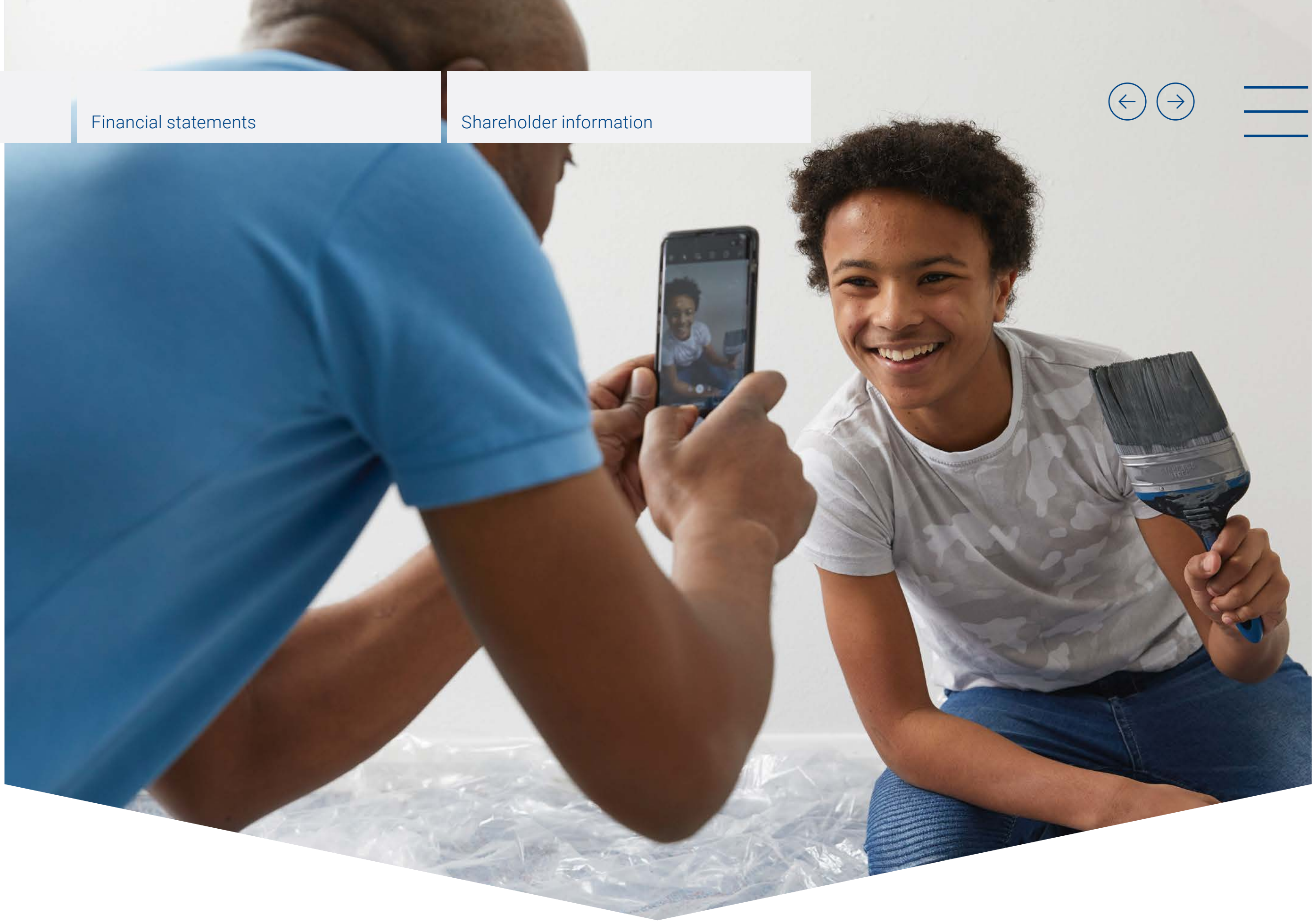
### Desire for better homes

The desire to improve our homes and gardens is not new. However, the pandemic has fuelled this desire as people have had to spend more time at home and wanted to repurpose their homes to fulfil a number of different functions.

DIY used to be considered the preserve of the older generation, but the pandemic has introduced a new wave of younger DIYers. What's more, it's no longer only home owners who are looking to improve their homes – rental tenants are now increasingly doing so.

**OUR APPROACH**

- Typically, a customer has three possible routes to undertake their home improvement project – Local Trade, DIFM and DIY. We ensure that however a customer wants to improve their home, they are able to get everything they need from Wickes.
- We have a clear set of growth levers (see page 16) to evolve and enhance our proposition through product and service innovation, as we look to achieve our purpose – to help the nation feel house proud.
- We are investing in upgrading our stores with our enhanced '4C' model (see page 23), which we have designed to ensure the best possible service and shopping experience for all three customer propositions.



**MARKET DRIVER**

### Declining DIY skills

While the pandemic has encouraged more people to have a go at DIY, there remain home improvement projects that involve high skills, costs and effort, such as a loft conversion, which require a local tradesperson to handle. In an environment of declining skills, and scarcity of time to manage local tradespeople, customers are looking for a simple solution, and one partner to undertake their project from concept to completion – 'Do-it-for-me'.

# 634k

TradePro members

**OUR APPROACH**

- Local Trade represents one third of our business, and our industry leading digital TradePro scheme is designed to save local tradespeople time and money, offering a flat 10% discount across the store (see page 17). We are recruiting new Local Trade customers to the scheme with 80,000 joining in 2021.
- When choosing to undertake a major home improvement project, customers turn to our DIFM service which offers inspiration, trustworthy support across the design and installation process, and post-completion assurance on the quality of the work. We continue to extend our DIFM services beyond kitchen and bathroom installations to home office, tiling and flooring, with additional categories to follow.
- We continue to grow our strong base of trusted, quality installers, giving us significant competitive advantage.

**MARKET DRIVER**

## Omnichannel retailing provides a seamless shopping experience

Customers expect a seamless shopping experience across all channels and touchpoints, regardless of whether they browse on a website, walk into a store or order via a mobile phone, and the pandemic has brought a surge in demand for Home Delivery and Click & Collect services.

**OUR APPROACH**

– These customer expectations require advanced, integrated digital capabilities, including convenient and flexible fulfilment choices, such as scheduled Home Delivery and Click & Collect options, alongside the services and expertise of our colleagues in our stores.
– Our digitally-led, service-enabled business model means clicks and bricks work in harmony to provide our customers with exactly what they need, how and when they need it.
– Throughout 2021 Home Delivery participation has remained at a high level and we have introduced Click & Collect car parking at our busiest delivery locations, to make it even easier for customers to shop with us.

**MARKET DRIVER**

## Value, quality and convenience

Customers are looking for hassle-free shopping experiences that can make their lives easier. With busy lifestyles, they have high expectations that retailers will provide a choice of products that offer value and quality, are readily available and convenient to buy.

**OUR APPROACH**

– Our strategy is to focus on a highly curated range of products in store, supported by a more extensive online offering. These curated ranges and right-sized store formats ensure customers have convenient access to the right product ranges at the right price, with supportive advice from knowledgeable store teams. By holding fewer product lines in store, we can ensure good availability of the most popular products.
– We offer simple, clear pricing by presenting the customer with the choice of 'good, better and best' tiering of products, and we stock a curated range of Wickes own brand and third party branded products at exceptional value.
– Customers can use our in-store online terminal, OLI, or visit wickes.co.uk to research and order from an extended range of products and services, and organise timely and flexible Home Delivery or Click & Collect from across our store network.

**79%**

of trade professionals feel optimistic about their work over the next 1 – 2 years*

* source: Wickes quantative survey November 2021

**MARKET DRIVER**

## Digital goes from strength to strength

The pandemic has created exponential growth in online shopping. Within the home improvement market, digital is increasingly the primary source of information and inspiration for customers embarking on a project, especially the new, younger wave of home improvers.

**OUR APPROACH**

– We are investing heavily in our digital capabilities and marketing channels, to ensure we can offer the digital inspiration and shopping experience our customers expect.
– The launch of our virtual showroom journey in late 2020 transformed the way our Do-it-for-me customers can create their perfect new kitchen or bathroom, and we continue to make enhancements to this online service.
– We know that content rich digital customer journeys are critical to engaging and converting customers, and typically we experience 20% higher average order volumes when a customer engages with our digital content.

**c.9,500**

products in store, c.8,000 products online

# Business model

**We have a unique framework to win in the home improvement marketplace**

With our unique and differentiated customer proposition of Local Trade, DIFM and DIY we can support customers however they decide to undertake their home improvement plans.

## Our foundations

### Our people
8,200+ highly engaged colleagues who are passionate about delivering our purpose – to help the nation feel house proud

### Our culture
An inclusive and diverse modern workplace where colleagues can 'feel at home' and perform to the best of their ability

### Our brand
For 50 years the Wickes brand has been synonymous with home improvement in the UK

### Our physical estate
232 stores across the UK, working in harmony with our digital offer to provide an integrated and seamless shopping experience for the customer

### Our digital capability
We maximise our digital capability to gain greater customer insight and loyalty, drive operational efficiencies and create a seamless shopping experience

### Our product supply
Strong relationships with our suppliers ensuring we offer quality products at the right price and industry leading availability. We are committed to protecting the environment and ensure natural materials such as wood are sourced responsibly

PURPOSE

**To help the nation feel house proud**

**Customer proposition**

| Local Trade | Do-it-for-me (DIFM) | DIY |
|---|---|---|
| From trade-trusted brands to always being 10% cheaper, we can save you time and money when you shop with TradePro | From concept to completion, plus all the finishing touches, we can help you with your project every step of the way | From our curated range to bringing you the right quality products at the right prices, we can help you to tackle your project providing advice, guidance and knowledge |

**Enabler**

Delivering brilliant customer experience through engaged colleagues, a winning culture and growing responsibility

**Foundation**

| Curated product ranges | Digitally-led | Distinctive service model providing inspiration, service and fulfilment | Low-cost, right-sized physical estate | Simple, clear pricing offering value to customers |
|---|---|---|---|---|
| Our strong sales densities and curated ranges result in industry leading stockturn at more than 5x, which helps drive cash conversion | Two thirds of sales come via digital channels but 98% of sales touch the store | We save customers time and money by offering great value, excellent service and availability. Our different customer propositions shop in store at different times of the day and week, helping drive sales densities and service levels | Our stores are located on retail parks with, on average, 28,000 sq ft of rentable internal space. This enables operational efficiencies, and is convenient and easy for our customers | We reinvest our buying and efficiency gains back into the customer proposition, so we can sell more, buy for less and maintain our great value offer |

**Underpinned by our Winning Behaviours, sound corporate governance and responsible business practices**

We are focused on creating future value through our strategic growth levers:

**Winning for Trade**
TradePro growth

**Accelerating DIFM**
Natural category extensions, broadening the proposition

**DIY category wins**
Getting our fair share in underweight categories

**Digital capability**
Continued development of a seamless offer

**Store investment**
High return on investment refits, exploit new space

**Enhanced store service model**
Laying the foundations for the future

Delivering exceptional customer experience through engaged colleagues, a winning culture and growing responsibility

## The value we are creating for all our stakeholders

### Colleagues
**80%**
**employee engagement**

We provide a great place to work where colleagues are supported to build their skills and careers. To celebrate our demerger every colleague was granted shares in the Company

### Customers
**5m**
**online customers**

We help our customers create their perfect home and feel house proud, however they choose to undertake their home improvement project

### Communities
**£1m**
**raised for YoungMinds**

We have pledged to raise £2 million by the end of 2022 for our chosen charity, YoungMinds, and are supporting hundreds of local community projects around the UK

### Shareholders
**10.9p**
**maiden dividend**

We create long term and sustainable value by growing the business responsibly and increasing our market share, driving profitable growth with strong cash generation enabling strong returns

### Suppliers
**99.8%**
**timber FSC or PEFC certified**

With our track record of market share gains we deliver additional volume to our suppliers and work closely with them to target areas of product growth, as well as supporting them to develop their responsible sourcing practices

### Environment
**97%**
**of kitchen and bathroom waste recycled**

We are working hard to ensure that our business has a positive impact on the environment, both today and in the future

**Underpinned by our Winning Behaviours, sound corporate governance and responsible business practices**

Strategy

# Strategic overview

We have a clear framework to win, which is guided by our vision, mission and purpose to help the nation feel house proud.

We aim to continue developing our digitally-led, service-enabled proposition across Local trade, DIFM and DIY Retail through focused efforts on key strategic levers, which we call our '**growth levers**.'

To win in this market, we have a strong portfolio of growth levers that are relatively immature, with more to go for.

In 2021, we have made great progress on each of our growth levers as we continue to evolve and enhance our proposition through product and service innovation.

OUR VISION

## A Wickes project in every home

OUR MISSION

**To be the partner of choice for Home Improvers and Local Trade**

OUR PURPOSE

**To help the nation feel house proud**

## Growth levers

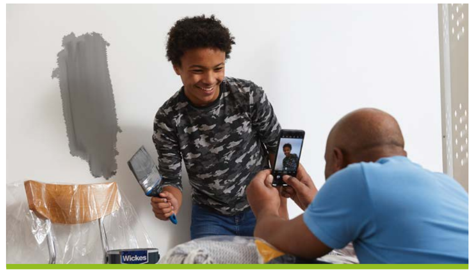
CUSTOMER PROPOSITION

### Winning for Trade

TradePro growth

### Accelerating DIFM

Natural category extensions, broadening the proposition



### DIY category wins

Getting our fair share in underweight categories

FOUNDATIONS

Delivering exceptional customer experience through engaged colleagues, a winning culture and growing responsibility

### Store investment

High return on investment refits, exploit new space

### Digital capability

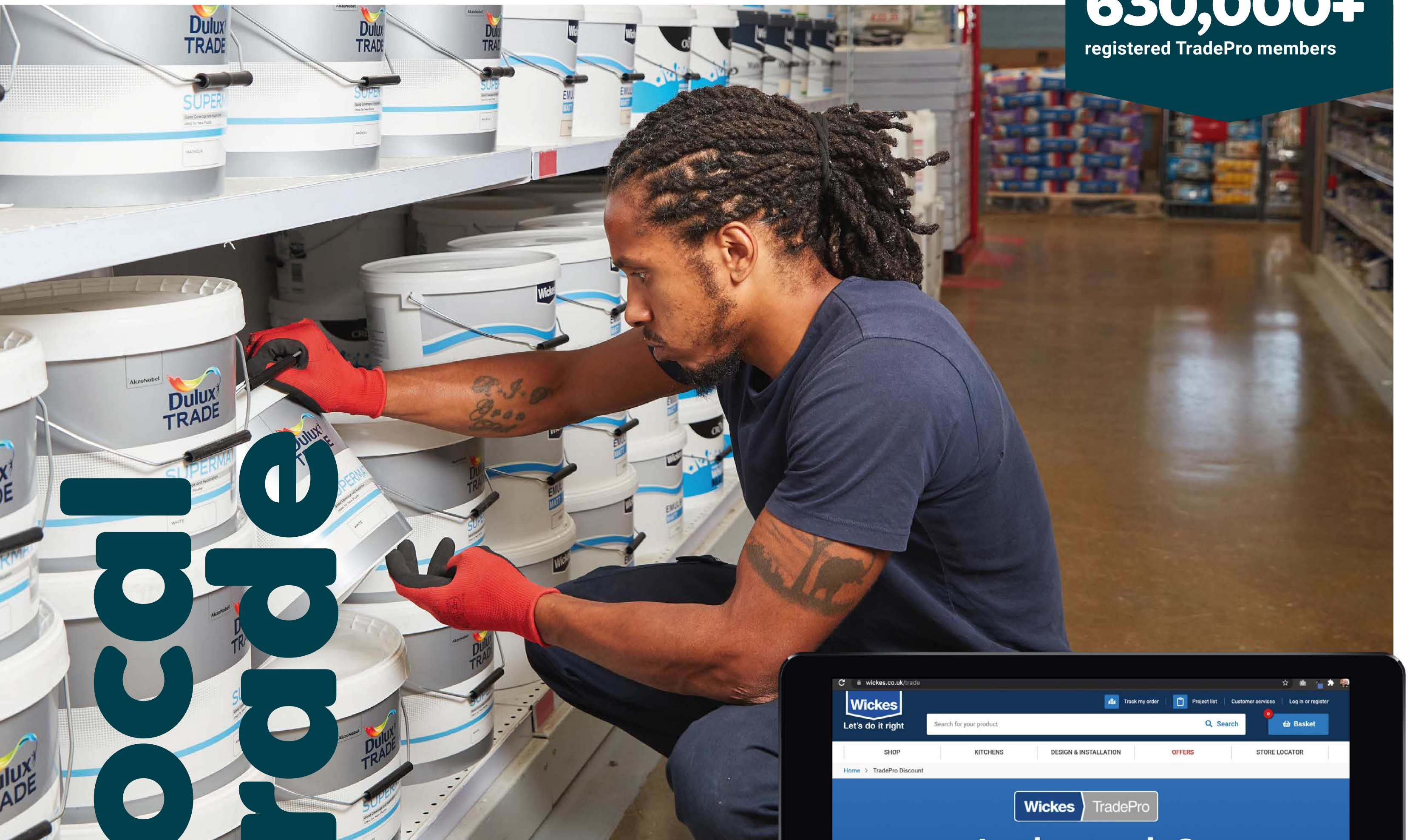
Continued development of a seamless offer

### Enhanced store service model

Laying the foundations for future growth

**Strategy in action** continued

# Mastering our trade



# Local Trade

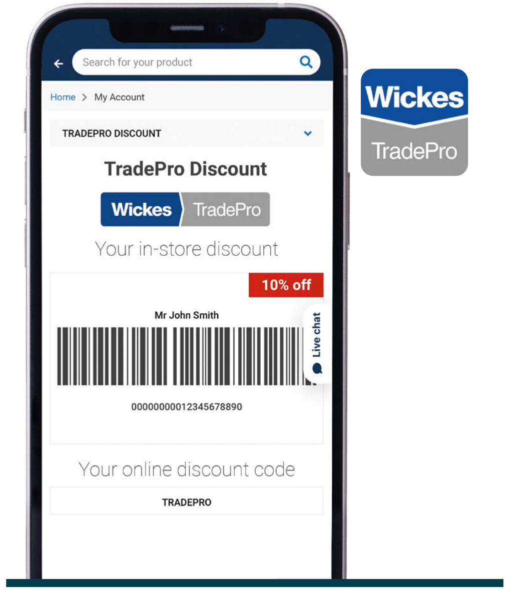
Duane, general tradesman, London

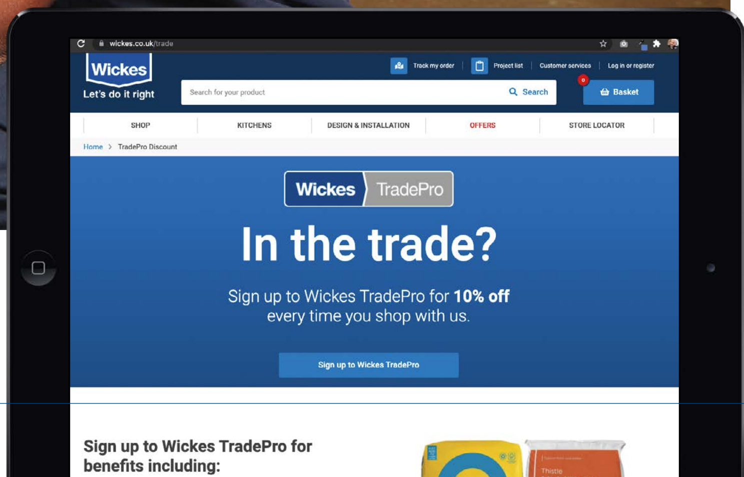
**TradePro customers** are our most strategically valuable customers as they will spend ten times more than a regular DIY customer.

**630,000+**

**registered TradePro members**

**From trade-trusted brands to always being 10% cheaper, we can save our Local Trade customers time and money when they shop with TradePro.**




## What next for Local Trade?

Wickes' ambition is to grow TradePro membership to one million.

Added value, personalised offers, and further improvements to the TradePro app will help grow membership numbers, average basket and frequency.

**For more information, please see** page 18

# Growth levers

## Winning for Trade

Our TradePro membership scheme offers a simple, entirely digital scheme for Local Trade designed to save them time and money and offering a flat 10% discount across the store

### STRATEGIC FOCUS

- Expand our most strategically valuable customer base through growing membership of our TradePro scheme.
- Continue to develop our Missions Motivation Engine to use data and analytics to gain greater understanding of our Local Trade customers and their shopping 'missions'.
- Personalise customer experience and offers to provide TradePro members with relevant and engaging content and rewards to increase loyalty and the frequency of purchase.

### WHAT WE ACHIEVED

- Increased TradePro membership, enrolling over 80,000 new Local Trade customers, bringing total membership to 630,000+.
- Made enhancements to the TradePro app with more personalised communications and targeted promotional offers along with TradePro pricing and push notifications.
- Partnered with Sky Sports to sponsor coverage of darts tournaments targeting Local trade customer base.

### OPPORTUNITIES

- Grow TradePro membership to over one million members.
- Buoyant pipeline of work for trade professionals. 66% of tradespeople say they have work lined up for the next three months and beyond.
- Increased demand for skilled tradespeople.

### RISKS

**PRIMARY PRINCIPAL RISK FOCUS:**
- Reputation and brand integrity
- Customer service and experience

**ENABLED BY US ALSO MANAGING PRINCIPAL RISKS RELATING TO:**
- Operations
- People, culture and safety
- Cyber security and data

### HIGHLIGHTS

**15%**
increase in TradePro members

## Accelerating DIFM

Accelerate growth in DIFM through digital development and product innovation

### STRATEGIC FOCUS

- Grow DIFM by enhancing and innovating the existing proposition, introducing new kitchen and bathroom ranges and refreshing our showrooms.
- Develop natural extensions into adjacent categories to increase overall home improvement project spending.
- Continue to strengthen our installer base of 2,600+ Wickes approved installer teams to increase competitive advantage.
- Run the Wickes Installer Apprenticeship programme to secure a future generation of skilled installers.

### WHAT WE ACHIEVED

- Continued strong customer demand for our DIFM virtual journey with over 3.3 million interactions with the tool.
- Redeveloped our entire bathroom range and refreshed 20% of our kitchen range, with strong sales performance in these new ranges.
- Launched our home office proposition responding to changing consumer behaviour and leveraging our existing design and installation capability.
- Extended installation services into joinery, glazing and landscaping categories.
- Our first cohort of Installer apprentices completed their Apprenticeship.
- Digital development has delivered improved imaging, features and pricing illustrations on the website for DIFM projects, and new video content supports Flooring and Tiling.

### OPPORTUNITIES

- Increased installer base by 25% in 2022.
- Identify additional home improvement categories to extend installer services.
- The enforced closure of our showrooms in 2020-2021 combined with the constrained availability of skilled installers has led to pent-up customer demand for DIFM products and services that we expect to continue throughout 2022.
- Highly fragmented marketplace with opportunity to take share through our market leading national proposition.

### RISKS

**PRIMARY PRINCIPAL RISK FOCUS:**
- Reputation and brand integrity
- Customer service and experience

**ENABLED BY US ALSO MANAGING PRINCIPAL RISKS RELATING TO:**
- Operations
- People, culture and safety
- Cyber security and data

### HIGHLIGHTS

**>26,000**
installations completed

**2,600+**
installer teams

**34**
Installer Apprenticeships

# Making time for you

**We inspire, offer advice, and act as one partner to manage a customer's project** end to end while providing a guaranteed quality installation.

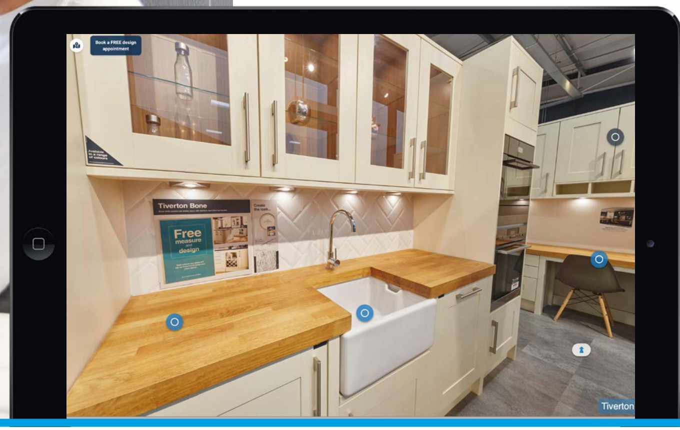
ServiceMark with Distinction
Accredited from Dec '19 to Dec '22
The Institute of Customer Service

## In 2021 our team of 620 in-house design consultants and 2,600+ Wickes-approved installer teams completed >26,000 installations.

DIFM

Rosie, Liam and Olive, Southampton

Customers are increasingly using our **DIFM virtual journey** for inspiration and to explore their new dream kitchen or bathroom.




**Nathan** completed his Wickes Installer Apprenticeship in July 2021

## What next for DIFM?

Growth will come through extensions into new categories, with windows, loft conversions, driveways, patios and landscaping defined as future opportunities. These new markets are large, and Wickes has low penetration.

Using our Missions Motivation Engine, we use data and analytics to gain insight into customers' shopping missions, enabling us to create targeted personalised communications to inspire and help them with their home improvement projects.

**For more information, please see** page 18

## Strategy at a glance continued

# Growth levers

## DIY category wins

Provide an in-depth and carefully curated range in store with an extended range online to offer customers the best range, price, availability and convenience

**STRATEGIC FOCUS**

- Grow our existing DIY proposition and grow volumes by targeting large markets for common DIY projects and aim to get our fair share in underweight categories.
- Conduct an active programme of range reviews seeking to innovate and evolve our product offering.
- Ensure good availability of our highest-demand products in store and limit the use of promotional periods and discounting activity to increase sales.
- Our highly curated product range supports our efficient operating model, enabling simpler and more efficient product refreshing and reducing complexity for distribution and in-store stocking activities.

**WHAT WE ACHIEVED**

- Completed range reviews in a number of key areas including garden maintenance, flooring, timber and sheet materials, doors and decorating.
- Range reviews led to an average 15% reduction in stock keeping unit (SKUs) in store.
- Introduced innovative new product ranges such as water-resistant laminate flooring, Wickes-branded peat-free compost, engineered composite solid-core interior doors and a Samsung range of connected smart appliances.

**OPPORTUNITIES**

- Target further categories where we are currently underweight to increase market share.
- 76% of home improvers told us they planned to spend the same or more on home improvement in the next 12 – 24 months (source: Wickes survey Nov 2021).
- A new wave of younger DIYers supports a growing customer base.
- Development of a marketplace proposition.

**RISKS**

**PRIMARY PRINCIPAL RISK FOCUS:**
- Reputation and brand integrity
- Customer service and experience

**ENABLED BY US ALSO MANAGING PRINCIPAL RISKS RELATING TO:**
- Operations
- People, culture and safety
- Cyber security and data

**HIGHLIGHTS**

**c.15%**
SKU reduction following range reviews

## Digital capability

We are investing significantly in our digital capabilities to integrate our online and in-store offerings to deliver a seamless and inspiring shopping experience for our customers

**STRATEGIC FOCUS**

- Deliver an ongoing programme of improved features for our website, TradePro app, DIY app, online in-store terminals (OLI) and DIFM virtual journey.
- Enhance our Click & Collect and Home Delivery services alongside extending our online product range to provide greater choice, flexibility and convenience as well as improving operating efficiency in stores through our colleague picking app.
- Continue to develop our Missions Motivation Engine that uses data and analytics to identify customer shopping 'missions' and gauge the commercial volume and value within those missions.
- Create targeted personalised communications, through all owned and earned marketing channels, to increase the quality and quantity of missions customers shop with us.

**WHAT WE ACHIEVED**

- Launched new DIY app, with improved functionality, augmented-reality capability and push notifications.
- Enhanced website with new chatbot functionality.
- Used our Missions Motivation Engine to gain greater insight into the shopping missions of our TradePro customers and to create targeted personalised communications.
- Rolled out a digital picking app for store colleagues to pick products for Click & Collect customers. We have also rolled out our online Park & Collect service to high-volume stores.
- Enhanced our DIFM virtual showroom journey to include an online showroom tour and added imaging features and pricing illustrations for DIFM projects to our website.

**OPPORTUNITIES**

- Improve end-to-end customer journeys through digital enablement.
- Grow our Click & Collect and Home Delivery services.
- Maximise our Missions Motivation Engine to gain customer insights and tailor our communications, product and service offer to their personal needs, improving loyalty, retention and sales.
- Expand our DIY app.
- Continue to develop our digital capabilities to increase operational efficiency

**RISKS**

**PRIMARY PRINCIPAL RISK FOCUS:**
- Customer service and experience
- Cyber security and data

**ENABLED BY US ALSO MANAGING PRINCIPAL RISKS RELATING TO:**
- Operations
- Reputation and brand integrity
- Autonomy

**HIGHLIGHTS**

**c.5m**
digital customers

**2/3**
of sales come through our digital channels

# Helping you Do-it-yourself

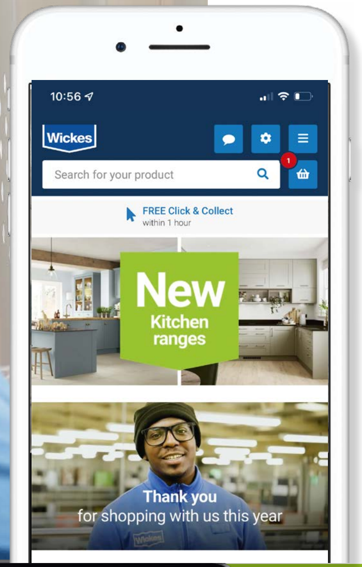
**We offer a broad range of categories for 'light trade' to 'heavy trade' including a stable of trusted Wickes-branded items** that account for around 60% of all products and typically provide relatively higher margins than third party branded products.

**9,500**
**products in store**

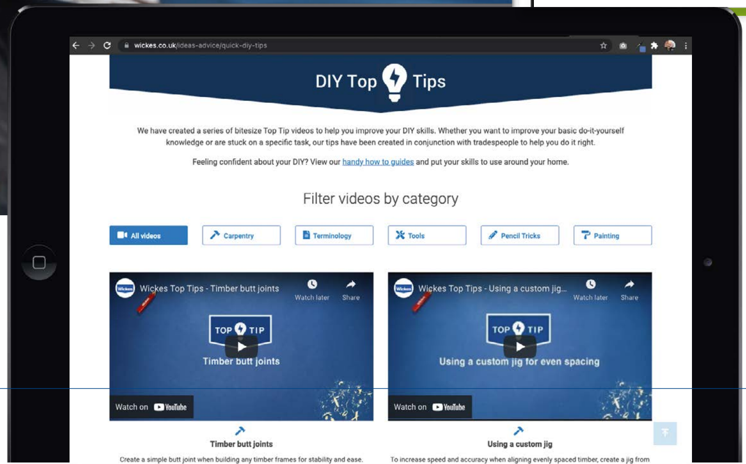
**8,000+**
**products online**


DIY

**Nick and Joel**, Surrey




We recently launched our DIY app, which offers customers everything they need to inspire, plan, undertake and complete their home improvement projects including online guides, videos and 'top tips'.




## What next for DIY?

As well as encouraging better customer engagement the app, working seamlessly with our Missions Motivation Engine, will give us insight into our customers' home improvement missions, so we can create promotional and marketing communications tailored to their individual DIY needs.

We will continue to target product categories where we are underweight, to increase market share.

**For more information, please see** page 20

**Strategy at a glance** continued

# Growth levers

## Store investment

We continually review the footprint of our store network, utilising a 'right size, right place, right cost' approach, to ensure our stores are strategically located for maximum footfall and to act as fulfilment centres for digital sales across the network

### STRATEGIC FOCUS

- Continue to invest significantly in our store-refit programme.
- Improve the quality of our store estate and right-size certain stores to support more efficient in-store operations and to offer a more welcoming, easier-to-use and consistent customer experience.
- Target high-volume stores with a reconfigured lower-investment refit model to increase their storage capacity to facilitate Click & Collect and Home Delivery orders, supported by handheld technology that helps colleagues pick the items more efficiently.
- Conduct store refresh activities, on a rolling five-year basis, following the completion of refit activities to maintain store estate.

### WHAT WE ACHIEVED

- We have now refitted 151 of our 232 Wickes stores.
- In 2021, we refitted 10 stores and relocated our Sunderland store.
- Refitted stores increased sales by c.25% (c.60% in DIFM and c.15% across DIY and Local trade) which is sustained in subsequent years. Refitted stores historically exceed their targeted average return on capital investment of 25%.
- Reconfigured 50 of our highest-volume Home Delivery and Click & Collect fulfilment stores to create 50,000 sq ft of additional storage space without affecting store ranges or compromising the store format.

### OPPORTUNITIES

- Accelerate the programme to refit the Wickes store estate.
- Identify opportunities for new stores in 'white space' or in existing Wickes conurbations that have high demand and high customer density.

### RISKS

**PRIMARY PRINCIPAL RISK FOCUS:**
- Customer service and experience
- Finance and Treasury

**ENABLED BY US ALSO MANAGING PRINCIPAL RISKS RELATING TO:**
- Autonomy
- Climate and ESG
- Operations

### HIGHLIGHTS

**10**
store refits

**31%**
average sales increase per sq ft for new format stores compared to heritage stores

## Enhanced store service model

Our unique '4C' model is designed to meet all our customers' needs through DIFM, Assisted Selling, Self Serve and Order Fulfilment areas of the store

### STRATEGIC FOCUS

- Continue to develop and roll out our unique 4C model (see page 23), which is critical to offering a seamless shopping experience for all our customers.
- Integrate digital capabilities across the four areas of the store to provide a seamless shopping experience, improve efficiency and give us significant competitive advantage.
- Grow Click & Collect and Home Delivery services through increased storage capacity, introducing service-enabling technology and securing best-in-class delivery partners.

### WHAT WE ACHIEVED

- 71% of colleagues completed their 4C training with remainder to be completed in 2022.
- Introduced two new carrier partners (DPD and Tuffnells) to support future growth.
- Rolled out handheld technology that helps colleagues pick Click & Collect and Home Delivery orders faster and more accurately.

### OPPORTUNITIES

- Roll out the enhanced 4C model across the estate.
- Maximise future digital innovations to become more efficient and to enhance the customer experience through the four areas of the store.

### RISKS

**PRIMARY PRINCIPAL RISK FOCUS:**
- Customer service and experience
- Operations

**ENABLED BY US ALSO MANAGING PRINCIPAL RISKS RELATING TO:**
- Finance and Treasury
- People, culture and safety

### HIGHLIGHTS

**71%**
of colleagues completed 4C training

# The hub of home improvement

**Our stores are an integral part of the Wickes customer proposition.** We operate 232 stores across the UK with an average footprint of 28,000 sq ft of rentable internal space.

**Footfall dynamics allow for business across all parts of the day. In the mornings it is more about Local Trade; in the afternoon we see a big push on DIY; and in the evening, after work, it is DIFM.**

Unique 4C model

## Assisted Selling

The Assisted Selling area of the store, where the online in-store terminal (OLI) is located, gives customers access to our extended range of products online. It also allows colleagues to track stock and inventory information from the extended product ranges and place customer orders from the shop floor.


## Do-it-for-me

A DIFM showroom in each store displays our kitchen and bathroom ranges, helping our DIFM customers to dream and visualise their projects, with expert help from our design consultants.

## Order Fulfilment

The Order Fulfilment area of the store handles all customer Click & Collect and Home Delivery orders.

## Self Serve

Our knowledgeable colleagues support Self Serve customers in a welcoming environment that makes it simple, quick and easy to shop.

## What's next for our enhanced store service model?

We will continue to roll our enhanced store service model out across our estate, adding digital and service innovations to create a seamless customer shopping experience and improve efficiency.

**For more information, please see** page 22

# Strategy at a glance
continued

# Growth levers

## Delivering exceptional customer experience through engaged colleagues, a winning culture and growing responsibly

### STRATEGIC FOCUS

- Promote a safety-first approach, ensuring our sites are safe, legal and compliant.
- Build on our strong foundations of inclusion and diversity (I&D) to create a modern, engaged and inclusive workforce where everyone can feel at home, provide exceptional levels of customer service and operate to their maximum potential.
- Create a modern workplace, with opportunities for colleagues to work flexibly and enhanced benefits to support their overall wellbeing.
- Develop a lean, agile and digitally-savvy workforce.
- Offer a market leading, benefits and reward package that supports our colleagues' financial and personal wellbeing.
- Build a strong and diverse pipeline of talent that focuses on early careers.
- Upskill and develop colleagues through training programmes and our Learn and Earn Apprenticeship Programme (LEAP).
- Build our leadership capabilities by focusing on internal progression and increasing internal talent through our Leadership, Effectiveness and Development (LEAD) programme.
- Communicate with colleagues so they are informed, listened to, inspired and engaged to play their part in delivering our strategy and purpose.
- Build a comprehensive Responsible Business Strategy that supports a diverse and inclusive society, an environment protected for the next generation and homes fit for a sustainable future for all.
- Support and strengthen our six colleague-led I&D networks to promote inclusion and diversity, creating an environment where all colleagues can feel at home.

### WHAT WE ACHIEVED

- The first cohort of our Installer Apprenticeship programme successfully completed their apprenticeship and we are recruiting future cohorts.
- 22 managers went through the LEAD programme.
- Rolled out 'Under One Roof' leadership behaviours programme to 665 leaders.
- Our Let's Care For Each Other initiative continues to support our in-store colleagues, addressing the challenges they face in customer-facing roles.
- Launched our first ever Save As You Earn (SAYE) plan for colleagues.
- To celebrate the demerger every colleague was granted shares in the Company.
- Launched an award winning partnership with Peppy Health to support colleagues and their families with early-parenting, fertility and menopause issues.
- Established a Board-level Responsible Business Committee, appointed our first ever Head of Sustainability and launched our Responsible Business Strategy – see pages 28-48 for further details.
- Our I&D networks ran a number of industry-leading initiatives – see page 32.
- Became a founding member of the Diversity in Retail programme.

### OPPORTUNITIES

- By strengthening our winning culture and building upon our reputation as a great place to work that is committed to growing responsibly, we will recruit and retain the best talent.
- Enhance our learning and development offering with a new learning and development website and Winning Behaviours programme for all colleagues.
- Develop future talent and skilled tradespeople through our apprenticeship programmes.
- Establish our own HR and people systems and policies as we complete the separation from Travis Perkins.
- Continue to build a modern workplace and conduct a flexible working trial for our store management teams.
- Review our benefits offering to significantly enhance engagement levels.

### RISKS

**PRIMARY PRINCIPAL RISK FOCUS:**
- Customer service and experience
- People, culture and safety
- Reputation and brand integrity

**ENABLED BY US ALSO MANAGING PRINCIPAL RISKS RELATING TO:**
- Operations
- Climate and ESG

### HIGHLIGHTS

**73%**
Retention rate

**80%**
Employee engagement score

See '**Responsible Business**' section for ESG KPIs

# A great place to work

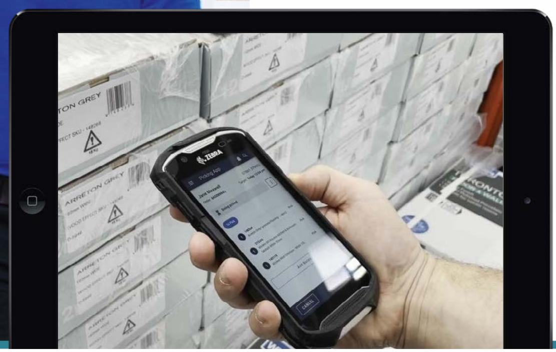
**At Wickes our winning culture is built on a foundation of personal responsibility,** where anyone, no matter who they are or where they are from, can feel at home.

**8,200+**
**colleagues**

## A winning culture

From left to right: **Michael, Chandrakant, Madaline and Brennan**

**We have a simple but deeply held set of beliefs we call our Winning Behaviours:**

We rolled out a new handheld digital picking app for our colleagues to help them provide outstanding customer service.

## What next for our winning culture?

We will continue to build on our strong foundations of inclusion and diversity to create a modern, engaged and inclusive workforce where everyone can feel at home.

We will strengthen our training, apprenticeship and leadership programmes to help colleagues learn new skills and build their careers with us.

**For more information, please see** page 24

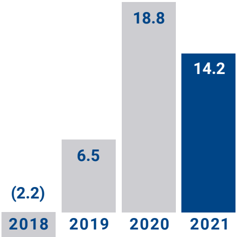
KPIs

Growth levers key:
1 WINNING FOR TRADE
2 ACCELERATING DIFM
3 DIY CATEGORY WINS
4 STORE INVESTMENT
5 DIGITAL CAPABILITY
6 ENHANCED STORE SERVICE MODEL

# Key performance indicators

## Financial

### LFL sales growth Core




**DESCRIPTION**
A measure of underlying sales growth of products to Local Trade and DIY customers

**DEFINITION**
The sales performance of Core goods sales to Local Trade and DIY customers in stores which have been trading for more than one year

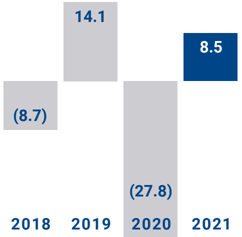
**LINK TO GROWTH LEVERS**
LFL sales growth is a measure of how successful we have been in developing our growth levers

1 3 4 5 6

**REMUNERATION LINKAGE**
Linkage will be via the impact of LFL sales growth on profitability

**TARGET**
We aim to grow market share in our £26.5 billion target market, and this is closely linked to LFL sales growth vs our peer group

### LFL sales growth DIFM




**DESCRIPTION**
A measurement of underlying sales growth of Do-it-for-me (DIFM) projects

**DEFINITION**
The delivered sales performance in DIFM, in stores which have been trading for more than one year

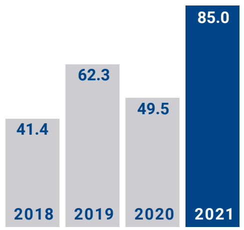
**LINK TO GROWTH LEVERS**
LFL sales growth is a measure of how successful we have been in developing our growth levers

2 4 5 6

**REMUNERATION LINKAGE**
Linkage will be via the impact of LFL sales growth on profitability

**TARGET**
We aim to grow market share in our £26.5 billion target market, and this is closely linked to LFL sales growth vs our peer group

### Adjusted PBT[1]




**DESCRIPTION**
Pre-tax profit adjusted for one-off or unusual costs in the financial year, as reported in the income statement

**DEFINITION**
Adjusted PBT is our key target, and is calculated before deducting adjusting costs such as demerger costs and IT separation costs, although statutory pretax profit is also important

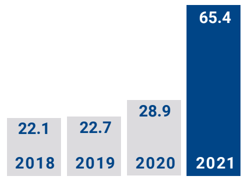
**LINK TO GROWTH LEVERS**
Adjusted pre-tax profit is a key measure of the efficiency of the business and how we are investing in future growth

1 2 3 4 5 6

**REMUNERATION LINKAGE**
Adjusted pre-tax profit represents 70% of management compensation

**TARGET**
We would aim to grow adjusted pre-tax profit each financial year, although this will be dependent on market and competitive conditions

### Reported PBT



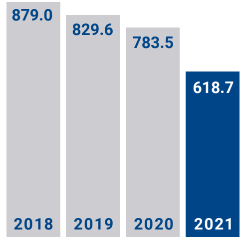

**DESCRIPTION**
Pre-tax profit in the financial year on a statutory basis, as reported in the income statement

**DEFINITION**
Statutory PBT

**LINK TO GROWTH LEVERS**
Pre-tax profit is a key measure of the efficiency of the business and how we are investing in future growth

1 2 3 4 5 6

### Net debt




**DESCRIPTION**
A measurement of year end net debt including lease liabilities

**DEFINITION**
The total value of our year end lease liabilities plus year end net cash

**LINK TO GROWTH LEVERS**
Net debt is not directly linked to growth levers but will be influenced by our performance across the business

1 2 3 4 5 6

**REMUNERATION LINKAGE**
Linkage is via profit and free cash flow performance

**TARGET**
Our target IFRS 16 leverage is 2.75x Adjusted EBITDA[2]

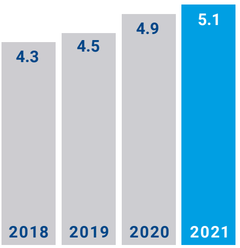
1 Refer to note 9 on pages 125-126

2 Refer to the APM on page 164

Growth levers key:
1 WINNING FOR TRADE
2 ACCELERATING DIFM
3 DIY CATEGORY WINS
4 STORE INVESTMENT
5 DIGITAL CAPABILITY
6 ENHANCED STORE SERVICE MODEL

# Operational

## Stock turn[1]




**DESCRIPTION**
A measure of how efficient we are in converting our stock into sales

**DEFINITION**
Cost of goods sold excluding installation divided by the average of financial year start and financial year end inventory

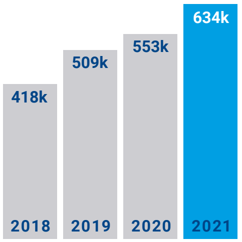
**LINK TO GROWTH LEVERS**
More rapid stockturn, especially relative to the creditor payment cycle, is a key driver of FCF

1 3 6

**REMUNERATION LINKAGE**
Linkage is via the impact on FCF

**TARGET**
We aim to maintain stock turn at around 5x, although this is dependent on trading conditions, product mix and timing issues

## TradePro accounts




**DESCRIPTION**
TradePro is our digital membership club for Local Trade, offering a 10% discount on all purchases

**DEFINITION**
Year-on-year account growth across the TradePro membership base

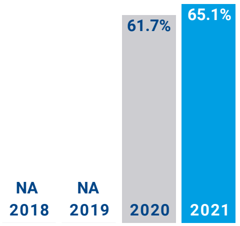
**LINK TO GROWTH LEVERS**
Servicing trade customers is central to our offer, and reflects our strengths in digital, pricing and convenience

1 3 4 5

**REMUNERATION LINKAGE**
Linkage will be via profitable growth of trade sales

**TARGET**
We aim to have one million TradePro accounts which would ensure sales here continue to grow faster than the Company average

## Digital sales progression




**DESCRIPTION**
This measures how successfully we are engaging with our increasingly digital customer base

**DEFINITION**
The proportion of customer journeys which start online, plus direct digital sales such as TradePro, Click & Collect and home delivery orders

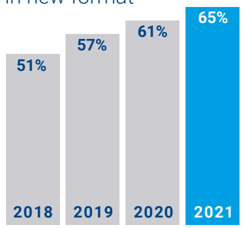
**LINK TO GROWTH LEVERS**
Our customer base is increasingly digital, and if we do not serve them well here then our market share and profitability will suffer over the long term

1 2 5 6

**REMUNERATION LINKAGE**
Linkage is via the impact on sales and profit performance, and the returns we generate from our digital investments

**TARGET**
We would expect our digital participation to grow over time as we serve our customers' digital demands

## Proportion of stores in new format




**DESCRIPTION**
New format stores are a key driver of brand image and sales growth, especially in digital and DIFM

**DEFINITION**
The number of stores in the new format at financial year end, as a percentage of total stores

**LINK TO GROWTH LEVERS**
Focus on digital, DIFM and extended range is a key driver of customer service and revenue growth

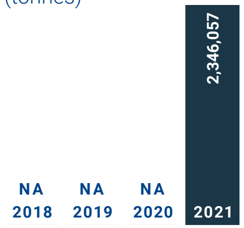
4

**REMUNERATION LINKAGE**
Linkage is via stronger short and medium term revenue growth, which in turn will drive profitability

**TARGET**
We plan to have all stores in the new format within five years

# Non-financial

## Carbon emissions (tonnes)




**DESCRIPTION**
We are acutely aware of our impact on the environment and this measure covers emissions from our own stores, transportation and our wider supply chain

**DEFINITION**
Scope 1, 2, and 3 carbon emissions as measured by our third party partner, South Pole

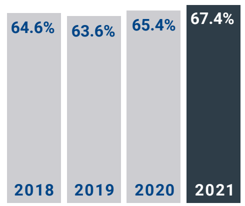
**LINK TO GROWTH LEVERS**
We are committed to being a responsible business, and emissions reductions are a key part of this. Over time, the cost of emissions could also become incorporated into our profit and loss statement

Links to our Responsible Business Strategy

**REMUNERATION LINKAGE**
ESG measures represent 10% of the annual bonus for Board members

**TARGET**
Committed to setting Science Based Targets in 2022

## Leadership group diversity




**DESCRIPTION**
We want to build a more diverse and inclusive workforce, for the good of our employees and customers

**DEFINITION**
The proportion of stores that have at least one female in every store leadership team

**LINK TO GROWTH LEVERS**
A diverse workforce at all levels is good for the business and our customers

Links to our Responsible Business Strategy

**REMUNERATION LINKAGE**
ESG measures represent 10% of the annual bonus for Board members

**TARGET**
Over the long term the aspiration is to achieve a balance of male and females across all our store leadership teams

1 Refer to note 18 on page 138

BUILT TO LAST

# Responsible Business Snapshot

## Increasing our I&D network

We have increased our I&D networks to six, launching a new Forward Focus Network, which will focus on supporting younger colleagues, and how they can help to future proof our business.

## Carbon reduction

We are testing new technologies, such as electric heating, upgraded building controls and new low-carbon vehicles.

## Partnering with Peppy

We launched an award winning partnership with Peppy, which focuses on supporting our colleagues and their families during stages of menopause and fertility.

## Talking to our customers

We are working with our customers to understand what products and services they need to help decarbonise their homes and live more sustainably. This initiative has included several Customer Closeness sessions with a sustainability focus.

## Supporting YoungMinds

We have already raised over £1m for our charity partner YoungMinds to help support its ambition for no young person to feel alone with their mental health.

**£2m**

**pledge for our charity partner**

## Climate action

We are committed to supporting the British Retail Consortium's Climate Action Roadmap which sets out pathways to achieve net zero carbon emissions across operations and supply chains.

**2040**

**Net Zero**

## Packaging targets

We have three new packaging targets aimed at reducing our absolute packaging use, increasing the recyclability of our packaging, and the use of recycled materials within it.

## Leader in diversity

LEADER IN DIVERSITY 2022

We have been recognised in the Financial Times Diversity Leaders in Europe report as No. 2 in the top 10 retailers in the UK.

## Strong governance

We have built strong governance through our Responsible Business Committee and Working Group, and we have strengthened our supply chain governance, with a new Responsible Sourcing Policy, Supplier Manual and supplier ESG questionnaire.

# Strong commitment to growing responsibly

**Sonita Alleyne**

CHAIR OF THE RESPONSIBLE BUSINESS COMMITTEE

### Our role in society

We see our role as much more than just a home improvement retailer. Wickes exists to help the nation feel house proud. We employ over 8,200 colleagues and operate in hundreds of communities across the UK, supporting our Local Trade, DIY and Do-it-for-me customers with projects big and small. We believe we have an important role to play in society, from the products we sell to the stores we run and the infrastructure we use to serve our customers, and we need to take responsibility for our impact and our influence.

### Our strategy for Responsible Business

Just as our business balances Local Trade, DIY and DIFM, our Responsible Business Strategy looks to address key environmental, societal and governance (ESG) issues across our business. We will support our people and communities, protect the environment and offer sustainable products and services, all of which support our customers living in homes they are proud of. This strategy is just the beginning. It sets out a framework for all our future ESG targets, and will act as an engagement tool with all our stakeholders.

### Governance

When we demerged and became an independent Company, we established a governance framework to provide Board level oversight and assurance of ESG matters. I chair the Board's Responsible Business Committee which meets quarterly to review, approve and monitor progress of our Responsible Business Strategy. We have set up a Responsible Business Working Group, comprising colleagues from all areas of the business, to gather ideas and work on projects. ESG matters, including outputs from the Working Group, are regularly discussed by the Executive Board through our existing management framework of executive meetings including people, customer, property, IT and cost and efficiency meetings. These all aim to drive our strategy forward, and they keep the Board and Responsible Business Committee informed of their developments and decisions made.

### Priorities for the year ahead

This year has been about establishing our strategy and the governance to support it. We have also been focused on consolidating, improving and understanding our data, which will enable us to measure our progress in the coming months and years. The year ahead will see us setting more targets across our strategy, continuing to engage with our customers to understand what we can do to help them achieve their own sustainability goals, and setting out our long term ambitions to fight climate change.

## Key achievements from the year

**Diversity Leaders report**

Wickes has been recognised in the Financial Times Diversity Leaders in Europe Report 2022, where we indexed as a top 10 UK retailer.

**Responsible business governance**

Wickes has established a framework to support our responsible business ambitions. Our Board level Responsible Business Committee is supported by the Executive Board and our Responsible Business Working Group, which has members representing all areas of the business.

**Supplier ESG forum**

Every year Wickes hosts supplier forums to discuss important issues with our sourcing partners. This year we dedicated a meeting to key ESG issues across both our business and supply chain, and set out our ambitions to work more closely with our suppliers in the future.

**Forward Focus Network**

To strengthen our inclusion and diversity networks, we have launched our Forward Focus Network. Its aim is to support the next generation of colleagues and customers, looking at influencing business sustainability, colleague development and customer communications.

# Our Responsible Business Strategy

## What is Responsible Business at Wickes?

### Built to Last

Our Responsible Business Strategy supports a diverse and inclusive society, an environment that is protected for the next generation and homes fit for a sustainable future for all.


## People

Grow a diverse and inclusive business that supports the needs of our colleagues, customers and communities

- **Colleagues**
- **Customers**
- **Communities**

## SUPPLY CHAIN AND RESPONSIBLE SOURCING

Responsible sourcing underpins our entire Responsible Business Strategy. From the materials used to make our products to how they are manufactured and transported, everything we do is built on a foundation of a sustainable, responsible supply chain.

## SAFETY & WELLBEING

Managing risks and developing a great safety culture are a fundamental part of the way we do business. Our safety culture is centred around commitment and care and we make it our priority to ensure that everyone who works and shops with us goes home safe and well every single day.

## Homes

Focus our products, services and installations to support sustainable homes that everyone can be proud of

- **Products**
- **Services**
- **Installations**

## STRONG GOVERNANCE

The first step in an effective strategy is strong governance, and our Responsible Business Strategy is no exception. Through our Responsible Business Committee and Working Group, we ensure this programme of work is managed effectively.

## Environment

Decarbonise our sites, transport and operations, to fight climate change and protect the natural environment

- **Carbon**
- **Waste**
- **Water**

## Responsible Business

# Q&A with our Responsible Business Working Group

### Q What does Responsible Business mean to Wickes?

Responsible Business is our new name for all of our ESG work. It builds on our award winning people programmes, with carbon reduction, environmental protection, and sustainable products and services front and centre of the new strategy. It is not only supported by our Responsible Business Committee, but also a working group of colleagues from across the business, all of whom are focused on delivering a broad range of activity.

**Owen Anderson**
Head of Sustainability

### Q How does safety fit into our Responsible Business plans?

Working safely is at the heart of everything we do, and we take our responsibilities very seriously. Our safety agenda is driven by our desire for learning and continuous improvement, and above all our care for colleagues, customers, communities and everyone we work with. Our focus, as we come out of the pandemic, is to understand how we can positively impact their safety and wellbeing and build that into our future plans.

**Liz Davidson**
Head of Health and Safety

### Q Do you think a transition to electric heavy goods vehicles (HGVs) is the way forward, or do you see other technologies contributing to our decarbonisation?

Plug-in electric vehicle technology is not yet ready for HGVs, but may be viable for operating localised vehicles such as refuse lorries. I believe that hydrogen fuel cell technology will be the way forward for general haulage and national distribution.

**Mark Wheeler**
Fleet Manager

### Q What are the key elements to a responsible sourcing strategy?

Understanding the impact that we have on communities, the environment and people involved along the supply chain. It's about being transparent and traceable in our operations, working with all stakeholders to create positive conditions that benefit everyone in the supply chain, giving customers, investors and colleagues the confidence and assurance we are doing the right things.

**John Grant**
Head of Responsible Sourcing and Quality

### Q What needs to change about the products that we offer to help customers live more sustainable lives?

There are already products in our range that help customers live more sustainably, such as FSC certified timber, insulation and energy efficient lighting to name a few. However, awareness of this is very limited, so our first step is to help inform customers about energy conservation and efficiency in their homes to help them live more sustainably.

We are also building on our existing ranges with new technologies that are right for our customers and offering them more sustainable choices on the home improvement projects they are completing.

**Teresa Paul**
Head of Commercial

### Q What plans do we have to be a more representative business in the future?

To drive greater change and build a more diverse and inclusive workforce, we are focused on three main goals: to ensure our Executive Board leads the industry in gender and ethnicity mix; to deliver a significant shift in the diversity of our leadership team with more women in influential leadership roles; and to ensure a gender and ethnically diverse makeup of our early careers colleagues to secure a diverse talent pipeline for future leaders.

**Claira Singh**
Inclusion and Diversity Manager

### Q What has been the most memorable achievement in our Community programme?

Creating an initiative where our colleagues donate products to community organisations that are important to them has been massively rewarding. Providing autonomy for who they can support has given our teams a real sense of pride in the programme; I have no doubt this will continue to be the backbone of its success.

**Helena Keane**
Community Manager

### Q How are we helping customers understand more about the products they are buying?

We are working with our suppliers to review all products and simplifying language on product descriptions, adding helpful sustainability information and providing more images showing the product in use. Providing relevant and factual information in a simple way is key to helping customers find the right product.

**Leroy Pugliese**
E-Commerce Manager

### Q What are your ambitions for next year?

Next year we will continue to remove plastic packaging from our product ranges where it is not necessary. We will be reducing the reliance on polystyrene in a bid to remove it completely and we will continue to increase the recycled content of our plastic and paper packaging to make better use of resources.

**Victoria Ellis**
Packaging Sustainability Manager

We will look to review and invest in electric vehicles, LED lighting, and electric heating systems, working with our landlords to drive carbon reduction across our estate.

**Tom Major**
Head of Facilities

## Responsible Business

# People

### Goals

**Grow a diverse and inclusive business, that supports the needs of our colleagues, customers and communities**

- Industry leading gender diversity across our leadership teams.
- Positive local impact through our community and charity partnerships.
- Connect young people with careers and skills in retail and DIY.

### Targets

- Set gender diversity leadership targets.
- Raise £2 million for YoungMinds by the end of our partnership.
- All stores and sites to participate in Wickes' Community programme.
- Offer and support 200 early career places each year for the next three years.


– We were delighted when our partnership with Peppy won two awards at the Personnel Today Awards for 'Best Employee Benefit' and 'Overall Winner'.

**Winning** | **Can do spirit** | **Being at your best** | **Humility** | **Authentic**

### Feel at home

Here at Wickes, we're building a space where anyone – no matter who they are or where they're from – can feel at home. This means that everyone can bring their authentic selves to work, knowing their safety, happiness and wellbeing is at the heart of our thinking. Our People pillar sets out our ambition to grow a modern and engaged workforce, build an environment for our customers where we care for each other and to build skills in the communities that we serve.

### Colleagues

Inclusion and diversity at Wickes has grown organically over the last five years, seeing a grassroots-fed movement creating six colleague-led networks all of which have our Winning Behaviours at heart, which have sought to underpin an inclusive culture. These networks cover LGBTQ+, awareness and action on culture and ethnicity, gender, wellbeing, ability focusing on disabilities, and support for young colleagues in how they can future proof our business. Each network, supported by a senior leadership team sponsor, challenges our way of thinking, pushing us to evolve or establish policies that represent our people.

Our people have created a driving force for change through awareness and education, continuously celebrating key dates to join events like Pride, International Women's day, Black History Month, Mental Health Awareness Week and International Day of People with Disabilities; whilst also strengthening the voice of our colleagues from around the business to speak openly with the Executive Board about their experience being from one of our diverse groups.

Across the networks we have driven allyship and hosted workshops for colleagues to learn more about issues faced and what they can do to support. We've grown our group of LGBTQ+ Allies with 150 active Allies across the business and 383 managers taking part in our Race, Ethnicity and Identity Cultural Allyship programme. In 2021 we launched our Gender Ally programme designed to help individuals gain key skills in sponsorship and championing female colleagues.

We have significantly enhanced our maternity, paternity and adoption leave policies to allow colleagues to take more than double the amount of paid absence and have added support for those experiencing miscarriage and fertility issues. To ensure that every colleague has a fair opportunity to be selected for roles, we are implementing a policy in which all management grade and above roles are required to have a balance of genders and at least one person from an underrepresented ethnic minority at interview.

We want to do it right and we're working with partners such as Stonewall and The Valuable 500 to encourage change, share knowledge and achieve ambitious standards. We are a founding member of Diversity in Retail and have joined its Global Female Leader Programme with two colleagues on the first cohort. We have signed up to the British Retail Consortium's Diversity & Inclusion Charter, committing to share our learnings and data to support the wider retail community.

| | As at 1 January 2022 | |
|---|---|---|
| Turnover | Year | % |
| Total leavers | 3,326 | 37.1 |
| Full time | 4,910 | 59.9 |
| Part time | 3,292 | 40.1 |

| | As at 1 January 2022 | | | |
|---|---|---|---|---|
| Gender | Male | % | Female | % |
| Plc Board | 4 | 66.7 | 2 | 33.3 |
| Executive Board | 5 | 62.5 | 3 | 37.5 |
| Senior managers | 45 | 65.2 | 24 | 34.8 |
| All other colleagues | 4,931 | 60.7 | 3,194 | 39.3 |

# **Responsible Business** People continued


SUPPORTING OUR LOCAL COMMUNITIES

We are passionate about our local communities and through our Wickes Community Programme our store team in Crewe has stepped in to support its local primary school, Wybunbury Delves, with a sensory garden development, by donating a huge selection of paint and equipment to freshen up the play area, making it a vibrant and exciting space for the children.

INSTALLATION APPRENTICESHIP

The launch of our own unique Wickes Installer Apprenticeship scheme addresses the skills gap and helps maintain the future supply of skilled tradespeople. Our first apprentice from the Wickes pilot Installer Apprenticeship scheme, Nathan Taylor, successfully completed his apprenticeship and launched his own installations business in August 2021.


## Customers

We want to reflect our customers and wider society so we can properly serve our customers. Our customers care about seeing an inclusive, diverse workplace full of happy employees. We are committed to supporting our customers in store and online through strong accessibility, support and education. Our Let's Care For Each Other ethos is internally and externally focused and makes clear our zero tolerance stance on physical, verbal or racial abuse against colleagues or customers. We stand with other retailers and support the ShopKind initiative which also tackles violence and abuse against shopworkers. All of our new stores and refits going forward will have gender neutral facilities alongside standard binary facilities for customers as well as colleagues.

## Communities

Our focus on early careers is an important part of our talent strategy to build colleague capability and support future business growth. We have joined the government's Kick Start scheme and had 72 people in the scheme, of whom now 24 have joined us permanently and are enjoying the success of the programme. Apprenticeships remain an important part of our early careers offering but we believe that a broader offering will support more diversity in our pipelines and build skills in our community. We have 48 graduated apprentices and 129 currently on our apprenticeship programmes. We are the first national retailer to have developed an Installer Apprenticeship standard and to offer this programme across the UK.

We're delighted to have achieved our £1 million pledge for our charity partner YoungMinds and we aim to raise £2 million by the end of our partnership to support young people's mental health.

The Wickes Community Programme helps our colleagues support their local community with a dedicated fund for product donations, with an umbrella programme to showcase the collective and meaningful difference Wickes makes in local communities. In 2021 we trialled the programme with four regions and supported 101 projects. Now in 2022 we are launching our Community Programme nationally to all stores and sites.

SUPPORTING YOUNG PEOPLE'S MENTAL HEALTH

Our North and South divisions took to the streets in summer 2021 taking on serious challenges of cycling from Inverness to Perth to Dundee and doing mega walks with 12 teams walking in tandem, starting in Weston Super Mare and finishing in Southend. Their efforts and passion to support our charity partner YoungMinds to fight for young people's mental health raised an incredible £137,000.

## Looking forward

**Like any good project, we know there's always more to be done. We've laid the foundations.**

We'll continue to evolve and make changes until everyone at Wickes feels at home. Next year we intend to:

- Set industry leading targets around ethnicity and gender
- Continue to educate, raise awareness and challenge, whilst we align our policy and practices to deliver our goals

# Everyone home safe and well every single day

Managing risks and developing a great safety culture are a fundamental part of the way we do business. Our safety culture is based on commitment and care, and we make it our priority to ensure everyone who works and shops with us, **goes home safe and well every single day**.

**We operate a three lines of defence model to manage our safety risk.**

**1 Accountability – OPERATIONS**
Responsible for the implementation of our Safety Policy and Standards and the development of safe procedures.

**2 Oversight – STAY SAFE TEAM**
Responsible for the development of our Safety Management Framework. The central Stay Safe team provides expert advice on risk management, training and assurance on our risk management performance and reports monthly to the Executive Board.

**3 Assurance – INTERNAL/ INDEPENDENT AUDIT**
Responsible for the independent validation of our Safety Policy and its implementation.

## Our framework

Following the demerger we reviewed and relaunched our Safety Policy, clearly communicating our commitment and engaging our colleagues in the part they play in ensuring everyone is looked after at work. Our policies are supported by operational procedures that ensure those managing risk are equipped to manage them properly, with access to job specific training and reference material on our Safety Management System, to support compliance. Our aim is to continually reduce our risk of harm, so we ensure that our accidents are always investigated to learn from them and put steps in place to prevent another. We hold a monthly Incident Review Board to show our commitment to getting it right and learning from when things go wrong. Through this process we have made significant improvements in a number of areas, including how we merchandise safely, how we manage our racking inspections, our colleague training programmes, and simplification of our safety procedures to ensure greater compliance.

### PEPPY BENEFIT

We launched an innovative wellbeing benefit for our colleagues and their families with Peppy Health, providing one-to-one contact with specialist practitioners for subjects like fertility, menopause and parenthood. The Peppy health app is also available to all colleagues to support their mental wellbeing through these situations, making Wickes the first retailer to offer such a service to all colleagues. We were delighted when our partnership with Peppy won two awards at the Personnel Today Awards for 'Best Employee Benefit' and 'Overall Winner'.

## Responding to the pandemic

As an essential business our stores have remained open throughout the pandemic. To ensure we keep our colleagues and customers safe we continually review government guidance, our risk assessments and store operations, putting in place the following safety measures:

- the provision of masks and sanitisers
- personal hygiene and cleaning arrangements
- limiting customer numbers where required and the closure of non essential areas
- safe queueing arrangements and navigational markers to support social distancing
- lateral flow testing facilities at our distribution centre to support safe working

During the pandemic we identified an increase in violence and aggression against our colleagues, and produced new training under our Let's Care For Each Other programme, to better support our colleagues with escalating issues and provide them with the skills required to manage conflict situations and keep themselves safe. All cases are reviewed and if necessary investigated by our security or safety team, with colleague care and support provided as needed. Our training was produced in collaboration with the British Retail Consortium, and in line with the 2021 retail ShopKind campaign aimed at reducing the rising aggression and violence faced by essential workers. During 2021 we saw a 50% reduction in reported cases of violence and aggression across our business.

## Colleague wellbeing

To help tackle the negative impact of the pandemic on peoples' mental health we have increased our focus on supporting the mental health and wellbeing of our colleagues. In 2021 all store managers were trained as Mental Health First Aiders, whilst our 'Music Diet' programme gave colleagues access to DJ, guitar and neurobics workshops. Our I&D Wellbeing network actively promoted key events such as International Stress Awareness Week, Mental Health Awareness Week and International Suicide Prevention Day to encourage rich conversations around mental health. We also provide an employee assistance 24/7 confidential helpline.

## Our performance

Whilst the number of RIDDORS (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) we reported increased on the previous year from 33 to 43, we showed an improvement in a number of key areas:

- Reduction of 12% in Lost Time Accident Frequency rate.
- Increase of 22% in hours worked before a Lost Time Incident.
- 9% reduction in actual customer accidents
- 171% increase in the active reporting of hazards and near misses.
- 34% reduction in accident numbers in the second half of 2021.

We pride ourselves on maintaining good relationships with our external enforcement agencies; in 2021 we received no formal safety notices or action, and initiated a Health and Safety Primary Authority Partnership agreement with West Northamptonshire Borough council.

### Looking forward

**In 2022 we will focus on:**

- Clearer oversight of our risk areas and their management through the development of business wide risk registers and safety improvement plans
- Reviewing and improving our safety communication strategy to support better colleague engagement and embed our safety culture
- Continuing to review and improve colleague wellbeing, finalising our colleague Mental Health First Aiders programme and providing support and advice to improve physical wellbeing.

# Colleague Voice

## We are enabled by our highly engaged colleagues and winning culture.

Our people are key to our success and we want them to be successful individually and as a team. Seeking their feedback regularly is fundamental to improving our business and creating a workplace where everyone feels at home. In 2021 we held a number of colleague listening initiatives, both informal and formal, to provide the opportunity for open and robust two-way feedback on a range of topics with all initiatives supported or led by a Board member. Our Non-executive Director, Sonita Alleyne, takes the lead on ensuring colleague views are heard by the Board and taken into consideration in Board decision making.

**For more information, please see** section 172 on page 50

### Listening initiatives conducted to engage with our colleagues

Our engagement aims when seeking feedback are to ensure that Colleague Voice reflects the demography of our workforce. We provide regular and structured input from our workforce to management and colleagues, covering a broad range of topics of interest. This ensures that we have meaningful dialogue with colleagues with an effective feedback loop built in.

### Colleague Voice

**Purpose**
Held annually and gives a cross section of colleagues and managers access to the Board for the opportunity to ask questions on various topics including remuneration

**How our Board engages directly**
Our Non-executive Director, Sonita Alleyne, lead for Colleague Voice, attends and facilitates this listening session.

### 'Ask the Exec' roadshow

**Purpose**
Annual roadshow giving a two-way opportunity for store managers to ask the Board questions on any subject of the business.

**How our Board engages directly**
Attended by the CEO and CFO.

### Colleague engagement survey

**Purpose**
Annual survey held to harvest quantitative and qualitative feedback from all colleagues simultaneously on a range of subjects and to monitor engagement.

**How our Board engages directly**
Our designated Colleague Voice Non-executive Director, Sonita Alleyne, receives the results of the survey to examine

### Inclusion and diversity listening sessions

**Purpose**
Gain an in depth understanding of the challenges and issues faced by minority groups and provide an opportunity to be heard in a safe environment.

**How our Board engages directly**
Attended by the CEO and CFO.

### Check-in surveys

**Purpose**
Ad hoc surveys to obtain feedback from all colleagues on specific, topical subjects (e.g. return to work after the pandemic).

**How our Board engages directly**
Insight and outcomes are shared with the CEO and CFO.

## Colleague feedback and outcomes

### Culture

| OVERALL COLLEAGUE FEEDBACK | OUTCOME |
|---|---|
| Colleagues are proud to be part of a modern Company that positively supports all colleagues and has a supportive leadership with a great open door policy. The culture embodies a strong sense of kindness amongst each other which creates a culture where everyone can feel at home. New colleagues feel that our culture is our best-kept secret. There's a great mentality to continually improve the business and if things go wrong the focus is on how to fix the issue and how to learn for next time. | Feedback built into employer branding plans. |

### Strategy and purpose

| OVERALL COLLEAGUE FEEDBACK | STORES | SUPPORT CENTRE | DISTRIBUTION CENTRE | OUTCOME |
|---|---|---|---|---|
| Colleagues have a clear understanding of our Strategy supported by regular CEO communication and feel that our balanced customer proposition demonstrates our agility to easily shift focus. | Colleagues understand how their role adds to our purpose and feel that it is simple to articulate. | Colleagues are excited by our DIFM proposition and are keen to know more about our Responsible Business Strategy. | Management understands our Strategy, and since joining our virtual business briefings managers are able to receive a broader picture to relay back to the team. | Share our Responsible Business Strategy using our internal communication channels. |

### Inclusion and diversity

| OVERALL COLLEAGUE FEEDBACK | STORES | SUPPORT CENTRE | DISTRIBUTION CENTRE | OUTCOME |
|---|---|---|---|---|
| Colleagues honour being able to come to work and be themselves. They enjoy working for a modern business with colleague-led networks at the forefront of the business. | Colleagues welcome our focus on hiring different people for different jobs and would like to see even more diversity come through our application process for new roles. | Colleagues appreciate the efforts of the I&D networks to raise awareness and educate. | Colleagues feel part of a diverse and inclusive team. | Implemented a policy in which all management grade and above roles are required to have a balance of genders and at least one person from an underrepresented ethnic minority at the interview stage. |

### Safety and wellbeing

| OVERALL COLLEAGUE FEEDBACK | OUTCOME |
|---|---|
| Colleagues are proud to have all managers Mental Health First Aid (MHFA) trained and feel that everyone needs different help in different ways. | Planned further MHFA training for managers. |

## **Responsible Business** People continued

| | OVERALL COLLEAGUE FEEDBACK | STORES | SUPPORT CENTRE | DISTRIBUTION CENTRE | OUTCOME |
|---|---|---|---|---|---|
| **Workplace flexibility** | Colleagues think that our ambition to be a modern workforce is clear through the business actions and that the pandemic has shown us other ways of working flexibly in roles we would have thought were not possible. | Colleagues feel that we have revolutionised our ways of working through the pandemic, allowing us to be even more family friendly and to support teams with a better work-life balance. | Colleagues feel a better balance now we have a hybrid working model in the Support Centre and are empowered to take personal responsibility. | We hold three shifts over 24 hours so colleagues feel that this gives them flexibility to choose their preferred shift. | Comments fed into the group for flexible ways of working. |
| **Development and training** | Colleagues recognise that our culture of personal responsibility encourages them to drive their own development and opportunities are given to try something different. | Colleagues appreciate the drive to promote within and feel that career paths are clear. | Colleagues would like to understand more about what is available to drive development. | Colleagues appreciate the opportunities available to them such as driving courses and the opportunity to transfer to roles in store. | Introduced Wickes Campus, a new learning and development website to help colleagues with their development. |
| **Communication** | Colleagues appreciate the consistent, regular and transparent communication from the Board. Especially during the pandemic the communication stepped up and was very supportive. | Colleagues expressed that the communication is very effective up to a manager level; however, we have a further opportunity with the wider store team to engage them independently with communications. | Colleagues feel that there is a regular drumbeat of communication with a blend of virtual methods and face to face. | Colleagues feel that face-to-face communications are effective as email is not always used. | Feedback inputted towards the internal communications channel plan. |
| **Pay and benefits** | Colleagues value our colleague discounts and the MyPerks scheme. The Free Share award and SAYE plans awarded in 2021 were well communicated and enabled them to make an informed choice. Colleagues understood the construct of how we approach pay and appreciated that in more senior roles the variable pay increases versus the fixed pay, as there are more elements linked to business performance. | Colleagues value and understand Gainshare – our store-based profit share scheme allowing them to influence their own reward. | The Free Share and SAYE awards were well received, and colleagues would like to see continued communication. | Drivers and warehouse operatives felt their pay was uncompetitive, mainly due to external pressures widely publicised at the time. We took this feedback and increased pay as a result which has been positively received. | Feedback inputted towards reward strategy. Addressed concerns from drivers and warehouse operatives by making positive changes to pay. |

## Responsible Business

# Environment

### Goals

Decarbonise our sites, transport and operations, to fight climate change and protect the natural environment.

- Be a net zero business by 2040.
- Set Science Based Targets.
- Remove operational waste from our business.

### Targets

- Develop a net zero pathway to support the BRC Climate Action Roadmap.
- Commit to set Science Based Targets in 2022.
- Set targets to increase our operational recycling rates and reduce our waste to landfill.

**99.8%**

of our timber is sourced through FSC or PEFC approved suppliers

### Protecting the environment

Climate change is one of the challenges of our lifetime, and to tackle it the world has set goals to limit global warming to 1.5°C by the end of the century, and the UK has committed to net zero carbon by 2050. At Wickes, we are building a strategy to support the delivery of these targets, and ensure we play our part.

Our Environment pillar sets out our ambition to decarbonise our stores, transport and operations, to fight climate change and protect the natural environment. Protecting the environment isn't just about reducing our carbon emissions. It's about how we use our resources like water efficiently, limit the waste we produce and how it is managed, and protect natural environments and biodiversity.

### Carbon

Our first full carbon footprinting exercise allows us to better understand where our emissions are coming from and what we need to do to reduce them in line with the BRC Climate Action Roadmap. Our carbon footprint stands at 2,346,057 tonnes $CO_2e$, with the vast majority of emissions coming from our Scope 3, totalling 2,309,079 $tCO_2e$. This is due to the products we sell and their lifetime use. Our Scope 1 and 2 operational emissions stand at 36,978 $tCO_2e$ and are fairly evenly split between the electricity we use to keep the lights on, the gas we use to heat our stores and the vehicles we use to transport our goods. Decarbonising our estate over the coming years will be a priority, and we are setting out our plans to achieve this goal.

When we renew our energy contracts in 2023, we will be switching to a green electricity contract, ensuring all of our stores, distribution centres and support centres will be powered by renewable electricity. We will be reducing our absolute gas emissions through improved heating controls and management. We are also trialling new electric heating systems in our stores, as a potential alternative to gas heating systems in the future.

We transport and deliver a lot of products, not only to restock our stores, but also to deliver directly to customers. This means we cover a lot of miles in the process, around 14 million miles a year. In order to reach all of our customers across the UK, we rely on a variety of distribution partners and vehicles. Most of our distribution network relies on HGVs (heavy goods vehicles), as electric and hybrid technology currently doesn't have the range to support our needs and the charging infrastructure for these vehicles is still in development. However, we are exploring new low-carbon vehicle technologies such as electric vans for shorter routes, and we are getting ready to test hydrogenated vegetable oil (HVO) in 2022.

We also acknowledge that our own charging infrastructure requires improvement. We currently have electric vehicle chargers at our Support Centre and one of our distribution centres. We will be working with our landlords to explore the integration of electric vehicle charging stations across our estate.

### Waste

We produce a lot of waste through our operations and installations, around 44,600 tonnes a year, and managing this is a huge area of focus for us. We recycle 91% of our waste, and send 5% for energy recovery. We aim to send as little waste to landfill as possible; however, for some waste streams in our business there is currently no alternative, meaning a small amount, around 3.5% is still sent to landfill. Our ambition is to ensure everything that can be diverted from landfill will be either recycled or incinerated to generate energy.

There is more we can do with our waste and in 2022 we will be looking to set operational recycling targets across our stores and landfill reduction targets.

### Water

This is an area of our strategy that is still in its infancy. We spent 2021 consolidating our water suppliers and billing so we can paint an accurate picture of our consumption. Our aim is to review this data, and work with a new single supplier for our estate, to set water reduction targets that match our other ambitions.

Although we do not expect our water consumption to be high, we know that water stresses will become more prevalent in the UK as temperatures rise, and we will make sure we do our part to relieve these pressures.

**CASE STUDY – ELECTRIFYING OUR BUSINESS**

The UK is moving away from fossil fuels, with more businesses and customers looking at alternatives to gas, petrol and diesel. We know the gas we use in our stores contributes to our carbon emissions, as does the petrol and diesel in our vehicles.

In 2021 we tested our first fully electric heating system in the form of an air source heat pump in our Macclesfield store. We have also lined up an additional three stores to trial this technology in the first half of 2022 and this, combined with our transition to green electricity, will mean our stores will be on their way to net zero emissions.

This year we also began trials of a new electric van at our distribution centre. Over a three week trial we tested the range and load capacity of the van to better understand its capabilities and integration into our delivery strategy. One of the biggest challenges will be establishing an effective charging network for these vehicles, and we will be working with our landlords and transportation partners to understand this over the coming year.

### Engagement

Our new strategy has been a learning experience for all those involved, and we are making sure all our colleagues understand what being a responsible business means and how they can get involved.

We have been hosting introductions to sustainability in the business at our departmental monthly meetings, as well as building a new section in our learning and development site, Wickes Campus, that introduces the fundamentals of climate change, the UK's carbon reduction commitments and Wickes' own ambitions, as well as sharing a review of the latest climate change conference in Glasgow.

In 2021 we established a new I&D network that looks to the future of the business. The Forward Focus Network has been positioned to address key issues faced by young people, and has placed sustainability as one of its key focus areas for 2022. The network will be driving colleague engagement and looking at new and innovative ways to address key environmental issues.

Outside of the business, we have started to explore how we can work with other organisations to provide training on sustainability. As part of a career mentoring programme at the University of Cambridge, Sonita Alleyne and Owen Anderson hosted a sustainability session with students from Jesus College. This gave the students an opportunity to ask about careers in sustainability and how businesses like Wickes are tackling key issues of climate change.

### Disclosure

We fully support responsible disclosure as this helps our stakeholders understand the risks and opportunities related to climate change in our business.

We have completed our first full year of greenhouse gas (GHG) accounting, as well as our first Task Force on Climate Related Financial Disclosure (TCFD) response, which looks to address climate risk and opportunity within the business, and included scenario analysis and a focus on timber and transitional risks.

We have also included in this report a Sustainability Accounting Standards Board (SASB) response, aligned to the guidance as a Building Products and Services business. In addition to this, in 2022 we will look to complete our first Carbon Disclosure Project (CDP) response for climate.

### Governance

The first step to an effective Responsible Business Strategy is sound governance, and this was a priority in the work preparing for our demerger. In April 2021, we established our Responsible Business Committee, chaired by an independent Non-executive Director, Sonita Alleyne, which oversees our Responsible Business Strategy and monitors our ESG performance. We support this with a management framework including our Responsible Business Working Group and the incorporation of ESG matters into our existing executive meetings which includes people, customer, property, IT and cost and efficiency, and within our day-to-day operations.

### British Retail Consortium Climate Action Roadmap

Wickes is a signatory of the British Retail Consortium Climate Action Roadmap, which is a commitment to net zero across Scope 1, 2, and 3 emissions by 2040. The Roadmap sets out five pathways to decarbonisation which we will be addressing across our business.

Over the next year we will develop a roadmap to deliver this target, aligned to the 5 pathways of:

1. Placing GHG data at the core of business decisions
2. Operating efficient sites powered by renewables
3. Moving to low carbon logistics
4. Sourcing sustainably
5. Helping our employees and customers live low carbon lifestyles

### Chemicals

Wickes recognises the concerns of safe use, content and labelling of chemicals. We actively abide by all UK legislation to reduce the impact of substances of concern and where possible use a suitable alternative.

Wickes has committed to identifying any products that are supplied to us that contain any substances of very high concern (SVHCs), explosives precursors or poisons, and we take steps to replace any products that contain restricted substances or SVHCs with suitable alternatives. We expect our suppliers to ensure that products supplied to Wickes are free of any banned substances and compliant with any restrictions detailed in REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals).

We also ensure that all of our packaging and products are compliant with volatile organic compound (VOC) and REACH standards.

## Looking forward

**2021 has seen us focus our work on establishing a base year for our environmental targets. This has seen us consolidate our environmental data in order to report our first year of GHG emissions, and position us to set Science Based Targets in 2022.**

Ultimately we want our environmental strategy to be a benchmark for the industry – one that doesn't just focus on the reduction of carbon emissions but our wider environmental impact, and address the growing concerns around biodiversity loss, water scarcity and the circular economy. We still have a lot of work to do, and looking forward will look to understand:

- How we can work to limit biodiversity loss in the UK
- How we can use our store and distribution network to support customer recycling
- How we can reduce our water consumption, in both our operations and supply chain

# Greenhouse gas and Streamlined Energy and Carbon Reporting

Understanding our greenhouse gas emissions is the first step in decarbonising our business. Our first full year of reporting includes assured Scope 1, 2, and 3 data.

## 2021 Greenhouse gas emissions

| | Total Tonnes of $CO_2e$ |
|---|---|
| Scope 1 | 22,437 |
| Scope 2 (Market based) | 14,541 |
| Scope 2 (Location based) | 9,687 |
| Total Scope 1 & 2 (Market) | 36,978 |
| Scope 1 & 2 carbon intensity ($tCO_2e$/1,000 sq ft) | 5 |
| Scope 3.1 Purchased goods and services | 1,233,170 |
| Scope 3.11 Use of sold products | 936,894 |
| Scope 3.12 End of life treatment | 112,682 |
| Scope 3 Other | 26,333 |
| Total Scope 3 | 2,309,079 |
| Total Emissions | 2,346,057 |

### Emissions overview

Our focus for GHG reporting in 2021 was to establish a sound base year for our environmental strategy. It was important for us to fully understand our emissions, where our largest impacts are and what our immediate focus should be. This base year also enables us to develop carbon reduction targets across all scopes, aligned to the British Retail Consortium (BRC) Climate Action Roadmap and future Science Based Targets.

We spent much of 2021 improving our data collection methodologies and verifying our data. We consolidated our utilities invoices using a new reporting platform, as well as bringing together all of our waste and recycling data for both our operations and installations for the first time.

We have also been able to report fully on our purchased goods and services, including our core ranges and kitchens and bathrooms, as well as goods not for resale such as office equipment.

Unsurprisingly, the results of this reporting highlight that the vast majority of our emissions sit within our Scope 3, specifically our purchased goods and services, use of sold products, and end of life treatment of products.

### Assurance

Our independent limited assurance was carried out by LRQA using ISO 14064-3 2019 assurance standards. This assurance covers all of our Scope 1, 2 and 3 emissions, with the exception of our water data. Our assurance statement is available online in our Responsible Business pages.

## 2021 Streamlined Energy and Carbon Reporting (SECR)

| | Group / UK 2021 |
|---|---|
| Annual emissions (Scope 1 & 2 Market $tCO_2e$) | 36,978 |
| Annual energy use (GWh) | 114,515 |
| Emissions Intensity ($tCO_2e$/1000 sq ft) | 5 |

### Methodology

We have reported our GHG emissions and energy consumption in accordance with the Companies and Limited Liability Partnerships Regulations. To calculate our emissions, we have followed the GHG Protocol Corporate Accounting Standard, using an operation control approach, and the emissions factors used were from the Department for Business, Energy, & Industrial Strategy Greenhouse gas reporting: conversion factors 2021.

Our Scope 1 was collected through monthly invoice data for stationary emissions, mileage data for mobile emissions, and heating and cooling asset registries for fugitive emissions.

Our Scope 2 emissions were calculated through monthly electricity invoice data, using market based emissions factors to reflect our current operational energy contracts. Market based emissions were also used for our Scope 1 and 2 intensity metric.

Our Scope 3 emissions reporting includes all relevant scopes, with the vast majority of emissions representing purchased goods and services, and use of sold products. Our purchased goods and services used a weight-based methodology.

We have improved our methodologies for commuting and transportation by using mileage data rather than estimates, as well as using accurate capital goods and goods not for resale spend data.

For more detail on our emissions calculations and methodology, our method statement is available to view on our website www.wickesplc.co.uk.

For more information about how we are managing our impacts, and identifying risks and opportunities associated with these emissions, please see our TCFD response on pages 42-45.

### Energy efficiency measures

Some of our energy efficiency measures this year include

- Investing in a new energy analytics platform with our facilities management partners
- Upgrading our heating controls
- Trials of electric heating systems
- LED lighting installations in new and refitted stores

# Sustainability Accounting Standards Board

The Sustainability Accounting Standards Board (SASB) is an independent, standards-setting organisation whose mission is to develop comparable sustainability metrics for public corporations to disclose material, decision-useful information to investors. We have considered the industry standards (as defined by SASB's Sustainable Industry Classification System) for Building Products & Furnishings, and we have provided below the relevant data and/or the location of the applicable information in our Annual Report.

**BUILDING PRODUCTS & FURNISHINGS**

| ACCOUNTING METRIC | CATEGORY | UNIT OF MEASURE | CODIFIED METRIC CODE | RESPONSE |
|---|---|---|---|---|
| **ENERGY MANAGEMENT IN RETAIL AND DISTRIBUTION** | | | | |
| **(1) Total energy consumed**<br>**(2) Percentage grid electricity**<br>**(3) Percentage renewable** | Quantitative | Gigajoules (GJ), Percentage (%) | CG-MR-130a.1 | (1) We consume 114,515 GWh of energy across our estate<br>(2) 100% of this energy is grid electricity<br>(3) 0% is currently renewable<br>Annual Report page 38 and 40 |
| **MANAGEMENT OF CHEMICALS IN PRODUCTS** | | | | |
| **Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products** | Discussion and analysis | n/a | CG-BF-250a.1 | Wickes maintains chemical commitments and guidance that ensure we manage our risks and hazards appropriately, and compliant with REACH and VOC standards.<br>Annual Report page 39 |
| **Percentage of eligible applicable products meeting volatile organic compound (VOC) emissions and content standards** | Quantitative | Percentage (%) by revenue | CG-BF-250a.2 | We do not currently track the total % of products at SKU level; however, all of our applicable products meet VOC emissions and content standards.<br>Annual Report page 39 |
| **PRODUCT LIFE CYCLE ENVIRONMENTAL IMPACTS** | | | | |
| **Description of efforts to manage product life cycle impacts and meet demand for sustainable products** | Discussion and analysis | n/a | CG-BF-410a.1 | We have completed our first carbon footprint exercise to understand the life cycle impacts of our products, and are currently reviewing our ranges to increase the number of responsibly sourced and energy efficient products available to customers.<br>We will also be trialling a take back scheme for key products, and improving our packaging to include more recycled materials.<br>Annual Report pages 38, 40 and 47 |
| **(1) Weight of end of life material recovered**<br>**(2) Percentage of recovered materials that are recycled** | Quantitative | Metric tonnes (t), Percentage (%) by weight | CG-BF-410a.2 | (1) 44,652 tonnes<br>(2) 91.41% of recovered materials<br>Annual Report page 38 |
| **WOOD SUPPLY CHAIN MANAGEMENT** | | | | |
| **(1) Total weight of wood fibre materials purchased**<br>**(2) Percentage from third party certified forestlands**<br>**(3) Percentage by standard**<br>**(4) Percentage certified to other wood fibre standards**<br>**(5) Percentage by standard** | Quantitative | Metric tonnes (t), Percentage (%) by weight | CG-BF-430a.1 | (1) Total weight of wood fibre 317,867 tonnes<br>(2) 100% from third party certified forests<br>(3) 99.8% by FSC or PESC standard<br>(4) 0.2% to other wood standards<br>(5) 0% by other standards<br>Annual Report page 48 |

**ACTIVITY METRIC**

| ACCOUNTING METRIC | CATEGORY | UNIT OF MEASURE | CODIFIED METRIC CODE | RESPONSE |
|---|---|---|---|---|
| **ENERGY MANAGEMENT IN RETAIL AND DISTRIBUTION** | | | | |
| **Annual production** | Quantitative | Tonnes of goods | CG-BF-000.A | 1,365,443 tonnes of goods |
| **Area of manufacturing facilities** | Quantitative | Square foot | CG-BF-000.B | 6,586,448 sq ft stores, 748,556 sq ft distribution |

# Task Force on Climate-Related Financial Disclosures (TCFD)

In this Annual Report, we are reporting our first climate-related financial disclosures consistent with the TCFD Recommendations and Recommended Disclosures, taking into account relevant sections of the TCFD Annex (including recent revisions), specifically the 'Guidance for All Sectors', the 'Supplemental Guidance for Non-Financial Groups', and the 'TCFD Guidance on Scenario Analysis for Non-Financial Companies'. We aim to build on this first disclosure to continue to integrate climate risks and opportunities into our business and build long-term resilience to climate change, and will increasingly work on assessing the financial impacts of the business risks and opportunities already identified.

## Governance

The Executive Board is responsible for managing climate-related issues, risks and opportunities.
On the Executive Board, the General Counsel and Company Secretary leads on climate matters, with ultimate accountability sitting with the CEO. The Plc Board is informed on climate-related issues by the Board level Responsible Business Committee (RBC).
The RBC's primary purpose is to oversee the development of Wickes' Responsible Business Strategy and monitor performance in relation to environmental, societal and governance matters, as set out on pages 28-48 . Climate-related issues are part of the RBC's duties to oversee the Group's ESG conduct, and are a regular agenda item for the Committee, which meets on a quarterly basis.
The RBC members are the Chairman and the Non-executive Directors and it is chaired by Sonita Alleyne, one of our Non-executive Directors.
Key members of our management, including the CEO, General Counsel and Company Secretary, Chief People Officer, Head of Sustainability and Investor Relations Director attend all meetings.
The Board level Audit & Risk Committee oversees the management of climate-related risks and opportunities as part of our risk management process (see Risk management on page 57).
Climate issues are also managed and progress monitored at relevant Executive meetings for people, customer, property, IT and cost and efficiencies, on an ad hoc basis ensuring climate-related decision making is integrated across the business.

The RBC is informed by the Responsible Business Working Group with membership from heads of functions across the business. Chaired by the Head of Sustainability, the Responsible Business Working Group is responsible for the delivery of climate-related initiatives across the business. It reports to the RBC on a quarterly basis through an update by the Head of Sustainability. There are also individuals with embedded sustainability and climate responsibilities at management levels across the business, including responsible sourcing, packaging, waste, transportation and property. Through the Responsible Business Working Group, we are beginning to integrate climate issues into long term planning for our fleet and stores. As Wickes continues to develop relevant climate metrics and targets, progress against these will be monitored through the relevant Executive meeting for cost, property, customers, IT, or people.

## Strategy

We have defined three time horizons to assess climate-related risks and opportunities across the short term (0 - 3 years), medium term (3 - 8 years) and long term (8 years and beyond to 2050). In 2021 we conducted a series of internal climate workshops with leaders from across the business and undertook a dedicated scenario analysis exercise to identify and analyse key climate-related risks and opportunities for our business.

We tested the resilience of the business strategy across two opposing climate scenarios. This included a 4°C scenario, focusing on physical climate change risks in the supply chain, and a rapid mitigation scenario in line with a 1.5°C trajectory by 2050, focusing on risks and opportunities relating to the low-carbon transition (see Scenario analysis section for highlights on page 44). We are now in the process of assessing the potential impacts of prioritised climate risks and opportunities on business strategy and financial planning; for example in relation to developing new sustainable products and services to address transitional opportunities. We are also planning to further assess impacts of climate change on business resilience in 2022.

## Risk Management

We have undertaken a detailed scenario analysis exercise to identify and explore strategic climate-related business risks in a 'high mitigation' <2°C scenario, and a 'high physical impact' 4°C scenario (see Scenario analysis section on page 44). Risks were prioritised on the basis of the strength of the climate change signal, and the extent of the potential financial or strategic impact on our business. This analysis is being used to define additional priority climate-related risk and opportunity topics to be added into our Group risk register using the prioritisation process described on page 59 as part of risk management and internal control.

Climate and ESG risks have already been integrated into our Group risk register, including ensuring that we anticipate and manage the strategic, operational and reputational risks associated with climate change (see ESG risk on page 63). The Audit and Risk Committee is responsible for the management of key risks through Group risk logs, with key risks regularly collated and reviewed by management and the Board to assess the potential impact and likelihood of occurrence, after taking into account key controls and mitigating factors, as well as interdependencies. The Group risk register is discussed at Board level on a regular basis, and scores have been attributed to each risk (before and after mitigation), along with a mitigation plan and risk owner. Wickes has assessed each risk against a risk appetite level.

## Metrics and targets

We have calculated the full GHG footprint for our business, covering absolute Scope 1, 2 (market and location) and 3 emissions and carbon intensity (see page 40), following best practice guidance from the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI)'s Greenhouse Gas Protocol. Scope 1, 2 and 3 GHG emissions are key metrics in monitoring our climate impact over time, and are independently verified. Wickes is a signatory of the BRC Climate Action Roadmap, with an emissions reduction roadmap to be defined in 2022 using our verified 2021 base year. 2022 will also see the exploration of setting Science Based Targets using the same baseline, and of defining climate-related targets based on risks and opportunities identified. Members of the Executive Board have an ESG metric as part of their bonus targets (see Directors' Remuneration report on page 95), which in 2021 was focused on establishing strategy across environment and people, and developing robust data for the 2021 base year to support target setting for the 2022 bonus.

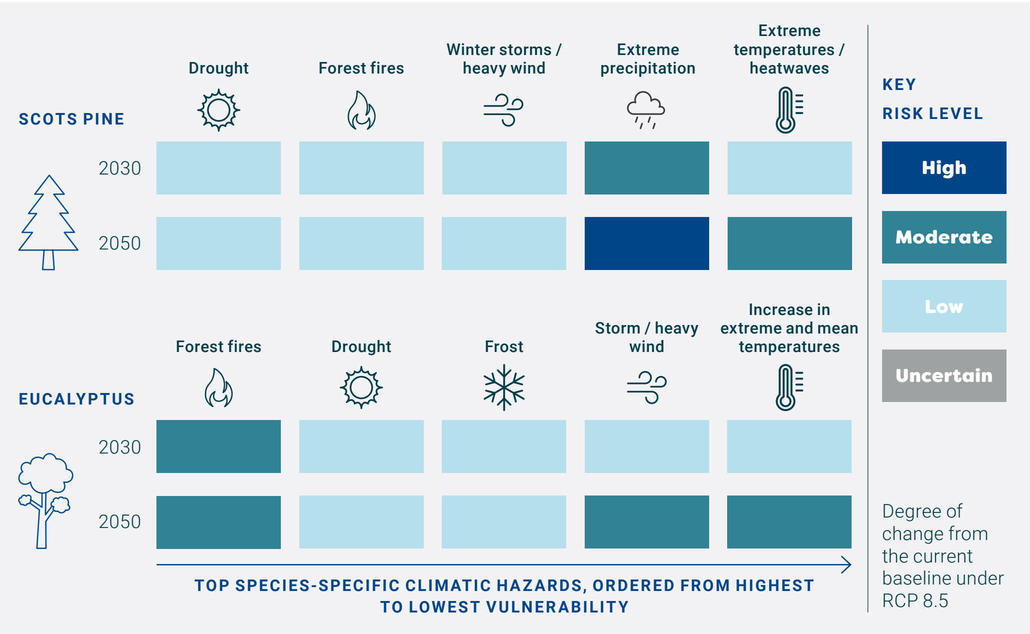
In addition to our carbon metrics and targets, specific metrics and targets are used to track progress against our circular economy ambitions. We have defined a number of targets relating to packaging, including eliminating unnecessary packaging by 2023 making all packaging easy to recycle by 2025, and having at least 50% of packaging volume containing recycled materials. We are working towards sending zero waste to landfill from our Do-it-for-me services.

# **Responsible Business** Environment continued

## Scenario analysis
Climate scenario analysis is an essential tool for us to better understand how climate change is likely to affect our business in the future. With timber representing 45% of our products, we focused our first physical climate risk analysis on assessing the impacts of climate change on our timber supply chain. We also assessed the transition risks and opportunities related to future products and services, potential increases in carbon costs, decarbonising our fleet, and decarbonising our estate.

## High physical impact scenario (4°C)
We have used the Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP) 8.5 high emissions global warming scenario to project the most likely climate outcomes associated with a trajectory where global emissions continue rising at current rates, leading to a temperature increase of 4°C by 2100.
We selected two tree species sourced from specific regions for the analysis, based on their material significance to our timber sourcing: Scots pine (Pinus sylvestris) in Scandinavia and eucalyptus (Eucalyptus grandis) in China. We analysed the potential impacts of climate-related hazards including extreme temperatures, heatwaves, extreme precipitation, storms and heavy winds, drought, forest fires and frost on both species in these regions across the medium (2030) and long (2050) term.

The analysis showed that, overall, eucalyptus is more tolerant of extreme weather events than Scots pine. Whilst drought, storms and fire can cause tree damage and forest loss, eucalyptus has the capacity to recover from such shocks faster than competing tree species. In the RCP 8.5 scenario, the majority of climate-related physical risks for Eucalyptus and Scots pine are not projected to undergo considerable change in the medium and long term (see risk ratings in the chart below). The key risks from climate change are: projected increases in the frequency of extreme precipitation events across the 2030 and 2050 time horizons, which could slow the growth of young Scots pine plants; projected extreme high temperatures across the 2050 time horizon which could slow the growth of young eucalyptus plants; an increase in the risk of forest fires across the 2030 and 2050 time horizons which could cause loss of eucalyptus trees; and projected increases in frequency of storm events and extreme temperatures across the 2050 time horizon which could cause loss of eucalyptus trees and could slow the growth of young eucalyptus plants.




Climate risk ratings for Scots pine and eucalyptus based on projected changes from the baseline in 2030 and 2050 across different climate hazards (under the RCP8.5 scenario)

## Rapid transition scenario (<2°C)
We also explored climate-related transition risks and opportunities using a high mitigation scenario in line with a 1.5°C trajectory by 2050. The primary source for this analysis was the targets and assumptions underlying the UK Net Zero Strategy,[1] supplemented by sector-specific scenarios and projections.[2] We assessed the potential impacts to the business of four transition risks and opportunity topics: products and services for the low-carbon transition, climate policy developments in the supply chain, decarbonising transport and decarbonising our estate.

## Products and services for the low carbon transition
To meet its net zero target, the UK will need to reduce emissions from heat and buildings by 100% by 2050 compared with 2019.[3] With the majority of emissions from buildings arising from powering and heating, the primary focus of current and future policies is on decarbonising heating while improving the energy efficiency of UK homes. This presents us with transition risks and opportunities related to expanding and developing low carbon products and services across our Sustainable Home offerings, in particular expanding products and services that support energy efficiency in the home in the short term, phasing out gas boiler ranges and capitalising on the significant projected rise in demand for heat pumps in the medium term, and monitoring policy development related to hydrogen in the long term.

## Carbon pricing and policy risk in the supply chain
Explicit carbon costs (as used in the UK Emissions Trading Scheme (ETS)) are projected to increase to ~£101/$tCO_2e$ in 2030 and ~£195/$tCO_2e$ in 2050 under the International Energy Agency (IEA)'s Net Zero Emissions (NZE) scenario.[4] 'Shadow' carbon costs, encompassing the full range of costs and investments needed to align with a net zero by 2050 pathway, could reach £153–449/$tCO_2e$ by 2030 and £232–830/$tCO_2e$ by 2040 with some cost pass-through from suppliers highly likely.[5] Meanwhile, increasing restrictions and 'emissions caps' on emissions-intensive products can be expected, as well as a ban on the sale of peat by 2022-2023. This presents our business with risks related to exposure to carbon prices through our sourcing of carbon-intensive goods, as well as potential restrictions on the sale of certain products in the future.

## Decarbonising the fleet
The UK will need to reduce total emissions from transport by 76%–86% compared with 2019 by 2050 to achieve its net zero target.[6] The majority of these emissions come from passenger cars, followed by heavy goods vehicles (HGVs) and light goods vehicles (LGVs).[7] Whilst electric vehicles offer significant decarbonisation potential, there is still a lot of uncertainty regarding the most suitable technology for long-distance HGVs. This presents us with risks and opportunities related to decarbonising our HGV fleet: it may be possible to use a higher biofuel blend or hydrotreated vegetable oil (HVO) as a direct drop-in for our existing fleet in the short term, whilst driving efforts to electrify our fleet as much as possible in the medium term (pending technology developments related to electrification of HGVs) and monitoring developments related to hydrogen in the long term.

## Decarbonising the estate
It is expected that energy efficiency standards will be implemented for the rented commercial sector, with a requirement of Energy Performance Certificate (EPC) C by 2027 and EPC B by 2030, and a parallel performance standard and required disclosure on energy usage and emissions from commercial buildings planned for introduction in 2022. In 2022, it is also expected that reporting requirements, net zero elements (including sources of energy, renewable technologies, energy efficiency measures, and fleet management), and public disclosures under the Energy Savings Opportunity Scheme (ESOS) framework will be strengthened.[8] This presents us with risks including potential increases in operating costs and changes in our relationship with landlords.

1 HM Government (2021) Net Zero Strategy: Build Back Greener
2 HM Government (2021) Heat and Building Strategy and HM Government (2021) Transport Decarbonisation Plan
3 HM Government (2021) Net Zero Strategy: Build Back Greener
4 IEA (2021) World Energy Outlook
5 Network for Greening the Financial System (2021) NGFS IIASA Scenario Explorer
6 HM Government (2021) Net Zero Strategy: Build Back Greener. This figure is based on a whole system modelling by the UK Government and includes international aviation and shipping
7 HM Government (2021) Net Zero Strategy: Build Back Greener
8 Department for Business, Energy and Industrial Strategy (2021) Net Zero Audits: State of the Market and the Potential to Drive Action

Priority Policy, Market and Technology climate-related transition risks and opportunities in the short, medium and long term.

| | SHORT TERM HORIZON (0-2 YEARS) | MEDIUM TERM HORIZON (2030) | LONG TERM HORIZON (2050) |
|---|---|---|---|
| **Products and services for the low-carbon transition** | – Policy, Market. Phase out of gas boilers and replacement with low-carbon heating alternatives, driven by the UK target of no new gas boilers by 2035<br>– Policy, Market. Projected increase in demand for heat pumps across the UK<br>– Policy, Market. Exploration of bio-energy for heating based on the government's expected decision on the role of bio-energy for heating in the mid 2020s<br>– Policy, Market. Expansion of existing and development of new products and services relating to improving the thermal efficiency of buildings, energy efficient lighting and appliances and smart controls | – Policy, Market. Phase out of gas boilers and replacement with low-carbon heating alternatives, driven by the UK target of no new gas boilers by 2035<br>– Policy, Market. Projected increase in demand for heat pumps across the UK<br>– Policy. Exploration of hydrogen-ready boilers based on monitoring of UK government decision on the role of hydrogen in heating buildings in 2026<br>– Market. Opportunities related to new products and services related to energy storage and microgeneration | – Policy. Risks and opportunities related to continued policy developments on hydrogen used in heating buildings |
| **Carbon pricing and policy risk in the supply chain** | – Policy. Projected implementation of bans for peat and point-of-sale charge for products containing peat<br>– Policy. Potential product-specific standards related to embodied emissions | – Policy. Potential carbon price increases passed on by suppliers under UK ETS or a future carbon border adjustment mechanism. | – Policy. Potential carbon price increases passed on by suppliers under UK ETS |
| **Decarbonising transport, with a focus on the HGV fleet** | – Policy. Use of HVO as transition fuel, depending on supply options<br>– Policy. Electrification of the car fleet | – Policy. Use of HVO as transition fuel, depending on supply options<br>– Policy, Technology. Monitoring of technology developments for electric HGVs<br>– Policy, Technology. Monitoring of technology developments related to hydrogen fuel cells for HGVs | – Policy, Technology. Monitoring of technology developments for electric HGVs<br>– Policy, Technology. Monitoring of technology developments related to hydrogen fuel cells for HGVs |
| **Decarbonising the estate** | – No short term risks identified. | – Policy. Future requirements for a minimum EPC rating planned around 2027 and 2030<br>– Policy. Increased adoption of green clauses in building leases | – No long term risk identified. |

Responsible Business

# Homes

## Goals

Focus our products, services and installations to support sustainable homes that everyone can be proud of

- Improve our offering of sustainable products and services to customers
- Reduce the amount of the packaging we use, and increase the use of recyclable materials
- Reduce the impact of our installations

## Targets

- Eliminate all unnecessary packaging across our business by 2023
- All our packaging will be easy to recycle or reuse by 2025
- 50% of our packaging materials will come from recycled materials by 2025

We have committed to eliminating all unnecessary packaging, making all our packaging easy to reuse and recycle, and 50% will be made from recycled materials.

### Homes for the future

According to the British Retail Consortium, the UK's homes contribute up to 25% of the UK's carbon emissions, and the challenge of retrofitting these homes with sustainable technologies remains one of the largest in achieving the UK's net zero targets.

The UK is also facing cost of living increases that make energy efficient homes even more essential to combat rising energy costs. Our Homes pillar will look to help to address these challenges, as well as ensure our products are responsibly sourced and sustainable.

### Products

Wickes sells a wide range of products that are both responsibly sourced and support sustainable homes and living.

All our timber products are responsibly sourced and certified; we offer customers peat free compost, and a variety of smart heating and lighting solutions to make homes more energy efficient. We have also developed project pages on our customer website that support customers with their energy efficiency home improvement projects, including insulation, lighting and smart homes.

We need to do more to support sustainable homes in the UK and this starts with understanding the needs of our customers.

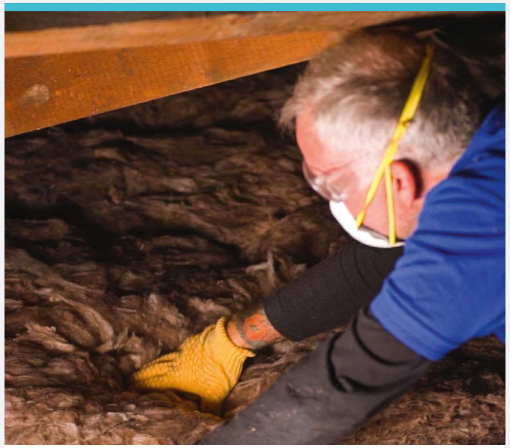
### Services

Currently we offer limited services to customers with a focus on sustainable homes. We are working to understand how we can integrate sustainable thinking into our existing services, such as kitchen and bathroom design, as well as offering customers a new range of services to support their own sustainable ambitions. In 2022 we will continue to engage with customers to better our understanding and underpin this work.


**CASE STUDY – GIFT CARDS**

**Wickes launched our social housing decorating scheme in 2011, aimed at helping social housing and local authority tenants improve their homes by providing Home Improvement gift cards**

**This allows these communities access to a variety of products to improve their homes in their own taste and empowers tenants to invest in their homes. It provides access to a wide range of decorating products at over 200 Wickes stores, and tenants are given decorating tips and advice via a bespoke Decorating Card Welcome Pack, as well as access to Wickes' 'How to' guides.**



PROMOTING ENERGY EFFICIENCY

Improving energy efficiency in our homes is more important than ever. To support our customers in saving money and energy, we have created project guides on our customer website that provide step by step guidance on key energy efficiency measures that customers can carry out themselves.

Our loft project guide provides customers with key benefits of insulation, product guides and accessory requirements, as well as preparation and installation guides and smart homes technology. These pages on our customer website include benefits of these projects and installation instructions.

Our smart home guide focuses on how smart products can reduce energy consumption, with smart heating and lighting systems, and even smart appliances.

We also now offer a wider range of other efficiency products such as water butts and solar lighting.

## Packaging

With thousands of products of all shapes and sizes, packaging is an essential part of our business. We also recognise that we need to work hard to improve and reduce packaging in our business, and have set ourselves some challenging packaging improvement and reduction targets over the next few years.

By 2023, we will eliminate all unnecessary packaging across our business. This target is designed to focus our teams on efficient packaging strategies, and looks to make an absolute reduction in our packaging volumes.

By 2025, all our packaging will be easy to recycle or reuse. This target will focus on the materials we use in our packaging – moving away from unrecyclable materials such as PVC and polystyrene, to those that offer the opportunity for a second lease of life as either future packaging materials, construction materials, or those that are biodegradable.

Also, by 2025, 50% of our customer plastic and paper packaging will come from recycled materials. This target aims to reduce the use of virgin materials within our packaging strategy.

To support these targets we have built a new packaging management system, which allows us to monitor and manage the packaging within our business, and work with our suppliers and colleagues to understand and reduce its impact.

## Engaging with customers

To improve our customer offering, we have taken steps to better understand their needs and concerns, especially on climate change and the environment.

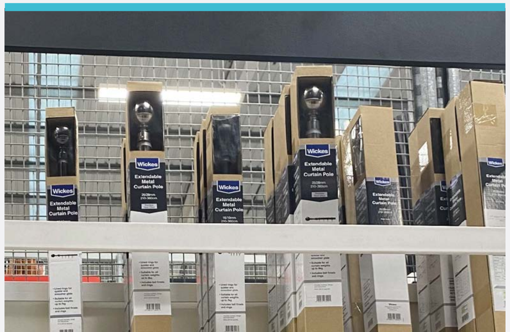
Through our home improvement research sessions, we have established that although home improvers and trade are concerned about climate change, in reality few homes actually have available sustainable products installed. Therefore there is an opportunity for retailers to play a far greater role in educating and supporting consumers. These findings were supported by our Customer Closeness session, where we discussed climate change and sustainability with a cross-section of our customers. This feedback will help us focus our products, ranges and services on what customers actually want and need, with our focus in 2022 being continued engagement with customers.

## Installations

Wickes is one of the largest installers of kitchens and bathrooms in the UK, and we work with customers to design, deliver and install thousands every year.

However, each of these installations produces waste, in the form of both the product packaging and the removal of the previous kitchen and bathroom units.

We are currently working with our installation waste management partners to better track and understand this waste stream, and to explore how we can best process and even repurpose these materials in the future.



CURTAIN POLE PACKAGING

**All curtain poles and blinds typically have been supplied in plastic packaging. We tasked our suppliers during development of new ranges to swap the plastic for cardboard and supported the packaging change with an in-store product display. We are the first retailer in the UK to make this positive packaging material change**

## Looking forward

**We have spent 2021 speaking with our customers to better understand their views on sustainability and climate change, and what they expect to need from us in the future.**

It is clear that customers want to live more sustainably, and their homes are key to this vision. However, the lack of guidance and support is limiting their ability to make sustainable choices and invest in key technologies that will help with home decarbonisation. In 2022, we will look to explore what role we can play

- What products are affordable and effective in home decarbonisation
- What services Wickes could offer to make this task simpler, and cheaper for customers
- How Wickes can support installations of energy efficient products and technologies

# Responsible sourcing

## The foundation of our Responsible Business Strategy

**The foundation of our strategy**
Our business is built on the foundation of a sustainable, responsible supply chain. The vast majority of our impact as a business is in the indirect impacts of the products we buy, and so this will be a key focus of our strategy going forward.

**Wickes Supplier Manual**
We always look to ensure our suppliers demonstrate and share similar values to our own, especially for their employees, health and safety, the environment, business ethics and product quality. These values make up the five pillars of our Supplier Manual, and we have made a series of commitments to establish these principles throughout our supply chain.

**Responsible Sourcing Policy**
In addition to managing our suppliers through our supplier manual, we have also launched our Responsible Sourcing Policy, which ensures that we source products and partners responsibly, and set minimum standards across our supply chain.

This policy is intended to meet all relevant legislative requirements, as well as to provide confidence for our customers and stakeholders that Wickes is a trusted partner and retailer. We have also launched our first ever ESG questionnaire for existing partners, which looks to better understand the risks within our supply chain, and the opportunities for improvement and collaboration.

**Timber Policy**
Timber makes up around 45% of our business, and we sell over 300,000 tonnes of it every year, so it is a key area of focus for our responsible sourcing strategy. We have strict requirements to ensure we only source products that are safe, fit for purpose and which meet or exceed our customers' expectations. We require each product that enters our supply chain to comply with all applicable legislation including FSC and PEFC, and require full chain of custody on all timber and joinery products. We carry out regular inspections of our suppliers, conduct a supplier risk assessment every two years, and conduct Sedex ethical audits to complement our process. This strategy means that all of our timber is responsibly sourced, with 99.8% being certified under FSC and PEFC.

**Environment Policy**
We set out our commitment to becoming a sustainable business along with all the responsibilities that come with it, in our Environment Policy. This includes working with our supply chain partners to reduce our indirect impacts, improving the efficiency of our estate and reducing waste and packaging. Relevant business leads monitor compliance and report regularly to the Executive Board.

**New Strategy, New Responsible Sourcing Team**

We have taken the opportunity to restructure our commercial team to focus our efforts on supply chain decarbonisation and responsibility. The new Responsible Sourcing and Technical team will be positioned to support the wider commercial function.

## Responsible timber sourcing

**Sourcing**
Our timber is sourced nationally and internationally, with the majority of our soft wood coming from Scandinavia and Asia.

**Forestry**
Our timber comes from well-managed, sustainable forests that are accredited under the FSC or PEFC schemes.

**Milling**
Some of our timber is milled locally in the country of origin, before it is imported to the UK. All of the mills in our supply chain are FSC or PEFC certified.

**Importing and manufacturing**
Our timber is imported to the UK, and is subject to UK Timber Regulations diligence checks, as well as checks by our suppliers, and Wickes. Once our timber arrives at our distribution partners, the timber is profiled and moulded, labelled ready for sale, and from here is either delivered straight to customers' homes or sent to store.

**Stores and homes**
Timber is merchandised and ready for sale in one of our 232 stores, or delivered straight to customers' homes or tradespeople at site. We also conduct regular timber inspection to ensure products reach customers in the best possible condition.

# Non-financial information statement

The following table sets out where the key content requirements of the Non-financial information statement (as required by sections 414CA and 414CB of the Companies Act 2006) can be found in this document and also on our website.

| Non financial matter | Disclosures of policies and standards | Page |
|---|---|---|
| **Environmental matters** | Task Force on Climate-related Financial Disclosures | 42 |
| | Principal risks and uncertainties: Climate change | 63 |
| | Strategic report: Environment | 38 |
| | Responsible Business Committee report | 82 |
| | Environment Policy | 48 |
| | Timber Policy | 48 |
| | Details of our approach to protecting the environment in our supply chain can be found on our website | |
| **Employees** | Section 172 statement: colleagues | 51 |
| | Board leadership and company purpose | 70 |
| | Strategic report: People, Inclusion and diversity, Employee voice, Health and wellbeing | 32 |
| | Nominations Committee report: Inclusion and diversity | 77 |
| | Principal risks and uncertainties: People, culture and safety | 64 |
| **Human rights** | Directors' report: Code of Business Ethics | 100 |
| | Directors' report: Modern Slavery statement | 101 |
| | Our Modern Slavery statement and our approach to protecting human rights can be found on our website | |
| **Social matters** | Section 172 statement | 50 |
| | Strategic report: People, Environment, Homes | 32,38,46 |
| **Anti-corruption and anti-bribery** | Board leadership and company purpose | 70 |
| | Directors' report: Modern Slavery Act, Anti-bribery Policy, | 101 |
| | Whistleblowing Policy | 71 |
| **Principal risks and impact of business activity** | Principal risks and uncertainties | 60 |
| | Audit and Risk Committee report | 78 |
| **Business model** | Business model | 14 |
| **Non-financial key performance indicators** | Key Performance Indicators: Carbon emissions | 27 |
| **Non-financial key performance indicators** | Key Performance Indicators: Leadership Group diversity | 27 |

Section 172

# S172 statement

Section 172 imposes a duty on directors to act in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. Our stakeholders have an important role to play in the success of our business and throughout our Strategic report you can see how our decisions and actions have been influenced by our stakeholders.

**In this section we describe how the Board has factored stakeholder considerations into decision making.**

Our Directors are aware of their responsibilities and take them seriously. The Board has put a structured governance framework in place with scheduled Board meetings and clear policies and authority levels to control the decision making process. Our Strategy, supported by our Responsible Business Strategy which is overseen by our Board level Responsible Business Committee, is built on insight gained from our stakeholders. Detailed budgets, forecasts and reports are reviewed by the Board to enable it to monitor the Company's performance to ensure it is tracking as expected or that mitigating steps are taken.

As a new Board of a newly listed Company, the Directors were mindful that focus on ensuring the business maintained stability and met performance expectations during the transition from being part of a large Group to a standalone business listed on the London Stock Exchange, needed to be a priority in our first year. Since the Company's listing on 28 April 2021, the Board has focused on overseeing the continued development of the robust control framework that is required by a standalone business and monitoring progress with the delivery of the Strategy set out at the Capital Markets Day prior to the Company's listing.

**Engaging with stakeholders**

The Board places great emphasis on the consideration of stakeholders in its thinking and discussion and has taken time this year to gain a full understanding of our different stakeholder groups and their views through a range of activities including one-to-one meetings; listening groups; and presentations and discussions around stakeholder feedback and insight. In order to fulfil its duties, the Board takes care to have regard to the likely consequences on all stakeholders of the decisions and actions which it takes. Such considerations ensure the business is making decisions with a longer term view in mind and with the sustainable success of the business at its core.

The various needs and views of our stakeholders are considered by colleagues and leaders throughout the business which helps us make good decisions at all levels. By understanding each stakeholder group, the business and the Board can ensure that they are taking all views into account and reaching conclusions that will benefit the Company as a whole. Where possible and relevant, decisions are carefully discussed with affected groups to ensure they are fully understood and supported when taken. Details of our key stakeholders and how we engage with them are set out in the following table.

| Stakeholder | Priorities | How we engage |
|---|---|---|
| **COLLEAGUES** | **Our colleagues want a great place to work where everyone feels at home and can bring their true authentic self to work. They want to work for a business that prioritises the health and wellbeing of colleagues, provides development opportunities and an environment where colleagues feel recognised and rewarded for the work they do.** | We are enabled by our highly engaged colleagues and winning culture. Our people are key to our success and we want them to be successful individually and as a team.<br>The Board ensures its understanding of colleague interests through many forums including a regular review of talent and succession, reward and benefits and safety and wellbeing reports, along with listening to colleague views.<br>We engage with and listen to our people in many ways, including colleague surveys, site visits, forums, Support Centre monthly briefing meetings, listening groups, face-to-face briefings, internal communities, newsletters and through our anonymous whistleblowing service. Key areas of focus in our communications with colleagues include business updates, new products and services, health and wellbeing, inclusivity programmes, development programmes, pay and benefits, and charity activities. The Board receives regular reports about what is important to our colleagues and one of our Non-executive Directors, Sonita Alleyne, takes the lead on ensuring colleague views are heard by the Board and taken into consideration in Board decision making. |
| **CUSTOMERS** | **Our customers want good quality, affordable and sustainable products which have been ethically sourced, which they can buy easily. They also want excellent service and for all our colleagues and suppliers to be treated fairly.** | With our vision of a Wickes project in every home and our mission to be the partner of choice for home improvers and Local Trade, customers are at the heart of our business.<br>We have a diverse customer base across our three business areas - Local Trade, DIFM and DIY and we spend considerable time analysing customer trends and reviewing customer feedback, including from customer listening groups and surveys, to understand their needs and views and to listen to how we can improve our offer and service. Our senior management team meets monthly to review customer insights and discuss the customer proposition in depth. Outputs are reported to the Board at every meeting and Board members also attend customer listening groups from time to time. |
| **SUPPLIERS AND LANDLORDS** | **Our suppliers want to be treated fairly and with respect and to receive a fair price for the products and services they provide. Our landlords want successful and reliable tenants and to understand the environmental impact of their assets and work with tenants to reduce their carbon footprints. Suppliers and landlords welcome our collaborative approach and want to develop long term partnerships based on trust to build capability together and create value that can be shared.** | The Board places great importance on ensuring suppliers are treated fairly and we build strong relationships with our suppliers and landlords to develop mutually beneficial and lasting partnerships. This enables us to provide the best products at the best prices for our customers and a great platform for our suppliers and landlords to grow with us.<br>Engagement with our suppliers is primarily through a series of interactions and formal reviews. Key areas of focus include innovation, product development, health and safety, sustainability and payment practices.<br>Engagement with landlords is conducted via the property team on a day-to-day basis and with formal quarterly meetings. Discussions focus on leasing arrangements and extensions, ESG initiatives, energy data sharing and reporting and early stage green lease clauses. The Board receives an annual update on property and landlord matters. |
| **SHAREHOLDERS** | **Our Shareholders want to work with us to achieve long-term, sustainable growth and returns.** | Our Shareholders are key to the long term success of the business and we value their input and views. We aim to secure long term sustainable growth and returns by delivering our strategy.<br>We engage with our Shareholders in a number of ways including one-to-one and group meetings with Board Directors and senior management, store visits, roadshows, regulatory reports, market announcements and presentations, and at our Annual General Meeting. |
| **COMMUNITIES** | **Our communities want us to be a responsible employer that operates ethically and brings value to their community .** | We engage with the communities in which we operate to build trust and understand the local issues that are important to them. In consultation with our colleagues we select one main charity partner (currently YoungMinds) to work with across the business and we also support local charitable activities at a site level to raise awareness and funds and support community projects.<br>We engage with our communities at a local level through our stores and distribution centres. Key areas of focus include how we can support local causes and issues, create opportunities to recruit and develop local people and help to look after the environment. |
| **GOVERNMENT AND REGULATORS** | **The government and regulators want us to operate in a safe and ethical way and comply with laws and regulations.** | We engage with the government and regulators to understand their views and priorities and to share our views and experience to help shape future policy.<br>We engage through a range of industry consultations, forums, meetings and conferences to communicate our views to policy makers relevant to our business. Key areas of focus are compliance with laws and regulations, health and safety and product safety. The Board also receives regular updates on legal and regulatory developments. |

**Section 172** continued

# S172 duties

Examples of how the Directors have undertaken their Section 172 duties and have had regard for these matters when making decisions is included throughout this Annual Report:

| S172 factor | More information | Page ref |
|---|---|---|
| **a) The likely consequences of any decision in the long term** | Strategy and Business Model | 16-25, 14-15 |
| | Principal Risks and Uncertainties | 60-64 |
| | Performance review | 6-9 |
| **b) The interests of the company's employees** | People Strategy | 32-37 |
| | Responsible Business | 28-48 |
| | Section 172 | 50-53 |
| | Principal Risks and Uncertainties | 60-64 |
| | Board Leadership and Company Purpose | 70-71 |
| | Directors' report | 99-101 |
| | Directors' Remuneration report | 83-98 |
| **c) The need to foster the company's business relationships with suppliers, customers and others** | Strategy | 16-25 |
| | Responsible Business | 28-48 |
| | Section 172 | 50-53 |
| | Principal Risks and Uncertainties | 60-64 |
| | Board Leadership and Company Purpose | 70-71 |
| | Responsible Business Committee report | 82 |
| **d) The impact of the company's operations on the community and the environment** | Section 172 | 50-53 |
| | Responsible Business | 28-48 |
| | TCFD disclosure | 42-45 |
| | Responsible Business Committee report | 82 |
| **e) The desirability of the company maintaining a reputation for high standards of business conduct** | Strategy and Business Model | 16-25, 14-15 |
| | Responsible Business | 28-48 |
| | Responsible Business Committee report | 82 |
| | Board Leadership and Company Purpose | 70-71 |
| | Division of responsibilities | 72 |
| | Whistleblowing | 71 |
| **f) The need to act fairly as between members of the company** | Section 172 | 50-53 |
| | Board activities | 74 |
| | Shareholder information and AGM | 162 |

The Board ensures that it receives quality information, including views from stakeholders, to inform decision making. The main activities of the Board during the year are set out on page 74.

Consideration of stakeholder views in decision making is supported by:

## Board skills and experience

The experience and training of its members allows the Board to challenge and evaluate the impact and effectiveness of its decisions in the context of the environment in which the business operates and the views of its stakeholders.

- All Directors were selected in light of their experience and expertise, and the contribution they could make to the long term success of the business.
- All Directors received a tailored induction in 2021 which included training on Directors' Duties including Section 172 responsibilities and regulatory obligations as a listed business.
- The Board is kept updated on any developments in regulations and best practice.

## Board information

Detailed reporting ensures that the Board is kept informed of stakeholder views, insights and key performance indicators and any developing trends.

- The Board receives reports on stakeholder views and insight, survey outcomes and feedback from stakeholder groups.
- Directors are invited to attend listening groups with customers.
- The designated Non-executive Director for the Colleague Voice attends listening groups, reviews colleague feedback and insight, and reports to the Board.
- The Board, and in particular the Chairman and Chair of the Remuneration Committee, actively seek engagement with shareholders.
- Board papers include stakeholder views where relevant to the matter under consideration.

## Board discussion

Board discussions ensure that stakeholder views are understood and considered.

- Information including the views and feedback from stakeholders is reviewed and discussed by the Board.
- The Board scrutinises the information provided to it and seeks additional information or assurance as appropriate.
- The Chairman ensures that all matters considered by the Board are thoroughly debated and all Directors' views are heard.
- Our culture helps to ensure that there is proper consideration of the potential impact of decisions.

## Board decision

The Board's skills and experience, quality information and thorough discussion of matters ensures effective and informed decision making.

- Decisions are taken collectively by the Board and the necessary actions taken.
- Outcomes of decisions are monitored.
- Stakeholder engagement activities as a result of decisions are undertaken as appropriate.

# Case study

## Admission to the Official List

**Context**

**Wickes demerged from the Travis Perkins Group and listed as Wickes Group Plc on the London Stock Exchange on 28 April 2021. In order to achieve successful delivery of this corporate transaction and ensure a smooth transition from a subsidiary of a large group to a standalone listed company, the Board needed to ensure that the business was set up and resourced appropriately to operate not only through the transitional period, but in the longer term. The views of all affected stakeholders were considered carefully by the Board at every stage and these views were integral to the planning and execution of the process.**

**Colleagues**

The Board was mindful of the potentially unsettling nature the demerger could have on colleagues and was keen to ensure that colleagues felt engaged and consulted throughout. Many of our colleagues participated in the employee share schemes provided by our parent company before the demerger, which fell away following the demerger. The impact on colleagues was modelled and considered in the design of our own employee share plans. The feedback from colleagues on their previous share schemes showed that the SAYE plan was popular but the partnership shares plan was of little interest to the majority of colleagues due to the higher risk and limited tax benefits of the plan. The Board was also particularly keen to ensure colleagues would feel positive about the demerger and could share in the future success of the business. The alignment of colleagues' interests with Shareholders was considered to be beneficial to the longer term success of the business. The Board decided that a SAYE plan should be set up and that an award of Free Shares to all colleagues employed on the date of the listing should be made. More information about this can be found in the Directors' Remuneration report on page 96.

Effective communication about the impact on colleagues' previous share plans and the new plans that they would have access to was a key part of meeting colleague expectations and to ensure colleagues were kept fully informed and supportive of the demerger. The business has many and varied targeted communication channels which reach each and every part of the business and these were utilised effectively, with additional communications across all channels informing colleagues of the progress made and what it would mean for them in relation to both their old share plans and their new share plans. More information on how we engage with colleagues is set out on page 100 of the Directors' report.

**Shareholders**

Shareholders were supportive of the demerger as it would allow the two separated businesses to pursue their own strategy and approach to capital allocation appropriate to their own markets. On demerger, Wickes inherited the same share register as its previous parent company.

The Board adopted a robust governance framework in line with the UK Corporate Governance Code and other best practice to provide existing and potential Shareholders assurance that it would uphold the highest standard of governance. It also ensured a transparent engagement process with Shareholders including holding a Capital Markets Day ahead of the demerger to set out the strategy for Wickes as a standalone business. One-to-one and group meetings were held with Shareholders throughout the process to ensure Shareholders were kept informed and could raise any questions and share their views. The business strategy was continually reviewed and the communications about strategy, performance and governance continually refined to address Shareholder questions.

Following the demerger there was significant change in the Company's share register, materially driven by Shareholder investment strategies. The Board ensured that changes in the share register were closely monitored and focus was given to engaging with existing, new and potential Shareholders to ensure our strategy and performance were clearly understood.

**Suppliers**

Prior to the demerger the business shared a number of suppliers with its parent company and there was a significant amount of work required to separate the contractual arrangements for shared suppliers. The Board placed great importance on giving suppliers assurance that their businesses would not be adversely affected by the demerger. It was also an opportunity to develop supplier relationships more deeply for the benefit of both parties and a number of significant new contracts were considered and approved by the Board as required by its reserved matters in its governance framework.

**Regulators**

The listing resulted in the business operating in a different regulatory environment and being subject to a broad range of new requirements for which the Board had to ensure the business was both prepared and resourced to meet. The Board adopted a robust governance framework in line with the UK Corporate Governance Code and other best practice to provide assurance that it would uphold the highest standard of governance. Significant focus was given to ensuring that new roles required to fulfil the new obligations were created and filled with talented colleagues and to assess and approve required policies, procedures, controls and documentation to ensure that regulatory standards would be met.

**Customers**

Our customers were least affected by the demerger as the changes had little impact on day-to-day operations which were already operating to good governance and ethical standards. The Board was careful to ensure that the work to effect the listing of the Company did not impact the operations of the business and that good practices were maintained.

### Summary of material issues

Ensuring **no impact** on customer experience

**Ensuring compliance** with listed company regulations

Colleague share **participation**

Investor **confidence**

Maintaining strong supplier **relationships**

Delivering **high standards** of governance

**Resourcing** roles required for a listed business

Maintaining **strong operational practices** during period of change

# Financial review

**Julie Wirth**
CHIEF FINANCIAL OFFICER

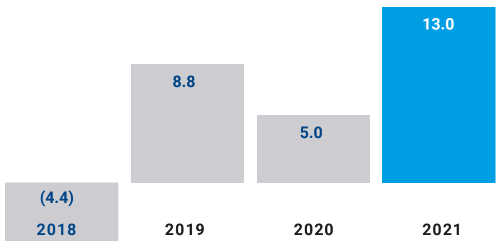
The period ending 1 January 2022 reflects an excellent financial performance with sales and profit growing strongly year on year, despite ongoing disruption from the COVID pandemic.

**Our performance is a reflection of a balanced and resilient business model which is underpinned by a digitally enabled and service based proposition, ensuring the business can meet the changing needs of customers in an agile and responsive way.**

## Revenue

Revenue for the 53 weeks to 1 January 2022 was £1534.9m, an increase of 14.0% on the prior year. Core sales increased by 15.1% to £1234.7m, with DIFM up by 9.4% to £300.2m. Excluding the impact of the 53rd week and a modest reduction in space, comparable period like for like (LFL) sales increased by 13.0%.

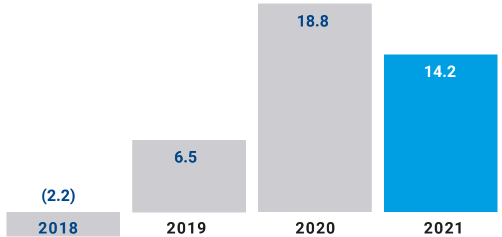
**LFL sales growth[1]**




1 Refer to note 5 on page 121

Core LFL revenue grew by 14.2% for the full year and 35.7% on a two-year basis, with growth delivered across a broad range of categories supported by both DIY and local trade customers. Commodity cost inflation accelerated into the second half, and cash cost increases were successfully passed on to customers over the period, whilst maintaining our competitive price position. Retail price inflation for the full year was around 7%.

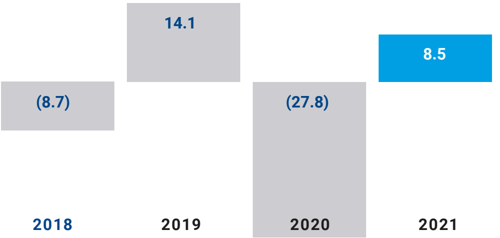
**LFL sales growth Core**




In the first half, LFL of 36.2% was driven by strong DIY and local trade transaction growth where we continued to build share in a buoyant home improvement market. In the second half, LFL declined by -4.4% against tougher comparatives from the prior year, with the two-year growth remaining strong at 26.7% and holding up well into the fourth quarter. Second half performance was notably supported by buoyant local trade activity with our trade customers continuing to see a healthy pipeline of work.

Within DIFM both the ordered and delivered sales profile was variable, reflecting the impact of Covid lockdown and supply chain disruption on the current and prior years. Orders were affected in the first part of 2021, with showrooms closed through to mid April which included our key winter sale trading period. Customer interaction was supported by our newly developed virtual showroom journey, however, this could not fully compensate for showroom closures. Orders then recovered well in Q2 against weak comparatives and the year finished strongly.

**LFL sales growth DIFM**




Delivered DIFM LFL revenue grew by 8.5% for the full year. Bathroom sales were particularly buoyant following a full range change towards the end of 2020 and installation participation continues to expand. Growth was notably strong in Q2 as we annualised the first period of full lockdown in 2020. Performance in the second half was impacted by supply chain challenges, including shortages of materials and project completion delays. Much of this was linked to self-isolation among supplier workforces, installers and customers. Lead times extended from an average of 6-8 weeks to more than double in certain periods and locations, although we remained in a strong competitive position across the market. As a result of these extended lead times, our carry forward order book was more than double that of two years ago at well over £100m and this will support delivered DIFM sales in 2022.

### Gross Profit

Gross profit for the full year was £568.5m (37.0% of revenue), up 11.7% on last year at £509.1m (37.8% of revenue), an 80 basis point decline in gross profit rate. As anticipated, the gross profit margin reduction was impacted primarily by inflation, a return to more normalised trading activity, product and customer mix.

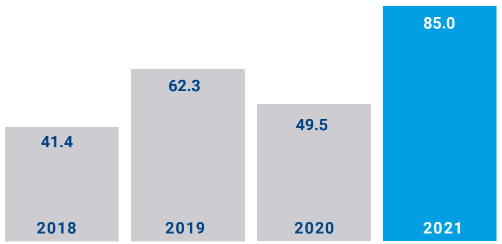
Our strategy to pass inflationary cost price increases through to customers on a cash recovery basis whilst maintaining a competitive price position, negatively impacted the gross profit margin %, accelerating into the second half. TradePro participation continued to grow, driving sales at a proportionately lower level of margin and within DIFM, bathrooms and installations performed strongly. From a fulfilment perspective, distribution supported the recovery of stock in the second half with less opportunity to generate operational leverage compared to the first half of the financial year. Home delivery participation remains broadly consistent year on year – with self service growing and click & collect reducing.

### Adjusted Operating Profit

Adjusted operating profit was £116.3m, up from £81.6m in 2020. The figures for both financial years do not include any government support, as the benefit initially taken in the first half of 2020 was repaid in the second half (see note 6 on page 122). Our adjusted operating profit margin was 7.6%, ahead of the 6.1% reported in 2020 and 7.4% in 2019. This strong underlying profit performance is driven by Core sales growth together with operational cost leverage, partially offset by the reduction in gross profit margin.

The cost to sales ratio improved by 230bp, with selling costs benefiting from operational cost leverage and reduced Covid-related costs through our store portfolio, partially offset by higher administrative costs. Administration costs include £6m of incremental PLC costs as anticipated at demerger, additional marketing costs of £8m which returned to more normalised activity following a temporary reduction in 2020, and bonus of £7m which reflects recognition across the business linked to the strong profit performance. As expected, the 53rd week had minimal impact on profitability.

**Adjusted PBT**




### Net finance costs

Full year finance costs were £31.3m, reduced from £32.1m in 2020 principally reflecting lower interest on lease liabilities.

### Adjusted profit before tax

After finance costs adjusted profit before tax for 2021 was £85.0m, a 71.7% increase on the £49.5m reported for the prior year.

### Adjusting Items[2]

Pre-tax adjusting item charges for the full year were £19.6m, broadly in line with 2020 and primarily relate to demerger and IT separation costs. Demerger costs were £5.3m, slightly lower than anticipated at the half year and predominantly relate to professional fees. IT separation costs to migrate systems away from the Travis Perkins infrastructure were £14.2m in the year, slightly lower than anticipated due to later mobilisation of activity. We estimate remaining investment of c £30m over 2022/23 which will enable the business to step away from the transitional services agreement in place with Travis Perkins.

Tax on adjusting items of £9.9m includes an adjusting credit of £6.7m arising from the increase in the rate of UK corporation tax effective from 1 April 2023 from 19% to 25%. The legislation enacting this rate increase was substantively enacted in H1 2021. The rate change recognised at 26 December 2020 (£2.4m) represents the increase in the rate of UK corporation tax effective from 1 April 2020 from 17% to 19%.

2 Refers to note on 9 page 125

# **Financial review** continued

### Profit before tax
Profit before tax was £65.4m compared with £28.9m in the prior year. This improvement in performance was primarily driven by the strong trading results outlined above.

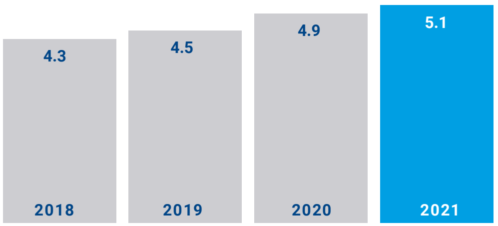
### Tax
Tax for the period is charged on profit before tax, based on the forecast effective tax rate for the full financial year. The underlying effective tax rate (before adjusting items) for the 53 weeks ended 1 January 2022 is 19.4% (52 weeks ended 26 December 2020 18.0%).

### Capital Investment
Capital investment in the financial year totalled £26.5m, comprising £13.0m of investment in our store estate, £5.4m supporting DIFM range review activity, £6.1m of investment in our IT/Digital capability together with £2.0m of maintenance capital. Overall, capital investment was slightly lower than expected due to later timing of projects. For FY2022, we expect capex to be around £45m, reflecting a step up in refit and new store activity.

### Cash / Net debt
Year end net cash was £123.4m, this compares with the prior financial year at £6.5m and the prospectus pro-forma position of £125.0m. As indicated at the interim results, the cash position moderated from the half year at £204.2m. This reflects normal working capital cycles in the business including the impact of week 53, second half weighting of investment and IT separation costs, dividend payments together with a significant rebuild of inventory.

The inventory position strengthened to £188.2m compared with the prior year at £138.3m and 2019 at £150.4m. This reflects a combination of stock re-build following Covid supply chain disruption and inflation, together with investment to assure strong availability as we move into our key Spring 2022 trading season.

**Stock turn[3]**




Lease liabilities were £742.1m compared to £790.0m in the prior year primarily reflecting the profile of property leases with fewer renewals in the near term.

Net debt reduced to £618.7m compared to the prior year of £783.5m and the prospectus pro-forma position of £665.0m. Our IFRS16 leverage (measured by the ratio of net debt to Adjusted EBITDA)[4] was 2.8x in 2021.

### Dividend
In line with an enhanced payout ratio of 40%, a final dividend of 8.8p is proposed in respect of the 53 weeks ending 1 January 2022, taking the full year dividend to 10.9p. In line with an enhanced payout ratio of 40%, a final dividend will be paid on 8 June 2022 to shareholders on the register at the close of business on 22 April 2022 (the Record Date). The shares will be quoted ex-dividend on 21 April 2022.

Shareholders in the UK may elect to reinvest their dividend in the Dividend Reinvestment Plan (DRIP). The last date for receipt of DRIP elections and revocations will be 16 May 2022.

3 Refer to the APM on page 164
4 Refer to the APM on page 164

### Capital Structure review
Wickes is a cash generative business with modest ongoing maintenance capital expenditure requirements. With strong market fundamentals and a number of proven levers to deliver growth, our strong cash flow allows the flexibility to support growth through disciplined investment including store refits, new stores, digital development and range reviews, alongside providing an attractive return for shareholders. Investment also continues in the short term to support the IT separation from Travis Perkins.

Wickes remains committed to retaining a strong balance sheet, and this includes an acknowledgement that we carry a significant level of leasehold debt and the need to fund seasonal working capital. Having reviewed our capital requirements over the medium term, we intend to operate with lease adjusted net debt / Adjusted EBITDA[4] of consistently less than 2.75x and to maintain cash balances to fund our working capital.

Alongside maintaining a strong balance sheet, we intend to invest our cash flow behind our high returning growth levers to support our continued market outperformance. We will balance that investment with an enhanced dividend payout ratio of 40% of adjusted profit after tax, with approximately one third typically paid as an interim dividend.

Where the business generates cash in excess of that needed to maintain a strong balance sheet, fund investment for growth and once the ordinary dividend has been met, the Board may conclude that it has surplus cash. Were this to arise, there is currently a preference to return this surplus cash to shareholders via share buybacks or special dividends.

**Julie Wirth**
Chief Financial Officer
24 March 2022

Alongside maintaining a strong balance sheet, we intend to invest our cash flow behind our high returning growth levers to support our continued market outperformance

# Risk management overview

## Risk management at Wickes

At Wickes, we know that understanding and managing our risks across the business is critical to our success. The nature of risks that we face is diverse and we need to have appropriate tools and mechanisms in place to help us to identify risks before they occur. We understand we need to identify root causes to minimise the potential likelihood and impact of these risks on our business.

We are embedding risk management as an integral part of business operations, ensuring that we have arrangements in place for the identification and management of risk and that these arrangements are efficient and robust.

Our risk management procedures aim to identify and mitigate the potential risks to achieving our business plan objectives and therefore the Corporate Risk Register is directly linked to Wickes' Strategic Business Plan.

2020 and 2021 have seen the pandemic impact society in unprecedented ways. Throughout this period, we have proactively considered, and addressed, pandemic-related risks through the application of our risk management framework to ensure that we safeguard our customers, colleagues and operations as far as possible. As an essential business, we have been able to maintain a strong financial position despite these pressures and, in some aspects, dealing with the effect of the pandemic has become woven into business as usual across the Company. As we look towards the next year, though the overall health threat posed by the pandemic is reducing as vaccinations become more widely available, its impact is likely to continue to affect our operations and those of our partners and suppliers. Therefore, the pandemic remains a risk factor the impact of which, including the impact of any further lockdowns, on our principal risks will continue to be evaluated and managed to the best of our ability.

## Task Force on Climate-related Financial Discolsures

As the UK becomes the first country in the world to mandate the Task Force on Climate-related Financial Disclosures (TCFD), we have been taking appropriate steps to ensure we are prepared as a business and have an appropriately aligned disclosure strategy being developed in readiness. We understand it will help reshape our business and, very importantly, it is paving the way for our corporate standard on sustainability-related financial disclosures.

The strategy we have planned is built on a governance structure that will review the transitional and physical risks and opportunities of climate change, and identify the right means to address those risk and opportunities. This will be supported through the Responsible Business Working Group and Responsible Business Committee, which oversees environmental, social and governance matters at Wickes.

We know that our colleagues, customers, suppliers, investors, communities and regulators are becoming increasingly climate conscious. TCFD assurance provides a clear message of our intent, commitment and confidence to these key stakeholders.

Our approach to TCFD reporting can be found on pages 42-45.

## Emerging risks

The Board has established processes for identifying emerging risks, and horizon scanning for risks that may arise over the medium to long term. Emerging and potential changes to Wickes' risk profile are identified through the Company's risk management processes, and through direct feedback from management, including changing operating conditions, market, and consumer trends. In respect of emerging risk, the Board is aware of structural changes in our markets where working practices are changing, including the trend towards an increase in flexible working. This trend has been greatly accelerated by the pandemic and working habits and trends may not fully revert to their pre-pandemic position.

To mitigate the risk to the business of changes in consumer habits, we are adapting our service offering and evolving our strategy to meet the needs of our customers while continuing to create long term value. We are focused on innovation and have invested in technology, our supply chain and our ability to scale solutions that take advantage of emerging trends in the home improvement sector, and to ensure we continue to satisfy our existing and future customers.

We perceive climate change as an emerging risk and foresee that it may have an impact on wider operations and our supply chains. In turn, this could affect the availability of some of our products, and potentially may lead to cost inflation. To mitigate this risk, we will focus on evaluating our exposure to climate change and will seek to identify potential future issues early so that our sourcing and operations can be adjusted and adapted appropriately. We will continue to work to reduce our impact on the environment and to support customers to decarbonise their homes.

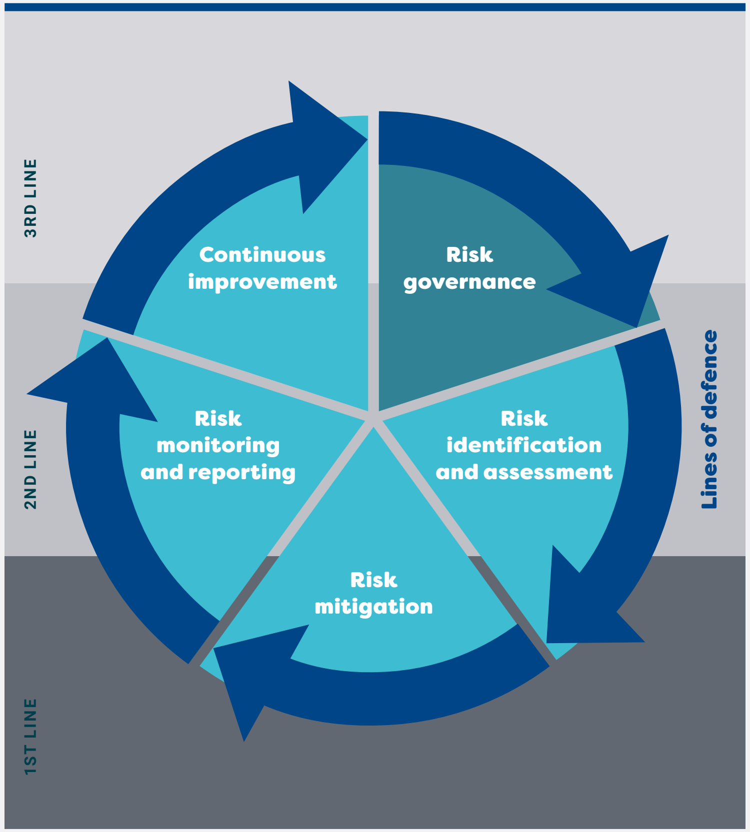
## Risk appetite

To support the operation of an effective risk management process, the level of risk that the organisation is willing to hold in the pursuit of its objectives must be determined. This level of risk is known as risk appetite, and is typically set for individual risks or risk categories. The Board, with the support of the Audit and Risk Committee, has reviewed the corporate risk register and defined the level of risk appetite for each risk type. Risk appetite provides management with a view on the level of risk the Board deems acceptable, and therefore helps to focus resources and management time where needed.

# Risk management overview continued

## Risk management process

Our risk management process is built around a five-point model. Integrated across the three lines of defence, the risk management process has been designed to ensure that appropriate oversight is applied throughout the process, while ensuring that assurance is provided to those tasked with oversight responsibility. Risk identification, assessment, mitigation and monitoring processes take place from both a top down and a bottom up perspective to ensure that a comprehensive and complete view of organisational risk is captured, managed and monitored. Each of the five points in our risk model is further defined across the following pages.




The three lines of defence model was designed to provide a blueprint of how effective governance, risk management and internal control processes work together.

The first line of defence is responsible for operating systems of risk management and control, the second line oversees the activities of the first line, with the third line providing independent assurance that the first and second lines are operating as intended. Together, the three lines provide assurance to governance structures that risks are being managed effectively.

## Risk governance

We have a formal risk management process, part of which assesses and prioritises the Company's principal risks (highlighted on page 60). The Board has overall responsibility for risk management and oversight of the system of internal controls. Risks are reviewed by risk owners on an ongoing basis and are assessed to identify and document corresponding mitigating actions. Risk updates form an integral part of periodic management reviews and are reviewed by other members of the Company's senior leadership team and the Audit and Risk Committee. The Board sets the risk appetite and monitors and reviews its application and ongoing relevance.

### Board oversight

| Develops vision and strategy | Defines organisational Code of Business Ethics | Sets risk appetite and tolerance | Monitors the nature and extent of principal risk exposure |
|---|---|---|---|

| Executive Board | Audit and Risk Committee | Internal audit |
|---|---|---|
| Represents all key functions and teams of Wickes. Maintains policies and programmes, monitoring risk exposure, mitigation and internal controls, and manages business risk on a day-to-day basis | Reviews the design and implementation of Wickes' risk management and internal control programmes<br>Supports the Board in monitoring risk exposure vs. risk appetite | Supports Wickes in identifying risk landscape and gaps in legal compliance recommending mitigating actions<br>Facilitates the maintenance of the corporate risk register and monitors progress in mitigation of each risk<br>Reviews and tests the effectiveness of internal controls and provides assurance |

### Risk management process

| Risk Identification and Assessment | Risk Mitigation | Risk Monitoring and Reporting | Continuous Improvement |
|---|---|---|---|
| Identifies and owns relevant risks assigning responsibilities at operational/ functional level | Ensures internal control systems are embedded across the business | Ensures mitigating actions are monitored and implemented. Escalates risk identified at operational or grass roots level to Executive, Audit and Risk Committee and the Board | Reviews the outputs of the risk management process, identifies improvements and supports the further embedding of effective risk management processes within the business |

**Top down**

Oversight, identification. assessment and mitigation of risk across the Company

**Bottom up**

Identification, assessment and mitigation of risk across key functional areas

### Risk identification and assessment

Risk identification exercises are carried out formally twice a year, with individual members of the Executive Board, functional leads and through the Executive Risk Committee; however, any new or emerging risks are incorporated within the risk register by the Executive Board, if required, monthly.

The Audit and Risk Committee and the Board review key risks at each meeting and provide insight into the risk identification process. There are five main types of risk identification activities which we use to ensure that we have captured a complete view of our risk landscape:

| METHOD | DESCRIPTION |
|---|---|
| **Questionnaires and checklists** | Collection of information to recognise the most significant risks. |
| **Workshops and brainstorming** | Accumulation of ideas and discussion of the organisational context and internal processes that could impact the objectives, stakeholder expectations or key dependencies. |
| **Inspections and audits** | Physical inspections of premises and activities and audits of compliance with established systems and procedures. |
| **Flowcharts and dependency analysis** | Identification of critical components that are key to success through the analysis of processes and operations. |
| **SWOT and Political, Economic, Social, Technological, Legal and Environmental** | Strengths, Weaknesses, Opportunities, Threats (SWOT) and Political, Economic, Social, Technological, Legal and Environmental (PESTLE) analyses offer structured approaches to risk recognition. |

Both Gross risk (prior to any mitigations) and Net risk (when taking into account the mitigation activities in place) are assessed for impact and likelihood using a defined five-point scale. This provides a risk score between 1 and 25, which is used to prioritise risks and the focus and activity required to enhance mitigations.

**Prospectus risks:** Risks recorded in the Prospectus created for listing purposes in 2021, and where applicable post listing, have been incorporated into the Wickes' risk management framework to ensure that they are included in the ongoing assessment and monitoring risk.

### Risk mitigation

Risk mitigation is the primary means through which the potential impact and the likelihood of risks is reduced. Risk owners are required to document the controls in place to manage the risk.

Where applicable, second-line functions (including compliance teams) regularly review the application of controls to ensure that they are being applied consistently. Through the delivery of its annual audit plan, internal audit provides a rigorous and independent review of the design and effectiveness of controls across our key risks. Internal audit, reporting to the Audit and Risk Committee, provides an independent and objective assurance service on the adequacy and effectiveness of our risk management approach, internal control framework and governance arrangements.

### Risk reporting and monitoring and continuous improvement

Corporate level risks are collated and recorded within the corporate risk register. To provide sufficient detail to support their effective management, around 50 risks are currently being tracked and monitored by the Executive Board. To facilitate review and monitoring, the corporate risk register has been developed to allow different views of risk to be created. In addition to the regular review of all key risks by the Executive Board, periodic reviews of risk themes and risks that lie outside of current appetite levels are undertaken throughout the year.

# Principal risks and uncertainties

Our risk management approach has been developed to support the business in identifying and managing its key risks at the corporate, strategic and operational levels. By virtue of their nature, these risks reflect, and are encompassed by Wickes' principal risks and uncertainties, providing a means to review principal risk areas on a contributory risk level. This granularity enables greater insight and ultimately assurance that Wickes' principal risks and uncertainties are well understood and are being effectively managed.

**Principal risks identified are:**

| | |
|---|---|
| Autonomy | Finance and Treasury |
| Customer Service and Experience | Operations |
| Cyber Security and Data | People, Culture and Safety |
| Climate and ESG | Reputation and Brand Integrity |

The Board, supported by the Audit and Risk Committee, has confirmed that it has undertaken a robust assessment of the emerging and principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.

Opposite, a risk map shows the relative likelihood and impact for Wickes' principal risks, and the movement of risks across the period under review. A more detailed assessment of each principal risk is provided over the next few pages.

**Risk movement key**

- Stable
- Decreasing
- Increasing

## Risk map

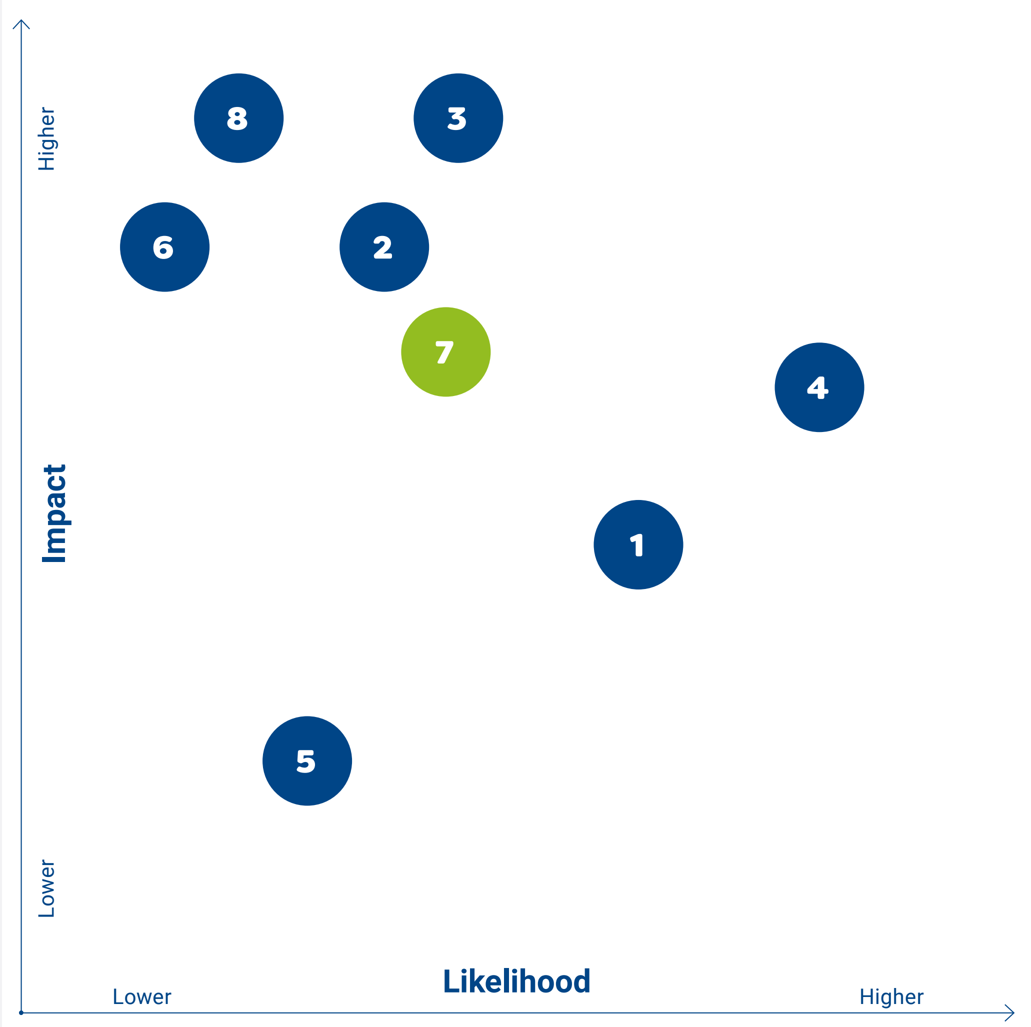
**Principal risks themes**

1. Autonomy
2. Customer Service and Experience
3. Cyber Security and Data
4. Climate and ESG
5. Finance and Treasury
6. Operations
7. People, Culture and Safety
8. Reputation and Brand Integrity

This risk map is designed to show the relative exposure of each principal risk theme rather than establish the absolute level of impact and likelihood for each risk. The assessment on whether the risk has increased, decreased or remains stable has been made on the basis of the net risk exposure to Wickes.

**Risk key**

- Risk stable
- Risk decreased
- Risk increased



| Risk | Description |
| --- | --- |
| **Autonomy**<br><br>**Executive responsibility:**<br>CEO, CFO and Chief Information Technology Officer<br><br>**Trend:** | Prior to demerger, Wickes was reliant on back office systems designed and managed by the Travis Perkins Group. A key aspect of the demerger has been the transition to Wickes systems; however, there are other aspects covered under the autonomy programme, which are required to ensure that Wickes can continue to operate and thrive as a standalone entity.<br><br>Failure to optimise the outcome of this transition may have a negative consequence on several aspects of back office operations. |

| Mitigations | Progress in 2021 |
| --- | --- |
| The decision to demerge from Travis Perkins and to list as an independent entity were fully linked from the outset. A detailed transition strategy, programme and individual project level plans were approved by the Executive Board and the Board prior to separation.<br><br>Progress against the programme and individual plans continues to be a key focus for the Board and the Executive Board. The delivery of these plans is underpinned through the application of a sound project management methodology and is closely monitored.<br><br>We are currently on track to deliver against the original timeframes set. As we move towards the implementation of replacement systems and processes, the level of remaining risk will naturally reduce. | Multiple workstreams are progressing well against their respective plans. It is anticipated that as individual projects within the programme are completed, the magnitude of remaining risk will naturally decrease and once the programme is completed, this risk will no longer be applicable. |

| Risk | Description |
| --- | --- |
| **Customer Service and Experience**<br><br>**Executive responsibility:**<br>CEO, Chief Operating Officer, Chief Marketing and Digital Officer<br><br>**Trend:** | Our success is dependent on providing our customers with the highest levels of customer service and a positive customer experience that results in customers coming back to Wickes.<br><br>Failure to maintain high standards of customer service and experience may impact sales. |

| Mitigations | Progress in 2021 |
| --- | --- |
| Our 'customer first' approach at Wickes is underpinned by several customer focused activities including our Customer Closeness programme, our seven customer personas, our customer satisfaction programme and our rich understanding of data which fuels our Mission Motivation Engine.<br><br>Daily and weekly customer surveys gather feedback on customer experiences with Wickes. We also collect customers' views on their experience through our digital platform, store channels and through our Click & Collect and Home Delivery services. Verbatim feedback is triaged and fed into functional ownership so that we can tackle the root cause of any issues found. This approach has delivered year-on-year customer experience benefits.<br><br>All customer contact is captured and profiled to increase our understanding of why customers contact us; through this process, we are able to identify and fix the root cause of issues rather than addressing symptoms. All complaints are treated seriously and individually, and the customer contact process and root cause approach has helped us achieve an 80% Good or Excellent satisfaction rating when looking at customer complaints resolution.<br><br>We also measure and report customer satisfaction at every stage of the Do-it-for-me customer journey, helping us to drive continuous improvement by targeting those parts of the process which receive lower satisfaction scores. | Putting our customers first is a key area of ongoing focus for Wickes, with efforts being applied to maintaining excellent levels of customer service and a consistent customer experience despite the impact of external factors including supply chain disruption, Brexit and restrictions due to the pandemic. |

# Principal risks and uncertainties continued

## Risk

### Cyber Security and Data

**Executive responsibility:**
CEO, General Counsel and Company Secretary, and Chief Information Technology Officer

**Trend:**

## Description

Excellent IT and accurate data that resides within systems are fundamental requirements for any successful business. Ensuring that the systems and the data we hold are safe, managed and used appropriately is a key focus.

Failure to do so not only reduces the level of trust customers will have in us protecting the information we hold, but there may also be impacts on operations (e.g. availability of IT systems) and/or regulatory consequences including fines.

### Mitigations

As a digitally-led, service-enabled home improvement business, maintaining a secure IT domain and protecting data to the highest standards is fundamental in ensuring levels of trust remain high in Wickes.

Strong IT partner control and approval processes underpin a cyber secure approach with our partners. Industry standard IT system security, monitoring and automated response mechanisms help to prevent, detect and mitigate unauthorised activity. These systems are regularly tested to ensure that they continue to provide protection from known and potential threat vectors.

Our approach to managing data is driven by a 'privacy by design' ethos to safeguard the data we hold to the highest standards. A programme of training and communication on data protection helps to ensure our colleagues are fully equipped to prevent data security incidents.

### Progress in 2021

Autonomy has provided an opportunity to further refine our approach to cyber security and data protection, with progress continuing to take place according to approved plans.

The IT team has identified and responded effectively to cyber threats as they have emerged over the year, including the highly publicised vulnerabilities which were successfully managed with no impact on our operations.

## Risk

### Finance and Treasury

**Executive responsibility:**
CFO

**Trend:**

## Description

Managing finances in an effective and sustainable manner is key to our long term success. It helps to ensure that we are able to continue investing in our growth levers, operational capability, and digital and IT innovation across all that we do.

Failure to effectively manage our financial position sustainably may result in the inability to invest in the future of Wickes and meet our short and long term liabilities.

### Mitigations

Knowing, understanding and managing our financial position is one of the core elements in helping Wickes to meet its short and long term liabilities while ensuring that we are able to invest in our colleagues, stores, and in innovating our products and services.

Detailed sensitivity modelling conducted as part of the demerger process and as part of the financial viability assessment (as presented on page 65) has been designed to support the understanding of our financial position and its sensitivities to internal and external stressors.

Robust budgeting, forecasting and management reporting cycles, supported by policies and procedures, provide accurate management information from which the Board and the Executive Board can make sound business decisions. In part, this information is derived from accurate and timely ongoing cash flow monitoring and reporting, including performance on a store-by-store basis. A revolving credit facility of £80 million with four providers allows additional liquidity should it be required.

### Progress in 2021

The underlying metrics identify that despite the uncertainty in trading conditions as a result of the pandemic, the impact of Brexit and global supply and transportation issues, Wickes has seen overall growth during 2021. Margins have been maintained, and working capital remains in a strong position.

| Risk | Description |
| --- | --- |
| **Climate and ESG**<br><br>**Executive responsibility:**<br>Executive Board<br><br>**Trend:** — | There are two aspects to this principal risk: (i) acting as a responsible corporate citizen to support a positive impact on the environment and the communities in which we operate while ensuring that our governance mechanisms are sound and effective; and (ii) ensuring that we anticipate and manage the strategic, operational and reputational impact of climate change. |

### Mitigations

**Environment**
Protecting the environment and our climate, and supporting our customers to do the same has become an area of key focus for Wickes. We have expanded the range of environmentally friendly products available in stores and online and we will continue to develop this range. For the products we supply, the way these products are sourced and produced can have a major impact on the environment. We have worked with our suppliers to increase the percentage of sustainably sourced timber in our products and have reduced the level of peat in the products we stock.

As a business, we have also taken steps to reduce our own impact on the environment, recycling plastic and cardboard packaging at our Northampton distribution centre with separate cardboard recycling skips at stores that can accommodate them. We have an ongoing programme of improvements to reduce energy consumption across our estate, including investment in green energy solutions and water management processes to help reduce carbon emissions and wastewater.

**Governance**
Our governance structures are aligned to the UK Corporate Governance Code. Further details of our approach to governance can be found on pages 67-68.

**Social**
We support our colleagues in community engagement activities, and in 2020 embarked on a partnership with the charity YoungMinds, which we are proud to support. Further details of our charity and community work can be found on page 33.

### Progress in 2021

2021 has seen Wickes focus on establishing a strategy that addresses all relevant ESG issues, as well as ensuring our data is strong enough to set meaningful targets.

We have now launched our Responsible Business Strategy, established a base year of data across all scopes of our emissions, and will be looking to set Science Based Targets in 2022 to solidify our commitment. This will complement our People Strategy and I&D networks, which support our customers, colleagues and communities.

The Responsible Business Committee has been established to oversee ESG matters and is supported by the Responsible Business Working Group, made up of colleagues from every part of the organisation.

| Risk | Description |
| --- | --- |
| **Operations**<br><br>**Executive responsibility:**<br>CEO, Chief Operating Officer and Chief Commercial Officer<br><br>**Trend:** — | Effective operations support us in our drive to be the home improvement partner of choice, whether a customer opts to do it themselves, hires local tradespeople or works with Wickes directly to achieve their home improvement dreams.<br><br>Failure to manage our operations effectively will impact our ability to provide the right level of customer help, the right volume of stock to support their needs or a timely connection to our installation teams, reducing the high quality of customer experience we strive to deliver. |

### Mitigations

2021 has been challenging for many businesses. However, throughout this period, our strong relationships with suppliers mean that we have navigated inflationary pressures and raw material constraints well. We continue to provide customers with the products and services they need at the best possible value with excellent product availability across our range.

We have invested in our stores and services, introducing initiatives including Park & Collect, and in-store digital picking, and developed in-store fulfilment space to support multi channel sales. The stocking model adopted means that we are able to fulfil most customer orders the same or next working day to collect in store. Our stock availability is supported through regular inventory counts at our stores and distribution centres.

### Progress in 2021

2021 has provided several significant challenges to maintaining effective operations. With the majority of these being outside of Wickes' direct control (including the impact of the pandemic and global supply issues) the mitigations in place have worked to reduce the impact on our operations, enabling us to maintain an excellent level of availability across our product range.

# Principal risks and uncertainties continued

## Risk

### People, Culture and Safety

**Executive responsibility:**
Executive Board

**Trend:** ↓

## Description

Our people are our biggest asset; together we are all responsible for making Wickes successful and providing the best service possible to our customers.

Failure to support our colleagues effectively and in the right way may impact our ability to meet our strategic objectives.

Maintaining the safety of our colleagues and customers in store and during installations in their homes is a key priority.

### Mitigations

**People**

At Wickes, we actively promote inclusion and diversity in the workplace, focusing our strategy around the four pillars of Awareness, Education, Policy and Practice to embed effective approaches in all that we do. To support the wellbeing of our colleagues, we have implemented a Colleague Voice programme, with regular engagement surveys and formal and informal check-ins with colleagues. We have also rolled out a colleague assistance programme to support good mental health backed by our 'It is okay not to be okay' campaign. This is underpinned by our Stevenson/Farmer programme, with a signed charter defining how we support and respond to mental health challenges.

**Culture**

We have a well-embedded set of values and leadership behaviours that are hardwired into people processes, ensuring a consistent messaging and approach throughout Wickes. Our motto of 'Let's do it right' extends right across Wickes, from what we do to how we engage with customers, suppliers and colleagues.

**Health and safety**

The safety of our colleagues and customers is our top priority. Health and safety training is provided to new colleagues during their induction, and regular refresher training is provided to ensure that awareness of this key topic remains high. Regular store health and safety audits are conducted to ensure that our operations remain as safe as possible.

### Progress in 2021

It is part of our vision to grow a modern, engaged workforce that feels at home, and ensure inclusion and diversity are a key part in us achieving our vision. We're pleased to have been recognised in the Financial Times; Diversity Leaders in Europe report, being ranked as No. 2 in the top 10 retailers in the UK; in the top 20 of overall UK companies; and 65th out of 850 European businesses.

An ongoing programme of health and safety awareness conducted throughout 2021 has improved performance in our health and safety metrics. Our detailed on-site health and safety review programme has been re-established as pandemic restrictions have eased.

## Risk

### Reputation and Brand Integrity

**Executive responsibility:**
Executive Board

**Trend:** —

## Description

Maintaining and growing our reputation and brand underpins our long term strategic aims.

Failure to do so may prevent us from achieving our strategic objectives.

### Mitigations

Our brand integrity and reputation are fundamental factors in ensuring that we are able to achieve our strategic aims, and to maintain and grow our position in the home improvement market.

Multiple strands contribute to our approach in this area and include significant investment in training our colleagues to ensure the highest levels of consistent customer service are maintained in whichever channel our customers choose to engage with us.

We work closely with our suppliers to deliver high-quality products that provide value for money, with extensive product testing protocols to ensure our quality expectations are met, together with a customer alert and recall process through the Wickes website, if required.

### Progress in 2021

Preparation ahead of the demerger helped to ensure that there was minimal disruption to operations and customer service as a result of separation from the Travis Perkins Group and therefore minimal impact on our reputation and brand.

As a standalone entity, Wickes has greater control over the execution of its strategy, centred on our strong brand, a distinctive and hard to replicate customer proposition, a uniquely balanced business and a low-cost and efficient operating model.

# Viability statement and going concern

### Introduction
The UK Corporate Governance Code requires companies to state whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of assessment. Several scenarios have been modelled to support our viability statement, which assess the impact of our principal risks on the solvency and liquidity of the Company.

### Assessment period
The Directors' assessment of viability has been made over a five-year period. This is considered appropriate as it is consistent with the period over which the Group considers its principal risks and aligns with the Company's Five-Year Plan which is regularly presented to the Board, which covers the period up to December 2026.

### Assessment of prospects
This viability statement should be read in conjunction with the description of the Group's business model and strategy, which are set out on pages 14-15 and 16-25, respectively. The Directors assess the Group's prospects on a regular basis and in particular progress against the strategic objectives set out in its Five-Year Plan. The Plan delivers forecasts of the Group's financial performance, including cash flows, and allows the Directors to assess the Group's liquidity position and adequacy of funding. Sensitivity analysis of the main assumptions underlying the plans is also carried out. The plans are approved by the Directors and financial budgets and KPIs are subsequently used to monitor performance in the Board's monthly review of the Group's results.

In its assessment of the Group's prospects, the Board has taken into account:

- the progress of the Group's demerger from Travis Perkins and the impact of any delays that might be experienced as we continue to separate our systems and processes. We are progressing well against the plan across multiple workstreams and anticipate that this will continue to the point of completion of separation;
- the continued impact of the pandemic. Our Core business was classified as an essential retailer and continued to trade during lockdowns, while our Do-it-for-me showrooms were required to close: in the event of a return to the pandemic lockdowns, we anticipate this would be repeated;
- uncertain trading conditions and expectations of the future economic environment. There remains a lot of uncertainty over macroeconomic risks brought about by the pandemic, Brexit and global supply chain issues; despite the impact of these uncertainties in the current year, the Group has seen overall growth in 2021 and margins have been maintained. Economic uncertainties have continued after the year end with the invasion of the Ukraine: this does not however impact the Group's supply chain as no products are sourced from the Ukraine; and
- the Group's financial position. Despite the challenges of the past year, both from the demerger and separation process and the challenges in the wider economic environment, the Company has reported a strong set of results and positive cash flows. We have shown that Wickes is resilient as a standalone entity and we remain confident that our Five-Year Plan shows strong sustainable growth.

### Assessment of viability
The scenarios for assessing the viability of the Company were identified by considering the potential impact of individual principal risks and potential combinations (as shown in the table on page 66).

All eight principal risks have been used in the modelling. These risks combine to represent plausible scenarios covering a range of different operational and financial impacts on the business. The ongoing impact of the current pandemic and the potential of future pandemics have been carefully considered and are reflected in several of these scenarios. In total, five severe but plausible individual scenarios have been created, with a sixth 'collective' scenario, which combines all of the individual scenarios to model a worst-case hypothetical situation (as these could theoretically all run together, with different impacts on our business).

None of the scenarios modelled were found to have an impact on the long term viability of the Company over the assessment period. The modelling showed we are in a strong position to withstand each of the individual scenarios. The collective scenario is more extreme and not considered possible to occur: however, even in this scenario the Group maintains a positive cash balance, and although covenant breaches are noted the model does not assume use of the bank facility.

### Viability statement
Having assessed the current position, principal risks and prospects of the Company, and taking into account the assumptions above, the Directors confirm they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the five-year assessment period.

# **Viability statement and going concern** continued

| Scenario modelled | Link to principal risks |
|---|---|
| **Scenario 1**<br>**REDUCED CUSTOMER CONFIDENCE AND LOWER SPENDING**<br>Reduced customer confidence and lower spending, either through external economic factors or through loss of customer confidence in Wickes as a brand. The budgeted sales increases are not delivered: sales decline in 2022 and return to growth in 2023.<br>**ASSUMPTIONS**<br>Sales decline by 6% in 2022, followed by growth percentages in line with the five-year plan but from a lower starting point.<br>No change to margin and administrative costs. | Risk 2: Customer Service and Experience<br>Risk 8: Reputation and Brand Integrity |
| **Scenario 2**<br>**INABILITY TO DELIVER AUTONOMY PROJECT TO BUDGET OR TO TIME**<br>The ongoing autonomy project requires significant further investment over a longer time period than currently budgeted to enable the business to meet its strategic targets. Significant further cost is spent on the project up to the deadline of final separation of the remaining functions from Travis Perkins in April 2023.<br>Sufficient additional cost is invested into the project that there is no impact on sales or margin.<br>**ASSUMPTIONS**<br>Separation costs are increased by 20% each month over the current budgeted lifespan of the project, and the lifespan of the project is increased by another three months.<br>No changes to sales or margin. | Risk 1: Autonomy |
| **Scenario 3**<br>**OPERATIONAL SHOCK**<br>A significant external disruption (e.g. a cyber attack or a disease outbreak) requires the business to shut down fully for a short period of time, returning to budget within two months as soon as the effects of the disruption have been addressed.<br>**ASSUMPTIONS**<br>Zero revenue for two weeks, returning to budget within two months.<br>No change to gross margin percentage: all costs other than direct cost of stock assumed to remain in line with budget, as it is anticipated that any potential cost reductions during a shutdown would be offset by increased costs required to mitigate the potential losses. | Risk 3: Cyber Security and Data |
| **Scenario 4**<br>**FURTHER PANDEMIC LOCKDOWNS**<br>Further the pandemic lockdowns are experienced for two months in autumn 2022 and three months in spring 2023. Consistent with our experience in previous lockdowns, showrooms would be required to shut fully for the duration of lockdown, meaning DIFM sales are only online: Core trade, however, is considered an essential business and continues to trade in line with budget.<br>**ASSUMPTIONS**<br>Core sales remain in line with budget: DIFM reduced by 50% for the duration of lockdowns.<br>No change to margin percentage.<br>No reduction in other costs: limited opportunity to minimise costs as any potential reduction is likely to be offset by increased costs to mitigate losses. | Risk 2: Customer Service and Experience |
| **Scenario 5**<br>**SUPPLY CHAIN AND COST MANAGEMENT DIFFICULTY**<br>Costs to obtain and distribute goods are impacted by internal factors (operational efficiency, people factors) or external factors (Brexit, cost implications of ESG, ongoing the pandemic outbreaks having an impact on the availability of goods and the costs of delivery).<br>The business is able to maintain revenue levels but is required to increase the cost base to do so.<br>**ASSUMPTIONS**<br>No change to sales.<br>Margin rate reduced by 1%.<br>Customer delivery costs increased by 5%. | Risk 4: Finance and Treasury<br>Risk 5: Climate and ESG<br>Risk 6: Operations<br>Risk 7: People, Safety and Culture |
| **Scenario 6**<br>**A COMBINATION OF SCENARIOS 1 – 5 AS SET OUT ABOVE**<br>This is seen as a worst-case scenario and the likelihood of occurrence is highly severe but plausible. | As above |

## Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report, including the principal risks of the Group set out on pages 60-64. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 54-56. The Directors have considered the above and how they may impact going concern as well as modelling of a severe but plausible scenario which assesses the impact on the Group's liquidity headroom of a reduction in sales and margin percentage, and of further pandemic lockdowns through the end of 2022 and early 2023.

As a result of this review, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the selected going concern period ending on 30 June 2023 and consider it appropriate for the Group to continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Furthermore, based on the Group's strong performance, prospects and liquidity position, the Directors do not consider going concern to be a critical accounting judgement. Further detail in relation to the use of the going concern assumption and the scenarios modelled by the Directors are detailed in note 1 to the Group financial statements.

The Strategic Report has been approved by the Board of Directors and is signed on its behalf by:

**David Wood**
Chief Executive Officer
24 March 2022

**Julie Wirth**
Chief Financial Officer
24 March 2022

Introduction to Governance

# Being transparent and accountable

Colleagues, customers, investors and society are rightly demanding higher standards from businesses in relation to **environmental, social and governance** matters. Our ambition is to meet these high standards and we will demonstrate this through our focus on transparent reporting and strong governance. Listening to our stakeholders keeps us focused on what matters and accountable for our actions.

"I am honoured to be the first to chair this fantastic Company with its unique and special culture as we navigate our newly found independence."

**Christopher Rogers**

CHAIRMAN

## In this section



## Dear Shareholder,

I am pleased to present to you, on behalf of the Board, our Corporate Governance report for the financial year ended 1 January 2022.

Establishing a robust governance structure to support the Board's effective leadership of the Company was a priority for me as Wickes started the next stage in its journey as a standalone listed company. Creating value for shareholders and ensuring the long term sustainable success of the Company can only be achieved if underpinned by effective structures, policies, procedures and controls that are aligned with a clear strategy, purpose and culture.

Wickes has a unique and special culture which needs to be sustained and nurtured and the Board's leadership and guidance is key to ensuring the culture is preserved in the new environment that the Company now operates in. The Directors were attracted to Wickes due to its strong inclusive culture and ensuring this is maintained is a priority for the Board.

As a newly listed business, 2021 saw the establishment of the first Wickes Group Plc Board and we have assembled a bench of experienced independent Non-executive Directors with relevant skills and qualifications who each bring different and welcome strengths and perspectives to the boardroom. In a relatively short time the Board has established a transparent and open approach to working with each other and with the Executive Board and senior leadership teams. Constructive debate and participation are encouraged and all views are listened to and considered carefully.

The Board Committees (which you can read more about in the pages that follow) have established themselves well and are providing the necessary assurances to the Board. The addition of the Responsible Business Committee is an important bedrock to oversee the development of our Responsible Business Strategy and help establish Wickes as a leader in environmental and social matters, and demonstrates the importance we place on our people and the communities and environments within which we operate.

I am immensely proud of my Wickes colleagues and would like to thank them for their contributions over the last year and the way they have shown their 'can do' spirit, embracing and supporting the immense amount of work to successfully complete the demerger and listing of the Company, whilst also stepping up to the unprecedented challenges of the pandemic.

**Christopher Rogers**
Chairman
24 March 2022

# Being transparent and accountable continued

## Compliance with the UK Corporate Governance Code 2018

**Governance underpins every aspect of the Board's considerations and decision making.**
The Company has applied the Financial Reporting Council's (FRC) UK Corporate Governance Code 2018 (the 'Code') Principles and complied with all the Code's Provisions from the date of the listing on the London Stock Exchange on 28 April 2021 until the end of the financial year ended 1 January 2022. You can find the Code on the FRC's website at www.frc.org.uk

The Board monitors compliance with the Code. The table below sets out where you can find supporting information on how we have applied each of the Principles of the Code. Details of how we have complied with the Provisions of the Code can be found throughout this Corporate Governance report, the Strategic report and Committee reports.

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

| Code Principles | | Supporting information | Page |
|---|---|---|---|
| **Board Leadership and Company Purpose**<br>**A.** A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.<br>**B.** The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.<br>**C.** The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed. | **D.** In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.<br>**E.** The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern. | Board leadership and company purpose<br>Business model<br>Strategic report<br>Risk management<br>Stakeholder engagement (S.172)<br>Responsible Business Committee report<br>Workforce information<br><br>Whistleblowing | 70-71<br>14-15<br>2-66<br>57-64<br>50-53<br>82<br>100-101,<br>32-37<br>71 |
| **Division of Responsibilities**<br>**F.** The chair leads the board and is responsible for its overall effectiveness in directing the company. The chair should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.<br>**G.** The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business. | **H.** Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.<br>**I.** The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently. | Board of Directors<br>Division of responsibilities<br>Nominations Committee report | 69<br>72<br>75-77 |
| **Composition, Succession and Evaluation**<br>**J.** Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. | **K.** The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.<br>**L.** Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively. | Board of Directors<br>Composition, succession and evaluation section of Corporate Governance report<br>Nominations Committee report | 69<br>75-77<br>75-77 |
| **Audit, Risk & Internal Control**<br>**M.** The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements. | **N.** The board should present a fair, balanced and understandable assessment of the company's position and prospects.<br>**O.** The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives. | Audit and Risk Committee report<br>Principal risks and uncertainties<br>Directors' report<br>Statement of Directors' Responsibilities | 78-81<br>60-64<br>99-101<br>102 |
| **Remuneration**<br>**P.** Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy. | **Q.** A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.<br>**R.** Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances. | Remuneration Committee report<br>Directors' Remuneration report<br>Remuneration Policy | 83-98<br>87-90<br>91-98 |

## Board of Directors

# Driving our values

Committee membership key:

- ● CHAIR OF COMMITTEE
- N NOMINATIONS COMMITTEE
- R REMUNERATION COMMITTEE
- A AUDIT AND RISK COMMITTEE
- RB RESPONSIBLE BUSINESS COMMITTEE
- D DISCLOSURE COMMITTEE

### Christopher Rogers

**NON-EXECUTIVE CHAIRMAN**

**PRONOUN: HE / HIM**

N (chair) R RB D

**APPOINTMENT DATE**

23 March 2021

**NATIONALITY**

British

**KEY STRENGTHS**

Leadership; strategy and commercial acumen; financial acumen; governance, compliance and regulatory; operations; retailing; M&A and corporate transactions; international experience

**SKILLS AND EXPERIENCE**

Christopher is currently a Non-executive Director of Sanderson Design Group Plc (formerly Walker Greenbank Plc) and a Non-executive Director of Kerry Group. He also continues to be a Non-executive Director of Vivo Energy Plc until the completion of the sale of the business following regulatory clearance expected later this year. From September 2013 Christopher served as a Non-executive Director of Travis Perkins Plc until the demerger of Wickes from the Travis Perkins Group in April 2021.

During his executive career, Christopher held a number of senior roles in and directorships of public companies. From 2005 to 2016 he was an Executive Director of Whitbread Plc, serving as Group Finance Director from 2005 to 2012 and as Global Managing Director of Costa Coffee from 2012 to 2016. He was Group Finance Director of Woolworths Group Plc and Chairman of the Woolworths Entertainment businesses from 2001 to 2005. Prior to that, Christopher held senior roles in both the finance and commercial functions of Comet Group Plc and Kingfisher Plc.

### David Wood

**CHIEF EXECUTIVE OFFICER**

**PRONOUN: HE / HIM**

D

**APPOINTMENT DATE**

23 March 2021
(Joined Wickes as CEO on 28 May 2019)

**NATIONALITY**

British

**KEY STRENGTHS**

Leadership; strategy and commercial acumen; brand building and marketing; operations; change management; retailing; international experience

**SKILLS AND EXPERIENCE**

With almost 30 years in the retail and consumer sector, David is a highly experienced executive and CEO with extensive board level experience in the UK, Europe and North America, having spent the majority of his career with Tesco, Unilever and Mondelez.

David served as Commercial Director on the Board of Tesco Hungary from 2010 to 2012 and between 2012 and 2015 he served on the UK Operating Board of Tesco Plc as Chief Marketing Officer and Group Managing Director. More recently David was Group President of Kmart Holding Corp from 2015 to 2017, followed by a brief tenure as CEO of Mothercare Plc in 2018. David is currently Non-executive Chairman of Green Sheep Group Ltd.

### Julie Wirth

**CHIEF FINANCIAL OFFICER**

**PRONOUN: SHE / HER**

D

**APPOINTMENT DATE**

23 March 2021
(Joined Wickes as CFO on 1 January 2019)

**NATIONALITY**

British

**KEY STRENGTHS**

Financial acumen; risk management; leadership; strategy and commercial acumen; governance, compliance and regulatory; operations; change management; retailing; M&A and corporate transactions

**SKILLS AND EXPERIENCE**

Julie joined the Wickes Group as CFO in January 2019 having held board and senior finance roles at group and divisional level in the retail sector. This included 20 years at Home Retail Group Plc, five years at Musgrave GB Ltd and three years at Countrywide Farmers Plc, with responsibility across finance, IT, legal and secretariat, and change management.

### Mark Clare

**SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR**

**PRONOUN: HE / HIM**

N R (chair) A RB D

**APPOINTMENT DATE**

23 March 2021

**NATIONALITY**

British and Irish

**KEY STRENGTHS**

Leadership; strategy and commercial acumen; financial acumen; risk management; governance, compliance and regulatory; operations; health and safety; M&A and corporate transactions

**SKILLS AND EXPERIENCE**

Mark has extensive public listed company experience in the consumer service, property and construction sectors, particularly in customer facing businesses and has served on a number of public listed company remuneration committees. He is currently the Chairman of Grainger Plc; the Senior Independent Director at United Utilities Group Plc (not seeking reappointment at their 2022 AGM); and Non-executive Director at Premier Marinas Holdings Ltd. Previously Mark was the Senior Independent Director at Ladbroke's Coral Group Plc from 2016 until 2018; and Non-executive Director and Audit Committee Chair at BAA Plc from 2001 until 2006.

Mark's executive career included Chief Executive for Barratt Developments Plc from 2006 until 2015; Managing Director of Centrica's retail subsidiary British Gas from 2002 to 2006; and CFO of Centrica Plc from 1997 to 2002. He also served as a trustee of the Energy Savings Trust, the Green Building Council and BRE. Mark is a qualified accountant.

### Sonita Alleyne

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

**PRONOUN: SHE / HER**

N R A RB (chair)

**APPOINTMENT DATE**

23 March 2021

**NATIONALITY**

British

**KEY STRENGTHS**

Leadership; strategy and commercial acumen; M&A and corporate transactions; governance, compliance and regulatory; risk management; digital/technology strategy and governance; sustainability; change management; international experience

**SKILLS AND EXPERIENCE**

Sonita has extensive experience as a Non-executive Director on both private and public sector boards. She is a board member of The Cultural Capital Fund and recently joined the Main Advisory Committee of the Freelands Foundation. She is the Master of Jesus College, Cambridge.

Previously Sonita was Chair of the BBFC's Management Committee and the Radio Sector Skills Council and a board member of Archant. Sonita spent five years on the BBC Trust and was a Non-executive Director of the Department for Culture, Media and Sport. Sonita was also a board member of the London Legacy Development Corporation, a governor of the Museum of London and a board member of the National Employment Panel and the London Skills and Employment Board. In addition, she held membership of the Court of Governors at the University of the Arts London.

### Mike Iddon

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

**PRONOUN: HE / HIM**

N R A (chair) RB

**APPOINTMENT DATE**

23 March 2021

**NATIONALITY**

British

**KEY STRENGTHS**

Financial acumen; leadership; strategy and commercial acumen; risk management; governance, compliance and regulatory; change management; retailing; M&A and corporate transactions; international experience

**SKILLS AND EXPERIENCE**

Mike has extensive public listed company experience, having held a number of senior finance roles throughout his career and has been the Chief Financial Officer of Pets at Home Group Plc since 2016.

Mike was previously the Chief Financial Officer of New Look from 2014 to 2016 and prior to this, he held a number of senior finance roles over 13 years for Tesco Plc both in the UK and overseas. These roles included Group Planning, Tax and Treasury Director, UK Finance Director and Chief Financial Officer of Tesco Homeplus (South Korea). Mike has also held senior roles with Kingfisher Plc and Whitbread Plc. Mike is a Chartered Accountant and a graduate of the Harvard Advanced Management Programme.

## Governance report

# Board leadership and company purpose


### Role of the Board

The Board is responsible for promoting the long term sustainable success of the Company, generating value for shareholders and contributing to wider society. It has ultimate responsibility for the direction and governance of the Company taking into account the opportunities and risks to the future success of the business.

As a newly listed business, 2021 saw the establishment of the Wickes Group Plc Board and we have appointed experienced independent Non-executive Directors with relevant skills and experience who are focused on creating value over the medium term for all our stakeholders. You can find information about our Directors and the strengths and experience they bring to the Company on page 69.

As a new Board, we are excited by the growth prospects for this fantastic business and passionate about ensuring that, as we grow, we do so responsibly and in a way that benefits all our stakeholders. We have a clear framework to win, which is guided by our vision, mission and our purpose - 'to help the nation feel house proud'. The Board sets the strategy to align with our purpose and ensures that the business is resourced appropriately to deliver the strategy through a culture that drives the behaviours we want to see.

Our purpose is at the core of the Board's discussion and decision making and strategic matters are discussed at every meeting. In addition, an off-site strategy day was held in the latter part of 2021 to review and develop our strategic plans. You can find details of our strategy and business model in the Strategic report on pages 16-25 and 14-15 respectively. The opportunities and risks to the future success of the business are carefully considered. Key opportunities are set out in the Strategic report on pages 2-66 and principal risks and uncertainties can be found on pages 60-64. The Board requires management to operate a robust control framework, which enables risk to be assessed and managed and reviews the effectiveness of this on an annual basis. You can find information about our framework of internal controls on page 81.

The Board has implemented a governance framework and delegation of authority policy to ensure that an appropriate level of oversight is given to material matters. It has adopted a formal schedule of matters reserved to it which sets out the significant matters of focus for the Board due to their strategic, financial or reputational importance. The schedule is available on the Company's website www.wickesplc.co.uk. You can find more detail on the activities of the Board on page 74. In line with the Code the Board places significant importance on the appropriate governance of the Company, discharging its responsibilities not only though its own activities, but also through Committees of the Board - the Audit and Risk Committee; Nominations Committee; Remuneration Committee and Responsible Business Committee. You can find more details on these Committees on pages 78-81, 75-77, 83-98 and 82 respectively.

### A special culture

Our aim to continue developing our digitally-led, service-enabled proposition across Local Trade, DIFM and DIY is supported by the strategic growth lever, 'Delivering exceptional customer experience through engaged colleagues, a winning culture and growing responsibly'. You can find more information about our growth levers on pages 16-25.

Wickes has a unique and special culture. Our business is powered by highly engaged teams, who operate around a simple, yet deeply held set of beliefs we call our Winning Behaviours. You can find more information about our Winning Behaviours on page 25. Our winning culture is built on a foundation of personal responsibility where anyone, no matter who they are or where they are from, can feel at home.

The Board is responsible for ensuring the Company's culture drives the desired behaviours and achieves this through setting the right tone from the top, leading by example and actively monitoring the culture throughout the business.

Our Code of Business Ethics sets out the standards and behaviours expected from colleagues and all colleagues receive training on this annually. It sets the tone in terms of responsible business behaviour and legal compliance and directs colleagues to Company policies and guidance.

The Board monitors the business culture in a range of ways. It held meetings at a number of stores and distribution centres in addition to our Support Centre during the year which enabled it to monitor culture in a live environment. These visits included tours and meetings with colleagues at each site. Directors are encouraged to visit sites individually to get a personal experience without the presence of senior management and a number of such visits took place during the year. The Board welcomes the attendance of potential senior management successors at Board meetings where relevant topics are being discussed.

The Board also regularly receives briefings from management including feedback from colleague listening groups and colleague communities, and reports on colleague engagement; wellbeing; turnover; reward; recruitment; and whistleblowing through the Responsible Business Committee; the Remuneration Committee and at Board meetings.

### Stakeholder engagement

The Board recognises the importance of listening to and understanding the views of its stakeholders and receives insights through engagement with stakeholders which it uses to inform decision making. The Board and management have a programme of active engagement with and encourage participation from the Company's stakeholders.

The Board places particular importance on understanding the views of colleagues and has appointed Sonita Alleyne as the designated Non-executive Director to ensure colleagues' views are fully considered in the Board's decision making. Sonita Alleyne undertook a number of additional activities during the year to support this aim including hosting a colleague listening group; discussing the results of colleague surveys with the Chief Executive Officer and Chief People Officer; and integrating informal colleague engagement at visits to operational sites. More activity is scheduled to take place in 2022. Through the role as Chair of the Responsible Business Committee, Sonita has also received reports and had detailed discussions with senior management on colleague recruitment, training and progression; reward; and inclusion and diversity. You can find more information on colleague engagement on pages 35-37.

Understanding customers is at the heart of everything we do. The Board uses customer listening groups, surveys and data analysis to understand customer views and act on what is most important to deliver the best possible customer experience. A monthly management meeting is dedicated to the customer proposition.

The Board places great importance on ensuring suppliers are treated fairly. This is a key aspect of nurturing long term relationships and building trusted partnerships with our suppliers. It enables us to provide the best products at the best prices for our customers, and a great platform to enable both us and our suppliers to grow. Our suppliers provide feedback through day-to-day contact with product teams, our risk assessment surveys and our twice- yearly supplier forums.

During the year, the Chairman met with a number of major Shareholders to discuss their views on strategy, the Board and key governance matters. The Chair of the Remuneration Committee engaged with Shareholders on a number of occasions following the demerger, latterly regarding consultation on the Company's approach to wider workforce pay and the use of ESG metrics in incentive plans as well as the Remuneration Policy which will be put to a Shareholder vote at the Company's Annual General Meeting (AGM). The Company's approach to the investment and reward of its workforce is set out on page 96 of the Directors' Remuneration report.

Members of the Board, senior management and the investor relations team hold regular meetings with existing and potential institutional investors and analysts to understand their views and policies, which are reported to the Board. In addition to individual meetings, investor roadshows, store tours and a Capital Markets Day were held during the year.

The Board encourages Shareholder attendance and participation at the Company's AGM at which all Directors and Committee Chairs will be available for questions. Subject to changes as a result of the pandemic restrictions the AGM will be held as a physical meeting in 2022 to enable shareholders to meet with the Board face to face. To maximise participation we will provide webcasting with a facility for questions to be raised at the meeting.

More information on how we consider the views and interests of stakeholders is set out on pages 50-53.

### Actions from previous voting outcomes

At the General Meeting of Travis Perkins Plc held on 27 April 2021, three resolutions were put to shareholders of Travis Perkins in relation to the proposed demerger of Wickes. In response to the voting outcome on Resolution 3, approval of Wickes' share plans, an update to the statement made by Travis Perkins immediately after the vote was published six months after the vote. As required by the Code, the Board has reported on the actions taken as a result of a vote of greater than 20% against the resolution in the Directors' Remuneration report on page 98.

### Policies and procedures

The Board has approved a suite of policies, including our Code of Business Ethics, which establish a robust system of control and oversight in matters of ethics and compliance. This is supported by mandatory training for all colleagues, appropriate to their role. The Executive Board oversees the day-to-day operation of these policies and related procedures and ensures they are embedded across the business. Both the Executive Board and the Board have oversight and receive reports on compliance with policies and procedures at least once a year.

### Conflicts of interest

All Directors are required to raise any actual or potential conflicts of interest for consideration and if appropriate, authorisation. At every meeting Directors are asked whether there are any new potential conflicts of interest to declare in relation to the matters on the agenda, where such conflicts exist, Directors would be excused from related discussion and decision making.
To date no such instance has occurred. The Board keeps a register of authorised conflicts of interest and this is reviewed annually. The Company has a Conflicts of Interest Policy and all colleagues receive online mandatory annual training in this area.

### Whistleblowing

The Company has a Whistleblowing Policy which is widely promoted and accessible to all. Colleagues and others are encouraged and empowered to speak openly and raise any concerns through management or directly to the Board. Should colleagues or third parties feel the need to raise concerns which cannot be resolved through the normal routes of line or executive management, the Company has implemented a third party anonymous whistleblowing platform and telephone line through which concerns can be raised in confidence. Information about the whistleblowing service is widely publicised across all sites and included in our monthly colleague communications.

All reports are investigated thoroughly and appropriate actions taken. The Board monitors the operation of the whistleblowing arrangements and receives reports annually on notable outcomes and learnings.

### Director concerns

Should a Director have concerns about the operation of the Board or the management of the Company, these concerns would be discussed by the Board.
If any concerns remained unresolved they would be recorded in the Board minutes. No such concerns were raised during the year.

# Division of responsibilities

The Board comprises the Chairman, three independent Non-executive Directors and two Executive Directors: the Chief Executive Officer and Chief Financial Officer. Information about the Directors can be found on page 69.

An effective and robust corporate governance framework is vital to a successful and sustainable business and there is a clear and effective division of responsibilities between the Board, its Committees and operational management, which is a key foundation of the Company's strong governance.

### The Board

The Board is responsible the for overall leadership of the business, setting its purpose, values and strategy and providing a framework of strong governance and effective controls.

### The Chairman

The Chairman's principal responsibility is the leadership of the Board and ensuring its effectiveness. The Chairman encourages a culture of openness and communication between members of the Board, ensures all Directors contribute to discussions and promotes constructive debate. The Chairman ensures that Directors receive the accurate and clear information in a timely manner to enable them to make informed contributions and to support good decision making by the Board.

### The Senior Independent Director (SID)

The Senior Independent Director provides a sounding board for the Chairman and serves as an intermediary for the other directors and shareholders should this be required.

### The Chief Executive Officer (CEO)

The CEO is responsible for implementing the strategy and for managing the day-to-day operations of the business. The CEO ensures appropriate delegation of responsibilities to the Executive Board to ensure decisions of the Board are implemented. The CEO plays a key role in devising strategies for review by the Board and is responsible for updating the Board on operations of the business.

### General Counsel and Company Secretary

The General Counsel and Company Secretary is responsible for advising the Board on all governance, compliance and legal matters. The General Counsel and Company Secretary supports the Chairman and the Independent Non-executive Directors to ensure that they have access to the necessary resources and information to operate as a Board effectively and efficiently.

### Non-executive Directors (NEDs)

The Non-executive Directors provide strategic advice and guidance, constructive challenge and hold the Executive Directors to account.

### The Chief Financial Officer (CFO)

The CFO is responsible for managing the Group's financial affairs and supporting the CEO in the implementation and achievement of the strategic objectives. The CFO oversees the Company's relationships with the investment community.

## Committees of the Board

### Audit and Risk Committee

Provides independent and objective oversight of the Company's financial reporting, systems of internal control, risk management and compliance and the effectiveness of internal and external audit.

**More information can be found on** pages 78-81

### Nominations Committee

Reviews the composition and skills of the Board and leads the process for appointments to the Board and Executive Board; oversees the processes for succession planning and the development of a diverse pipeline.

**More information can be found on** pages 75-77

### Remuneration Committee

Determines the remuneration policy and packages for the Chairman, Executive Directors and Executive Board members having regard to workforce remuneration and related policies and the alignment of incentives and rewards with culture.

**More information can be found on** pages 83-98

### Responsible Business Committee

Oversees and monitors performance in relation to environmental, social and governance matters relevant to the Company as a responsible corporate citizen.

**More information can be found on** page 82

The responsibilities of the Chairman, CEO, Senior Independent Officer, Board and its Committees have been approved by the Board, are set out in writing and are available on the Company's website www.wickesplc.co.uk

The Board has also established a **Disclosure Committee** which oversees the Company's compliance with its disclosure obligations in line with the UK Market Abuse Regulation and Listing Rules. This includes consideration of potentially market sensitive information and the timing and review of such related disclosures. The Committee is convened only when a full Board meeting or an authorised sub-committee meeting of the Board is not possible.

### Executive Board

Oversees the day-to-day management of the business including all matters not contained within the Matters Reserved to the Board and its Committees. The Executive Board is chaired by the CEO.

Governance report

# Meetings of the Board and its Committees

### Independence
The Board ensures that at least half of its members, excluding the Chair, are independent Non-executive Directors.

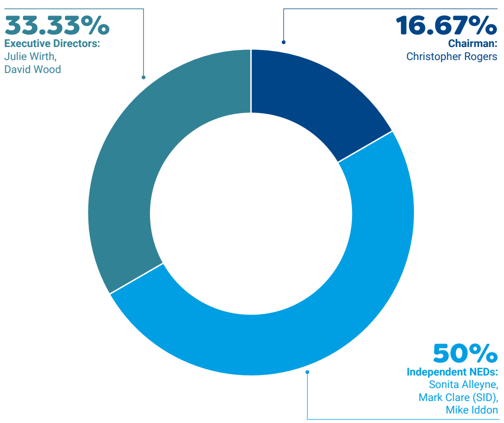
The Chair of the Board was assessed to be independent on appointment. The key reasons for this determination were that, although the Chairman served as an independent Non-executive Director of Wickes' parent company prior to its demerger, he was never employed by the Wickes Group and stepped down from the parent company board at the point of demerger. The Chairman has no cross-directorships so is unable to dominate decision making by the Board and has demonstrated objective judgement since appointment.

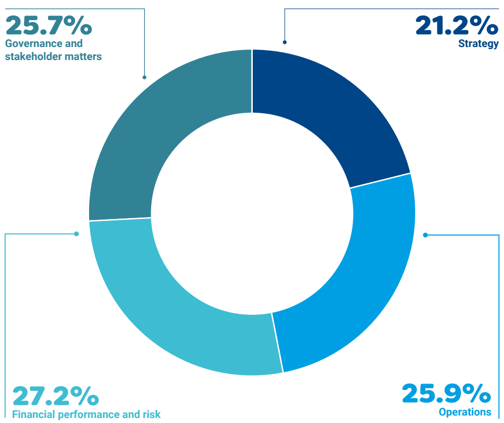
Relationships and circumstances which could affect the independence of any Director are reviewed annually and the Board remains satisfied that all Non-executive Directors (except the Chairman) remain independent.

### Meetings
The Board normally has eight formal meetings scheduled each year and an annual off-site strategy day. Additional meetings are held to consider time-sensitive matters as required. From listing on 28 April 2021 until the end of the year, the Board held six formal meetings and a strategy day.

Agenda items are structured to ensure appropriate time is spent on key areas of focus for the Board and that it has sufficient time to properly consider and reach decisions. A programme of work and priorities is agreed with the Board each year which forms the basis of the agendas for each meeting with topical matters and matters of particular concern or interest incorporated as required. The activities carried out by the Board in the year are set out on page 74.

The Board values the opportunity to meet colleagues from across the business and regularly holds meetings at stores and distribution centres. During the year, meetings were held at the recently refitted Dunstable store and the Store Delivery Centre and the Board received presentations from colleagues at those sites specific to their areas of the business.

### Board independence



### Board activities



Formal meetings of the Board and its Committees from the Company's listing on 28 April 2021 to 1 January 2022*

| | Plc Board | Audit and Risk Committee | Nominations Committee | Remuneration Committee | Responsible Business Committee |
|---|---|---|---|---|---|
| **Christopher Rogers** | 6/6 | n/a | 2/2 | 4/4 | 3/3 |
| **David Wood** | 6/6 | n/a | n/a | n/a | n/a |
| **Julie Wirth** | 6/6 | n/a | n/a | n/a | n/a |
| **Mark Clare** | 6/6 | 3/3 | 2/2 | 4/4 | 3/3 |
| **Sonita Alleyne** | 6/6 | 3/3 | 2/2 | 4/4 | 3/3 |
| **Mike Iddon** | 6/6 | 3/3 | 2/2 | 4/4 | 3/3 |

Note: Christopher Rogers attends all Audit and Risk Committee meetings. David Wood attends all Audit and Risk and Responsible Business Committee meetings and attends Nominations and Remuneration Committee meetings as required. Julie Wirth attends all Audit and Risk Committee meetings and Remuneration Committee meetings as required

* Two Board meetings and a Remuneration Committee meeting were held after the Directors were appointed to the Company but before the Company was listed. There was full attendance at these meetings. Alan Williams and Robin Miller (on behalf of TP Directors Limited) attended the Board meeting on 23 March 2021 and the resignations of Alan Williams and TP Directors Limited as Directors of the Company were accepted at that meeting

The Chairman meets with the Non-executive Directors without the Executive Directors present after each Board meeting and at other times as required. The Chairman and the Chairs of each Committee also meet regularly with the Executive Directors and members of senior management.

The SID and Non-executive Directors (excluding the Chairman) meet from time to time and specifically on an annual basis to assess the Chairman's performance.

The number of times the Board and its Committees met during the year is set out above. Directors are expected to attend all Board and relevant Committee meetings. All meetings were held in person and there was full attendance by all members at all meetings during the year.

In the event of a Director being unable to attend a Board or Committee meeting, a process has been agreed for the Chair of the respective meeting to discuss the matters proposed with the Director concerned in advance, seeking their support and feedback accordingly. The Chair will then represent those views at the meeting.

### External appointments
Before appointment to the Board, all Directors are required to disclose any external roles they hold along with the estimated associated time commitment. The competing demands on candidates' time are carefully considered in the selection process. Appointment letters set out the time commitment expected of each Director.

The significant external appointments of current Directors are set out in the biographical details on page 69.

The Board has an Additional External Appointments Policy and process in place for the consideration and, if appropriate, approval of additional external appointments to ensure that each Director continues to have sufficient time to exercise their duties effectively. Appointments must be approved by the Board in advance. Executive Directors are not permitted to take on more than one Non-executive Directorship or other significant appointment. No requests in relation to additional external appointments were made during the year.

### Governance support
All Directors have direct access to the General Counsel and Company Secretary for advice on governance matters. Directors may also seek independent professional advice at the Company's expense in the furtherance of their duties and there is an Independent Professional Advice Policy in place which sets out the procedure. No such requests were made during the year.

# Board activities for the year ended 1 January 2022

Stakeholder key:
- COLLEAGUES
- CUSTOMERS
- SUPPLIERS AND LANDLORDS
- SHAREHOLDERS
- COMMUNITIES
- GOVERNMENT AND REGULATORS

The Board held its first meeting on 23 March 2021 ahead of the demerger and listing in order to undertake the required activities and approvals relating to the demerger and listing of the Company. At this meeting the Board approved appointments of the Directors and Company Secretary; arrangements in connection with the demerger and listing; and required regulatory, legal and compliance policies and documents.

## Business performance

KEY ACTIVITIES

### CEO report

The CEO led discussions at each meeting of the Board covering all aspects of performance and progress on key initiatives including market developments; colleague feedback and engagement; customer insight; marketing initiatives; commercial and supplier activity; supply chain and availability challenges; digital transformation; store refits; and community and charity projects.

### Safety updates

The Board considered reports on safety performance at every meeting along with deep dives at two of its meetings to evaluate progress and provide insight and challenge.

## Financial performance

KEY ACTIVITIES

### CFO report

The CFO led discussions at every meeting on financial performance including risks and opportunities and the financial impacts of the pandemic.

### Results

Following recommendations from the Audit and Risk Committee, the Board reviewed and approved the half year results announcement and presentations.

### Budget and financial plans

The Board considered performance against the 2021 budget and the budget for 2022 and the Five Year Plan for 2022-2026.

### Investor relations

The Board received updates on investor relations activities and plans and feedback from investor engagement at every meeting.

### Treasury and tax

The Board received updates on tax and treasury matters at every meeting and approved the Company's Tax Strategy and Treasury Policy.

## Governance

KEY ACTIVITIES

### Policies and statements

The Board approved updates to Group policies including the Gifts & Hospitality Policy and Health & Safety Policy and approved the Group's Modern Slavery Statement.

### Reports and updates

The Board received reports on regulatory compliance and progress updates on the actions arising from the Financial Position and Prospects Procedures (FPPP) work carried out as part of the process for admission.

### Board evaluation

The Board reviewed and discussed the findings from its performance evaluation and agreed actions to improve the effectiveness of the Board and its Committees.

### Planning

The Board reviewed the forward schedule of activities at every meeting and discussed options for future operational site visits.

## Risk

KEY ACTIVITIES

### Risk appetite

The Board received and discussed the results of surveys undertaken on risk appetite and set the Group's risk appetite.

### Risk management

The Board considered its approach to risk management and agreed that the oversight of this would be delegated to the Audit and Risk Committee.

## Strategy

KEY ACTIVITIES

### Strategic deep dives

During the year the Board received presentations led by the relevant Executive Board member to provide the Board with an in-depth knowledge of the operations, strategy and plans for key areas of the business for review and challenge including: customer insight and digital transformation; technology; store operations; commercial; property; distribution; and early careers programmes.

### Strategy review

The Board spent a day off-site reviewing and updating the strategy for the Group.

## Material contracts & arrangements

KEY ACTIVITIES

In line with the Matters Reserved to the Board, the Board reviewed and approved two goods for resale contracts during the year which were material due to their size and strategic importance; the purchase of a freehold property; and the Group's insurance programme.

At every meeting the Board reviewed the progress made to stand up the Company's own systems to replace those provided by the Travis Perkins Plc Group under a Transitional Services Agreement for a period following the demerger.

# Board composition, succession and evaluation

The Board has established a Nominations Committee to review Board composition and lead the succession process. You can find details of Board composition, succession and evaluation in the Nominations Committee report below.

# Nominations Committee report

**Christopher Rogers**

CHAIRMAN

**Committee members**
**Christopher Rogers,** Chairman and Committee Chair
**Mark Clare,** Senior Independent Non-executive Director
**Sonita Alleyne,** Independent Non-executive Director
**Mike Iddon,** Independent Non-executive Director

"Inclusion and diversity, in its widest sense, is at the forefront of our succession planning in order to engage and retain the highest quality talent who will drive the business forward."

## Dear Shareholder,

I am pleased to present the Nominations Committee report for the financial year ended 1 January 2022.

The demerger and listing of the business as a standalone company has provided an opportunity to set it up in the right way and the Board has sought to create an appropriate balance of skills, experience and diversity from the start.

We support the objectives of the Hampton-Alexander Review to drive improvements in diversity at all levels and we are proud that in 2021 we met the target of 33% female representation and the Parker Review target of at least one director of colour on our Board.

Gender diversity has moved on in our business but more still needs to be done to achieve better balance and inclusion for female colleagues, under-represented ethnic minorities, disabled colleagues and the LGBT+ community and this will remain a focus as we continue to drive diversity through our talent pipelines by focusing on our early careers talent pipeline.

As a Board comprising newly appointed Directors, the Committee's focus in this first year has been on succession planning for Executive leadership over the medium to long term and ensuring plans are in place to appropriately resource ongoing capability requirements as a standalone business as deep interim experience required for the demerger and listing falls away.

Following her significant contribution to the successful transition to a standalone listed company, our CFO, Julie Wirth, announced her intention to retire from a full-time executive role and the Board and I would like to thank her for her commitment, professionalism and dedication to Wickes during her tenure. I was delighted to announce that Mark George has been selected to succeed Julie and will join the business in the summer of 2022. Mark's expertise and experience will be crucial as we continue to grow our business and we look forward to welcoming him to Wickes.

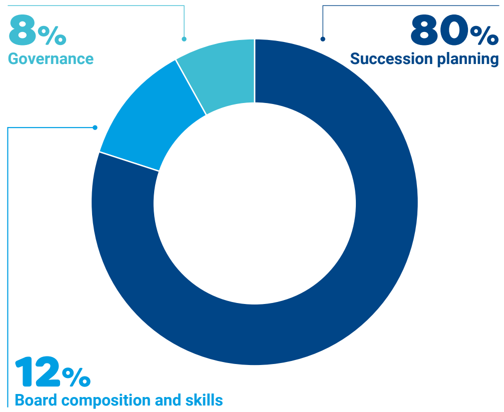
**Christopher Rogers**
Chairman
24 March 2022

### Committee composition

The Committee membership comprises the Non-executive Directors. Details of the experience and skills of Directors are set out in the biographies on page 69. You can find details of meetings and attendance on page 73.

### Role of the Committee

The Committee's role is to lead the process for appointments and ensure orderly succession plans are in place for both Board and senior management roles; and to oversee the development of a diverse pipeline for succession. The Committee reviews the range of skills and expertise on the Board and ensures an appropriate combination.
The responsibilities of the Committee are set out in its Terms of Reference which you can find on the Company's website www.wickesplc.co.uk




### Board composition

The Board comprises six Directors, three of whom are independent Non-executives. The Board believes that it has the right combination of skills and experience to effectively discharge its responsibilities. You can find information on the key strengths and experience of Directors on page 69.

The Board recognises the importance of having complementary and diverse skills and backgrounds within its composition, enabling rich and effective discussions and decision making. During the year, the Committee reviewed the Board composition against a skills matrix to ensure that the Board and its Committees have the skills needed to deliver the Company's strategy.

| Directors | | Appointment date | Tenure (at 1 January 2022) |
|---|---|---|---|
| **Christopher Rogers** | Chairman | 23 March 2021 | 9 months |
| **Mark Clare** | Independent Non-Executive & Senior Independent Director | 23 March 2021 | 9 months |
| **Sonita Alleyne** | Independent Non-Executive | 23 March 2021 | 9 months |
| **Mike Iddon** | Independent Non-Executive | 23 March 2021 | 9 months |
| **David Wood** | Chief Executive Officer (CEO) | 23 March 2021 | 9 months |
| **Julie Wirth** | Chief Financial Officer (CFO) | 23 March 2021 | 9 months |

# **Nominations Committee report** continued

All Directors were appointed on 23 March 2021 in anticipation of the demerger and listing of the Company and have remained in their roles throughout the year.

### Appointments, induction and development

The process for recruiting these first Directors involved setting rigorous criteria for each of the roles, both in terms of technical capabilities and cultural and style attributes. As the Board was being formed for the first time, significant focus was also given to getting the right balance on the Board as a whole and this was one of the key criteria.

The CEO and CFO were already working in the Wickes business having joined in May 2019 and January 2019 respectively and they, along with the Chairman, Christopher Rogers, were selected for their roles on the Board by Travis Perkins Plc, our parent company at the time. The appointment process for the remaining three Non-executive Directors was led by the Chairman and supported by the Executive Directors.

Open advertising was not used. Korn Ferry, which has no connection to Wickes or any of its Directors, assisted in the search and candidates were considered against the requirements for each role and in terms of the overall Board composition. Following a rigorous process, Sonita Alleyne, Mark Clare and Mike Iddon were selected.

The Non-executive Directors appointed received a comprehensive induction over several months tailored to their individual needs, designed to facilitate their understanding of the business and ensure their understanding of their obligations as Directors of a listed company. The Executive Directors were already employed by the business and their induction focused on the additional requirements for leading a listed standalone business.

The Committee also played an important role in supporting the Executive Board to recruit an Executive Board level Chief Information Technology Officer. A search process was undertaken assisted by an external search agency, Russell Reynolds, to facilitate this appointment. The agency supplied a long list of candidates to the Chief Executive Officer and Chief People Officer who reviewed and interviewed a short list of candidates, before selecting the successful candidate. With the exception of recruitment purposes, Russell Reynolds has no other connection with the Company or its individual Directors. The Committee provided guidance to and received reports from the Chief People Officer on the progress of the recruitment for this role and the Remuneration Committee approved the remuneration arrangements.

### Succession planning

The Board recognises that effective succession planning and ensuring the desired mix of skills and experience of Board members in the future is vital to delivering our strategy. The Board is also committed to recognising and developing talent within management levels across the business, creating opportunities to develop current and future leaders.

During the year the Committee reviewed in detail, the plans for succession to key Executive and leadership roles in the short, medium and long term. The Committee is focused on ensuring there is a robust pipeline of talent and that these high-potential colleagues are developed and supported to prepare them for leadership roles. Diversity of gender, social and ethnic backgrounds, cognitive and personal strengths were considered carefully to ensure the pipeline is strengthened with appropriate skills and perspectives. Areas for development for succession candidates to key leadership roles have been identified and opportunities for them to present to and engage with the Board have been identified and planned for future meetings. The Board believes that succession plans will result in a continuously robust leadership structure that can achieve the Company's purpose and ensure its long term sustainable success.

During the year, our CFO, Julie Wirth, announced her intention to retire from a full-time executive role. Following a thorough and robust process, a successor, Mark George, was selected and will join the business in the summer of 2022. Details of the process in relation to this appointment will be set out in our 2022 Annual Report and Accounts.

## Director succession and induction process

Our approach is designed to ensure a thorough and inclusive process.

**Search**
The Chairman leads a process to develop a role specification setting out the skills, experience and background required. The role specification is placed with an executive search agency (the 'agency').

**Long list**
The agency produces a long list of candidates from a wide range of backgrounds and industries.

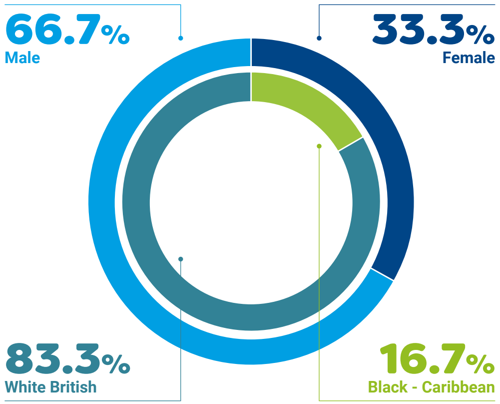
**Short list**
The Committee considers a long list and agrees a short list of candidates.

**Assessment**
The candidates are assessed against the specification including by interview with Board members.

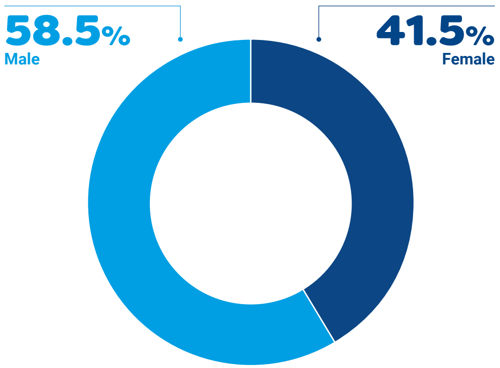
**Appointment**
The Nominations Committee recommends the preferred candidate to the Board and the Remuneration Committee considers and approves a remuneration package.

**Induction**
The Chairman and General Counsel and Company Secretary agree a detailed induction which is tailored to the individual's experience and specific needs.

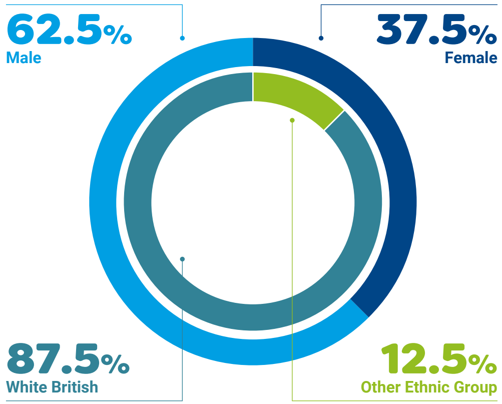
**Plc Board**
**Gender identity and ethnicity**




**Direct reports of the Executive Board**
**Gender identity**




**Executive Board**
**Gender identity and ethnicity**




In line with the Code, Non-executive Directors would not participate in discussions concerning their own succession plans. Given the short tenure of the Non-executive Directors no such discussions were held in the year.

### Inclusion and diversity

The Board believes an inclusive culture is a key driver of business success. It is committed to having inclusive and diverse leadership which provides a range of perspectives, insights and the challenge needed to support good decision making. The Board strongly supports diversity in its broadest sense in the boardroom.

Board membership reflects a range of skills, backgrounds and business experiences which facilitates a broad evaluation of matters considered by the Board and contributes to a culture of collaborative and constructive discussion.

As at the financial year ended 1 January 2022, the Board comprised four Non-executive Directors (including the Chairman) and two Executive Directors and the balance of gender on the Board met the target of 33% female Directors set out by the Hampton-Alexander review. When Mark George joins the business replacing Julie Wirth in the summer of 2022, the female representation on the Board will fall below target. The Board is committed to having diverse leadership and the Nominations Committee will be reviewing Board composition during 2022 and will set out a plan to increase the diversity of the Board.

The Executive Board comprises three female and five male members representing a gender split of 37.5% female and 62.5% male. The senior leadership team (direct reports to the Executive Board) have a gender split of 41.5% female and 58.5% male.

The Board places great importance on fostering an inclusive and diverse workforce that is representative of the communities in which we operate and this is supported by the Company's Inclusion and Diversity Policy. The Board, Nominations Committee and the Executive Board receive regular updates on the progress of inclusion and diversity initiatives and feedback from colleagues to monitor progress towards our aim of ensuring all colleagues have an opportunity to get on and feel at home at Wickes. You can find further details on the Company's approach to inclusion and diversity on page 32.

### Board evaluation

The Code requires the Board to undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. The evaluation should be externally facilitated at least once every three years.

As the whole Board was appointed in March 2021, it was considered too soon for an externally facilitated evaluation process this year and greater value is expected to be derived from an external evaluation in 2022 once the Board has had time to settle.

The Board undertook the evaluation of its own performance and that of its Committees and individual Directors. The Chairman led the internal evaluation, supported by the General Counsel and Company Secretary, using a questionnaire to capture the views of each Director. The evaluation was structured to bring about debate on relevant issues and identify potential improvements and focused on strategic oversight, Board dynamics, Board information, Board composition, risk management and controls and stakeholder engagement.

It was acknowledged that it was early days since the Company's listing in April 2021 but overall there was a high level of satisfaction with the effectiveness of the Board and its Committees. Key actions were agreed as follows:

- The forward agenda would be updated to incorporate priority topics identified in the strategy meeting and to include more focus on areas highlighted by the Board of significant interest or relevance.
- Management would review papers with a view to making them more concise.
- The frequency of Board meetings would be maintained at the current level but this would be reviewed again next year once the Company had completed a full annual cycle.
- Additional training would be arranged for Board members with a focus on ESG and digital topics.

The evaluation concluded that as a newly formed Board, the structure was effective and no changes were currently required to its composition.

Subject to satisfactory performance and consideration of why their contribution is and continues to be important to the Company's long term sustainable success, Directors are approved by the Board for election or re-election annually by shareholders at the Company's AGM. Directors do not participate in discussions involving their own reappointment.

The Chairman reviewed the performance of individual Directors taking into account feedback from the other members of the Board and discussed any identified development needs with each Director. The Senior Independent Director reviewed the performance of the Chairman in consultation with the other Directors and provided the Chairman with feedback. The Board is satisfied that each Director continues to contribute effectively to the Board and all Directors will submit themselves for election at the forthcoming AGM.

## Audit, risk and internal control

# Audit and Risk Committee report

**Mike Iddon**

AUDIT AND RISK COMMITTEE CHAIR

**Committee members**
**Mike Iddon,** Committee Chair and Independent Non-executive Director
**Mark Clare,** Senior Independent Non-executive Director
**Sonita Alleyne,** Independent Non-executive Director

"The Committee made transparency and openness its bedrock at the outset. An effective Committee can only operate on full disclosure and constructive relationships between all stakeholders."

## Dear Shareholder,

I am delighted to present the Company's Audit and Risk Committee report for the financial year ended 1 January 2022.

In its first year of operation from the listing of the Company in April 2021, the Committee met three times and has had the rare opportunity to create from the outset an environment of constructive and supportive challenge, open discussion and transparent reporting. Early disclosure and discussion of potential issues was agreed to be the best approach, allowing the Committee to challenge and support management and work collaboratively to reach the optimum results.

The extensive work in connection with the listing prospectus and the Financial Position and Prospects Procedures (FPPP) action plan that was produced as a result enabled the Committee to understand the strengths and weaknesses and review mitigating factors put in place to give the Board assurance that the business's internal controls and risk management frameworks are sufficiently robust.

The work undertaken throughout the year on the development of internal processes and controls was a specific priority for the Committee. The demerger process identified a number of control improvements and significant progress has been made in the year to strengthen the control environment. However, we are on a journey and work still needs to be done to achieve a fully effective control environment to reduce the reliance on compensatory procedures.

The establishment of the Group's Risk Register was discussed, challenged and developed and as a result the progress made in this regard has been pleasing. We will continue to develop and refine our approach to risk throughout the coming year, mindful of the ever changing landscape of risk and opportunities.

The Committee spent significant time assessing the accounting policies and procedures adopted by management and particular attention was given to the calculation of impairments on store related assets. The Committee also spent time ensuring that impairment policies were acceptable and appropriate, with assurance from both internal and external auditors being particularly helpful.

You can find more detail on the work of the Committee in the pages that follow.

Much progress has been made to strengthen controls, with many improvements implemented during the year. However, there is more work to be done and this area will remain a key priority for the Committee in 2022, particularly in light of the implementation of a new finance system which will result in more effective and efficient monitoring and reporting. In addition, the Committee will continue to monitor and challenge the separation project to ensure it is on track for successful completion by the required deadline in 2023. I am confident that the transparent and collaborative ways of working that have been established this year will stand us in good stead for the challenges that the next year may bring.

**Mike Iddon**
Audit and Risk Committee Chair
24 March 2022

### Committee composition

The Committee membership comprises three Non-executive Directors including the Chairman with the Committee Chair having recent and relevant financial experience. The Committee as a whole has competence in the retail sector. Details of the experience and skills of Directors is set out in the biographies on page 69. The Chairman of the Board is not a member but attends all meetings. You can find details of meetings and attendance on page 73.

### Role of the Committee

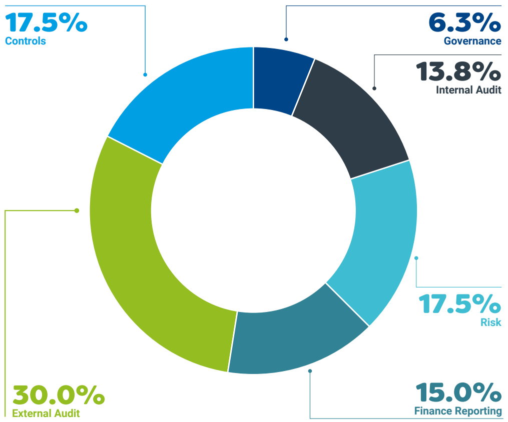
The main roles and responsibilities of the Committee are set out in the Committee Terms of Reference which are available on the Company's website at www.wickesplc.co.uk and include the following:

- Monitoring the integrity of the financial statements; formal announcements and reviewing significant financial reporting judgements
- Advising the Board on whether the Annual Report and Accounts, taken as a whole, is fair balanced and understandable
- Reviewing the Company's internal financial controls and internal control and risk management systems
- Monitoring and reviewing annually the effectiveness of the internal audit function
- Making recommendations to the Board regarding the appointment, reappointment and removal of the external auditor and approving the remuneration and terms of engagement of the same
- Reviewing and monitoring the independence and objectivity of the external auditors
- Reviewing the effectiveness of the external audit process
- Developing and implementing policy on the engagement of the external auditor for non-audit services

### Operation of the Committee

The Committee Chair meets with the internal and external auditors and members of the Committee without the Executive team present prior to the start of each Committee meeting to discuss any relevant matters. The Committee receives reports and updates from both internal and external audit at each of its meetings; along with reports on any non-audit services provided and how these meet our Non-audit fees Policy. The Committee Chair meets with both the internal and external auditors outside of formal meetings in preparation and to discuss any areas of concern or significance.

### Proportion of time spent by the Committee




### Work of the Committee

In its first year of operation the Committee focused on oversight and review of the establishment of the Risk Register and the management and mitigation of those risks; and a detailed review and assurance process in relation to the first set of half year financial results and the preparation of the year end results.

The Committee reviewed the half year financial results in detail along with the accounting policies adopted and alternative performance measures employed (you can find more detail on these in the notes to the financial statements on pages 121, 125, 126 and 164), satisfying itself of the integrity of both the financial and accompanying narrative statements. Input from both internal and external auditors was key in this process and the Committee was able to take assurance that procedures in relation to the production and presentation of the half year statements was both appropriate and robust.

Oversight of the planning and preparation of the year end financial statements was also undertaken in the latter part of the year to ensure the Company was well placed to report in a timely manner. Once again, input from both sets of auditors was invaluable in fostering a constructive and transparent approach and highlighting any key areas of consideration for the Executive Board.

Risk appetite was ascertained early on in the process and this enabled the Board to take assurance from the actions being taken for any risks falling outside of appetite. More information on risk management can be found on the following pages and the principal risks and uncertainties for the Group which are set out on pages 60 to 64.

The Committee monitored the internal audit plan and process, ensuring that management had the required resources to fully support and engage with the internal audit teams and to carry out any follow up actions in a timely manner. The timetable was discussed and assurances from management sought where audits might prove challenging against other demands. The Committee received reports for each internal audit undertaken, reviewing the findings and actions identified. The Committee ensured that all actions were validated by management and implementation timescales were agreed.

Another area of focus for the Committee was the actions arising from the FPPP process which was undertaken as part of the listing process. The Committee monitored the progress and completion of actions and was therefore able to provide the necessary assurance to the Board in this regard.

The process of separation from Travis Perkins was significant for the Group in the year and affected a large number of areas of the Group's day-to-day activities and lines in the financial statements. A number of functions are still performed by or dependent on Travis Perkins' systems and the project to separate these is ongoing, with a completion deadline for the separation project of April 2023 when the two year Transitional Services Agreement effective from the demerger date expires.

There are a number of factors that could impact the success of the separation project and there is a risk that a delayed or more complex than anticipated process could impact both the Group's short term profitability and longer term successful trading as an independent entity.

During the year management regularly reported on the progress made on the separation project, the costs incurred to complete the project, the issues identified and the steps taken to resolve those issues.

The Committee reviewed and discussed the information presented about its impact on the costs incurred to enact the separation and the accounting treatment of these costs, particularly relating to IT project costs. The Committee assessed the judgements made by management and concluded from the information it had received and its discussions with management and the auditors that the accounting for and disclosure of separation costs is appropriate.

The Committee also viewed progress reports on areas of the day-to-day operations of the business that had previously been accounted for by Travis Perkins and were therefore particularly impacted by the separation, including Accounts Payable and Rebates. The Committee concluded that the areas impacted by the demerger had been appropriately addressed and that sufficient controls had been put in place and procedures performed to ensure that the balances affected are reasonably stated in the financial statements.

In addition to those reports mentioned above and in line with its remit and its Terms of Reference the Committee received reports on the financial controls framework; the procedures in place to prevent and manage fraud; and regularly monitored contractor and consultancy spend.

### Significant audit issues considered during the year

The following are the key judgement areas associated with the Group's financial statements for the financial year ended 1 January 2022 that were considered by the Committee. This is not a complete list of all accounting issues, estimates and policies, but includes those which the Committee believes are the most significant.

In reaching its conclusions, set out in more detail below, the Committee considered papers and explanations given by management, discussed each matter in detail, challenged assumptions and judgements made and sought clarification where necessary. It reviewed and discussed internal audit reports in respect of the matters under consideration and the Committee also received a report from the external auditor on the work undertaken to arrive at the conclusions set out in their audit report on pages 103 to 109 and had the opportunity to discuss it with them in depth.

## **Audit and Risk Committee report** continued

**Area: The carrying value of non-current assets**
**Issue and nature of judgement**
The Group balance sheet contains £604.6 million of right-of-use assets. The Directors are required to determine whether those assets have suffered any impairment whenever there are indicators of possible impairment. They do so by comparing the present value of future cash flows for each cash generating unit (CGU) with the carrying value of assets. CGUs are determined to be individual stores: all stores' profitability is considered when considering which stores show indicators of impairment, and full impairment analysis performed on those stores that are considered to show such indicators.

In addition, the Company balance sheet contains £770.8 million of investments. The Directors compare the net present values of future cash flows from each investment to the carrying value of the investment in the balance sheet.

The calculations undertaken to help arrive at a conclusion incorporate a consideration of the risks associated with each CGU and are based upon forecasts of their long term future cash flows, which by their nature require judgement to be exercised and are subject to considerable uncertainty.

The cash flow forecasts used for impairment considerations are prepared taking into consideration the historic financial performance, the annual budget and the Five Year Plan presented to and approved by the Board of Directors annually.

**Factors considered and conclusions reached**
Management presented the Committee with papers setting out the results of the work performed, the methodology used, the assumptions made and the conclusions reached. They explained to the Committee how the cash flow and discount rate calculations were prepared, how individual stores were determined to be potentially impaired, the key assumptions and judgements that were made and how sensitive the cash flows were to changes in key assumptions.

After reviewing these papers and obtaining further explanation where necessary, the Committee concluded that management's final position, after appropriate challenge and review, reached a balanced and reasonable conclusion regarding the impairment charge recognised and included acceptable judgements.

**Area: Revenue recognition in respect of Do It For Me (DIFM) revenue**
The Group recognised £300.2m of revenue in the financial year in respect of DIFM revenue, and carried deferred DIFM revenue as a liability on its balance sheet where orders had been paid in advance but either fully or partially undelivered at the period end.

This revenue represents a large number of individual transactions and the recognition of revenue is driven from a number of different systems, including the product delivery system and the ordering system in addition to the data automatically posted into the finance system, with each system showing some timing differences on the point of completion of individual orders. Management therefore maintain a separate order book to track the revenue that should actually be recognised in the period.

**Factors considered and conclusion reached**
Management performed a significant amount of analysis and reconciliation to compare revenue recognised by each system, determine how the timing differences arise and propose appropriate adjustments to the amount of revenue recognised.

Management reported to the Committee on the progress of this exercise through the audit period and presented final papers to the Committee setting out how conclusions were reached and adjustments to the reported revenue reached.

The Committee reviewed and discussed the information presented and also received a report from the external auditor on the work undertaken to arrive at the conclusions set out in their audit report and discussed the process with them.

After reviewing these papers and obtaining further explanation where necessary, the Committee concluded that the process of review and management's adjustments made to the numbers had resulted in an accurate revenue and deferred revenue number being reported in the financial statements.

**External audit**
The Company's auditor at the date of this report is KPMG LLP, appointed as auditor of the Company on 28 May 2021 by the Board. Resolutions will be proposed at the AGM to reappoint KPMG LLP as the Company's auditor and to authorise the Audit & Risk Committee to set the auditor's remuneration.

KPMG LLP was appointed under a competitive audit tender whilst the Company was part of Travis Perkins Plc Group in 2015. The Company became a public interest entity (PIE) in April 2021 as a result of the demerger from Travis Perkins Plc. Therefore, under the Competition and Markets Authority's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit & Risk Committee Responsibilities) Order 2014 (the 'CMA Order') the next tender for an external auditor will be required in 2025 (ten years from the last tender) which also complies with the Companies Act 2006 which requires a tender for PIEs after ten years. Auditor rotation is required 20 years from the date of the Company becoming a PIE and therefore this will be due in 2041. The Committee currently has no plans to undertake a tender earlier than 2025, but will keep this under review.

The Committee considered the performance, effectiveness and independence of KPMG LLP at its first meeting (taking into consideration the previous audit experience as part of the Travis Perkins Plc Group) and established that whilst the firm was also involved in audits for the former parent company, the Company's Audit Partner was not the registered auditor of the former parent company and would have no involvement or connection going forward. The relatively new relationship with the Audit Partner at the firm and the short time for which the firm would have been working specifically with the Wickes Group were both considered factors which would safeguard the independence of the auditor, along with a robust policy on any non-audit service provision (more detail on which is provided below). The Committee and the Board concluded that it would be in the best interests of the Company to continue with KPMG LLP as auditor since the knowledge of the business would be invaluable in ensuring an effective and robust audit.

The Company is in compliance with the requirements of the CMA order.

**Non-audit services**
The Committee reviewed and approved the Policy on Non-audit fees at its first meeting. The Policy was designed to ensure the ongoing independence and objectivity of the external auditor and set out the permitted and prohibited services for which it may be engaged. Approval limits and a cap on allowable non-audit fees were also set out and the Committee received reports and monitored these fees at each of its meetings. For the financial year ended 1 January 2022 the total fees for non-audit services provided by the auditor to the Group did not exceed 70% of the average of the statutory audit fee for the Group's consolidated financial statements and statutory accounts paid to the auditor in the last three consecutive financial years (Fees paid to the auditor in relation to Reporting Accountant services in respect of the demerger of the Group, which were agreed by Travis Perkins prior to separation, have been excluded from the calculation of the non-audit fee ratio when assessing the Company's compliance with the Non-audit fees Policy). The fees paid are set out on page 120 of the notes to the financial statements.

### Internal audit

Reflecting the size and complexity of our business, it is appropriate for the Group's activities to be subject to independent review and challenge, specifically through the work of an internal audit function. Historically, internal independent assurance was provided by Travis Perkins Plc's internal audit function. Since the demerger from Travis Perkins and to assist the business in a seamless transition, BDO LLP has provided internal audit services to the Group in accordance with an annually agreed Internal Audit Charter and Internal Audit Plan.

The Committee reviews the Internal Audit Plan at least annually and considers whether it is aligned to the key risks of the Group, providing the Committee with sufficient assurance for it to discharge its responsibilities. The Committee is also responsible for making recommendations on the appointment, reappointment and removal of the internal audit provider, as well as determining if an outsourced model provides the best mechanism for the business to obtain independent assurance on the design and operational effectiveness of internal control, governance and risk processes. It is the Committee's current assessment that an outsourced internal audit approach provides the best strategic fit for the business's current assurance requirements.

The outsourced internal audit function undertakes audit work in relation to our accounting and support office functions, including testing of general IT controls as defined within the annual plan. The Committee is responsible for ensuring the scope of internal audit work is appropriate and that findings are considered and actioned appropriately. The Committee receives regular updates from internal audit throughout the year on the status of work and the findings arising. The scope of the internal audit work undertaken is designed to provide coverage of our key controls on a rotational basis and be complementary to management's assurance processes and the work of the external auditor. In addition, through considering the key controls across the principal financial cycles, the work of internal audit provides the Committee with an independent view on the adequacy and effectiveness of internal controls.

The Committee will formally assess the effectiveness of internal audit annually and will seek to satisfy itself that the quality, expertise and experience of the function is appropriate for the Group. This assessment will involve both Committee members and members of the Executive Board completing a questionnaire, with the results of that exercise then considered by the Committee. This assessment will include a consideration of independence and objectivity; the overall level of fees; the quality of the risk assurance process; and the role of the function in the context of the broader sources of risk assurance.

### Risk management and internal control

Risks are managed at Group level or within the business on an ongoing basis. Details of risks faced by the Group are maintained in Group risk registers. Key risks are regularly collated and reviewed by management and the Board to assess the potential impact and likelihood of occurrence, after taking into account key controls and mitigating factors, as well as interdependencies. Additional mitigating actions are put in place as required to manage risks to an acceptable level.

The Group's approach to risk management began to be developed as an independent entity on demerger in April 2021 and will continue to be refined throughout 2022. The principal risks and uncertainties are set out on pages 60 to 64, together with information on how those risks are mitigated and how emerging risks are assessed.

The 2020 audit and demerger process identified a number of control improvements that would enable the business to support the transition to listed status and strengthen the overall control environment. The Committee acknowledges that the control environment at Wickes is on a journey of improvement and confirms that while significant steps have been taken in the year, there remains work to be done to present a fully effective control environment to reduce the reliance on compensatory procedures.

Since the inception of the Committee, a series of documents have been presented setting out the improvements being made to internal controls, the deficiencies identified, and the steps being taken to address these.

These documents include:
- The Remediation Plan prepared by management and BDO as part of the FPPP review at demerger, and the steps taken to improve the control environment in response to these findings

Internal audit reports on:
- Supplier Contracts and Supplier Management
- Revenue Recognition
- Inventory Management

These form part of an ongoing internal audit programme supported by our appointed partner BDO.

- Data analysis advisory reports on areas of control focus in the business, most significantly in relation to Goods Received Not Invoiced
- KPMG's external audit findings report to the Committee

All issues from the original 2021 Remediation Plan have been addressed. Management have reported to the Committee regularly on progress made against these findings and are also drafting a follow up 2022 Remediation Plan to address control improvements highlighted by both internal and external audit and management's own review of the control environment.

Key areas in the 2022 remediation plan where control improvement will be a focus include:

- The end to end process around revenue recognition for Do-it-for-me, including the automated postings into the finance system from other operational systems in the business
- The controls and processes around impairment reviews of fixed assets
- The end to end process around accounts payable, including Goods in Transit and Goods Received Not Invoiced
- The reconciliation of finance debtors and follow up of older and expired agreements

The replacement of the finance system as part of the IT separation activity, together with a number of other operational IT systems across the business, provide a further opportunity to continue to improve, strengthen and embed processes and controls around all key business cycles.

The Committee concluded that the control environment, given the existence of compensatory procedures and reviews, worked effectively during the year, while noting that the control environment will continue to evolve and improve.

# Responsible Business Committee

**Sonita Alleyne**

COMMITTEE CHAIR

"Wickes passionately believes in the positive impact we can have to help create a diverse and inclusive society, an environment that is protected for the next generation, and homes that are fit for a sustainable future for everyone."

### Committee members

**Sonita Alleyne,** Committee Chair and Independent Non-executive Director
**Christopher Rogers,** Chairman
**Mark Clare,** Senior Independent Non-executive Director
**Mike Iddon,** Independent Non-executive Director

## Dear Shareholder,

I am proud to present the Responsible Business Committee's report for the financial year ended 1 January 2022.

I was personally delighted to be invited to chair this Committee which, being set up from the start of the Company's journey as a listed business, clearly demonstrates the importance the Company places on ESG (environmental, social and governance) matters and how serious it is about taking a leadership position in this area. It has been particularly pleasing to see the commitment and motivation for change and continued development that colleagues and leaders throughout the business have demonstrated.

Being a responsible business encompasses everything we do. Wickes has a passion for people, inclusion and diversity, and for taking responsibility for its impact on the communities and environments in which it operates. Underpinning this is the recognition that all actions must be taken with consideration; and be measurable and demonstrable in order to ascertain the level of success.

Understanding our baseline and the development of our Responsible Business Strategy has been the main focus for the Committee throughout the year and this prompted the reconsideration of the Committee's name and the title of the strategy itself. Whilst the Committee started its life as the ESG Committee, it was felt that given the breadth of work across the business and in order to better describe the motivation behind that work, both the strategy and the Committee should be renamed. More information on our Responsible Business Strategy and work is set out on pages 28 to 48.

Wickes is committed to making a positive impact and the Committee plays a key role in setting the ambition and monitoring progress against our Responsible Business Strategy. In the short time since demerging and becoming a standalone listed company we have achieved a great deal and I look forward with anticipation and optimism for what we can achieve in 2022.

**Sonita Alleyne**
Responsible Business Committee Chair
24 March 2022

### Committee composition

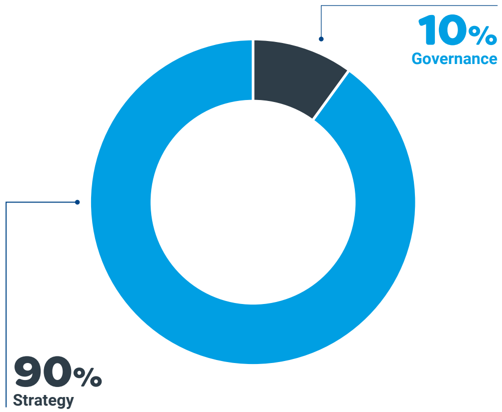
The Committee membership comprises the Non-executive Directors including the Chairman. Details of their experience and skills are set out in the biographies on page 69. The CEO is not a member but attends all meetings. You can find details of meetings and attendance on page 73.

### Role of the Committee

The Committee's role and responsibilities are set out in its Terms of Reference which are available on the Company's website at www.wickesplc.co.uk and include:

- overseeing the Group's conduct with regard to its ESG obligations as a responsible corporate citizen
- reviewing and approving the strategy for managing the Group's ESG responsibilities in such a way to build trust and confidence
- reviewing and monitoring the Company's climate change disclosures
- monitoring performance and reviewing progress of the Responsible Business Strategy against agreed performance measures
- reviewing and approving the creation of appropriate policies and supporting measures to protect the Group's reputation
- monitoring the Group's engagement with its stakeholders

### Proportion of time spent by the Committee




### Work of the Committee

The Committee took the time at its first meeting to understand the context in which Wickes operates from an ESG perspective and to gauge the ambition and capabilities of the Company. Much work was already underway to address environmental and social issues but this needed to be brought under one strategy to maintain focus, enable prioritisation of key deliverables and create sustainable long term success and value for the business and its stakeholders.

The Committee discusses stakeholders' views on ESG at each meeting. Whilst investors are looking for sustainability and value creation, colleagues want to work for a business which has regard to social matters and is committed to reducing its impact on the environment. Customers want to shop more sustainably and buy products and services that have less impact on the environment, whilst maintaining quality and value. Suppliers want long term partnerships to give stability and growth opportunities.

The collation of measurable data was a key priority and one which the Committee will continue to focus on into 2022. Getting robust data helps us to fully understand what needs to be done in our own business and our supply chains which will help us to set ambitious targets.

The Committee monitored the development of the strategy whilst also taking deep dives into the people and environmental aspects to better understand the challenges and opportunities in these areas.

During the year, the Committee approved the Company's Environment Policy and this will be updated further in 2022 to reflect our evolving Responsible Business Strategy.

The Committee was tasked with developing ESG related targets to be linked to executive remuneration incentives and it spent considerable time ensuring these targets reflected the journey the Company was on and would enable challenging and measurable targets to be set in the future. More information on these targets is set out in the Directors' Remuneration report on pages 83 to 98.

More information on our Responsible Business Strategy and work is set out on pages 28 to 48.

Remuneration report

# Chair's statement

**Mark Clare**

COMMITTEE CHAIR

**Committee members**

**Mark Clare,** Senior Independent Non-executive Director and Committee Chair
**Christopher Rogers,** Chairman
**Sonita Alleyne,** Independent Non-executive Director
**Mike Iddon,** Independent Non-executive Director

> The Group delivered strong financial performance in 2021, achieving year on year, like for like growth in revenue and profits and solid EPS growth."

## Dear Shareholder,

I am pleased to present the 2022 Directors' Remuneration report for Wickes Group Plc, our first as an independent, publicly listed company, and my first as Chair of the Committee.

### Designing our remuneration policy and Shareholder engagement

Prior to the demerger of Wickes from Travis Perkins in April 2021, the Committee undertook a detailed review to determine the most appropriate executive remuneration structure and overall pay levels for Wickes. This took into account UK market practice and governance norms, our business strategy and the views of key stakeholders.

The result of this review was agreement that a market typical remuneration structure, comprised of a market benchmarked base salary, bonus with deferral and a performance share plan with a holding period, was the most suitable for Wickes' first year of listing. This structure offered simplicity and transparency and was directly aligned to our strategy through incentive plan measures and targets (see page 86), and as such was included in the Wickes listing prospectus.

Further to listing, and to engage with our new Shareholder base, we undertook a consultation exercise during 2021 to understand the views of our largest Shareholders (covering approximately 60% of our ownership) and assess whether any changes were necessary. The feedback from Shareholders on our remuneration structure was positive and as such no changes were made.

The Committee recognises that the business strategy is still evolving and so the policy will be kept under review to ensure it continues to support this and remain appropriate. In addition, its implementation, specifically the performance measures used, are likely to evolve over the next three years as we firm up our strategy in relation to specific areas, such as ESG.

At the AGM on 26 May 2022 we will be putting forward Shareholder resolutions for the approval of the remuneration policy (by binding vote) which will become effective from the AGM, and an advisory vote on the Annual Report on Remuneration.

### Rewards and benefits across the Group in 2021

The Group continued to protect and support colleagues over 2021 in the context of the pandemic, while also recognising and rewarding them for their contribution. The Board was particularly keen to ensure colleagues would feel positive about the demerger and could share in the future success of the business. Further details of our approach to colleague reward can be found on page 96.

**99%**

OF ELIGIBLE COLLEAGUES RECEIVED AN ANNUAL BONUS UNDER THE 2021 CENTRAL PLAN (BONUS PAYOUT: 100% OF MAX)

**£3.9m**

PAID TO OUR STORE-BASED COLLEAGUES IN 2021 UNDER THE MONTHLY GAINSHARE INCENTIVE

**882k**

FREE SHARES AWARDED TO COLLEAGUES IN JULY

**8,145**

COLLEAGUES AWARDED £50 RETAIL VOUCHERS IN DECEMBER 2021 TO SAY THANK YOU

## Quick links to key sections



### Community in 2021

Under the Wickes Community Programme we are helping our stores support their communities with a dedicated monthly fund for product donations. In 2021 we completed a five month trial of the programme with four regions, supporting a mix of regional and national groups, including schools and food banks. We are rolling out the programme to the wider business in 2022.

During 2021 we continued to invest in our apprenticeships for DIY installation. Over the course of 2021 there were 21 apprentices on the scheme, including seven graduates. We're aiming for 45 new installations apprentices a year over the next three years.

We have now raised over £1m for our charity partner.

**£1m**

RAISED FOR YOUNG MINDS.

## **Chair's statement** continued

### Group performance highlights for 2021

As outlined in the Chair and CEO statements, the Group delivered strong financial performance in 2021, achieving year on year, like for like growth in revenue and profits and solid EPS growth. We have also made good progress in reducing our net debt position.

**14.0%**
REVENUE GROWTH COMPARED WITH 2020 (2020: 1,346.9M)

**£116.3m**
ADJUSTED OPERATING PROFIT (2020: £81.6M)

**£618.7m***
NET DEBT (2020: £783.5M)

* The position includes £125m received from Travis Perkins as part of demerger settlement

**27.2p**
ADJUSTED BASIC EARNINGS PER SHARE (2020: 16.1P)

Financial performance for 2021 was underpinned by our digitally led, service enabled strategy. We continued to grow our digital customer base, with two thirds of sales driven by digital channels. We recorded strong customer retention levels and made further market share gains within our core business, across a broad range of categories, supported by new ranges and product choice.

As part of the demerger and transition to an independent business in 2021 we invested capital totalling over £26m which included £6m in our digital IT capability. We also continued to invest in our store refit programme which is a key part of our strategy.

**c.5m**
DIGITAL CUSTOMERS

**630k+**
TRADE PRO MEMBERS (OVER 80,000 NEW MEMBERS IN 2021)

The performance of the business was in no way enhanced by government support related to the pandemic. The grant from the furlough scheme of £6.4m received in the initial Covid outbreak was repaid in December 2020, while the business rates relief received of £32.6m was repaid in March 2021.

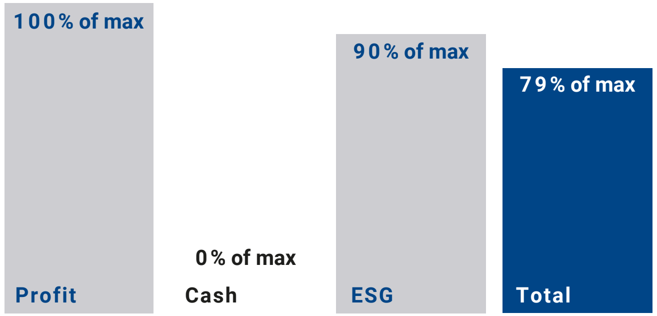
### Shareholder experience in 2021

Reflecting our strong performance and confidence in future growth the Board was pleased to recommend a final dividend of 8.8 pence per share. This takes our first full year 2021 ordinary dividend to 10.9 pence per share. Share price performance has been influenced by a number of factors since the demerger, and has been more variable as a result. The Board would ordinarily expect the share price to grow over time alongside the growth of the business, on the back of a strong first year of financial results.

## Executive Remuneration in 2021

### Annual bonus outturn

The 2021 annual bonus paid out at 79% of maximum based on 100% achievement of the profit target and 90% achievement of the ESG targets. There was no payout earned against the cash flow target. The Committee considered the performance results against the targets in light of the contextual factors highlighted above in this statement, and considered that this outcome was fair and appropriate, therefore no discretion has been exercised by the Committee in relation to the bonus payout. Further details on performance outturns can be found on page 91.




### 2021 annual bonus ESG measures

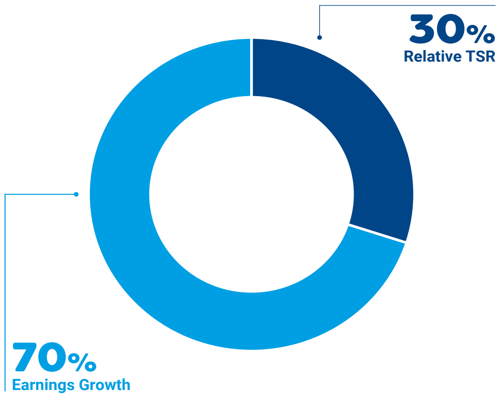
- Creation and approval of the inclusion and diversity strategy
- Establish a consistent and accurate people data set
- Creation and approval of the environment strategy
- Establish a consistent and accurate environmental data set

### LTIP and Transitional Award grants

As set out in the Wickes listing prospectus, and communicated to our new investors during the year, the Committee made a grant of LTIP awards to executives and senior management in 2021 known as 'Transitional Awards'. These awards were put in place to ensure continuity of incentives to the senior team post demerger. The awards vest in two equal tranches in April 2022 and April 2023 subject to achievement of performance hurdles which are set out in more detail on page 92 and which are subject to a two year holding period for executives.

### 2021 LTIP award

LTIP grants were made during the year in line with the remuneration policy. More details on the performance measures and targets are set out on page 93.




The Long Term Incentive Plan (LTIP) awarded to the CEO was 175% of base salary, and to the CFO 150% of base salary.

### Management changes

As announced to the market on 20 January 2022, Julie Wirth is stepping down from her role as Chief Financial Officer and director of the Company. Mark George has been announced as our new Chief Financial Officer, joining us from The Gym Group Plc where he has held the role of CFO since 2018. The remuneration arrangements agreed in respect of Julie's departure and Mark's employment are set out on pages 92 and 94.

## Executive Remuneration in 2021

### Our approach to remuneration in 2021

As set out earlier in my statement, the new remuneration policy was designed to be simple, transparent, and aligned to our strategy. We considered colleague pay structures when designing the policy and further details on colleague pay can be found on page 96.

| Elements of pay | Fixed pay | Annual bonus | LTIP | Shareholding guidelines |
|---|---|---|---|---|
| **Policy elements and timeframe** | Base salary, benefits & pension | 2/3 cash<br>1/3 deferred into shares for 3 years | 3 year performance period<br>2 year holding period | Employment guideline: 200% of salary<br>Post-employment guideline: the lower of 100% of their actual holding at cessation and 200% of salary for 2 years |
| **Implementation for FY22** | CEO: £507k (salary from 1 April 2022 reflecting a 2.5% increase in line with wider workforce)<br>CFO: £375k (agreed salary for Mark George upon joining)<br>Pension: 10% of salary (in line with the maximum rate available to the wider workforce) | Maximum: CEO: 140%, CFO: 120% (target bonus: 50% of maximum)<br>70% profit, 20% cash flow, 10% ESG | Maximum LTIP: CEO: 175%, CFO: 150% (target LTIP: 60% of maximum)*<br>70% EPS growth, 30% Relative TSR | |

* We intend to make awards in line with policy at levels no more than the maximum face values referred to above. Specific details will be confirmed in the RNS shortly after grant.

I would like to thank our Shareholders for engaging with the Committee in the development of our remuneration policy, and I look forward to your continued support at the 2022 AGM.

**Mark Clare**
Committee Chair
24 March 2022

# Our remuneration philosophy

Our approach to executive remuneration is underpinned by a set of reward principles that are aligned with our business strategy. Whilst we recognise that due to the nature of the role of our executives, their remuneration structure will have a higher performance related element and greater alignment to long term measures when compared to colleagues, our reward principles apply across both populations to ensure alignment.

## Alignment between the remuneration policy and Wickes strategy

The chart below sets out our overall remuneration philosophy and its alignment to the Wickes business strategy.

**We aim to set pay at a market competitive level across the business, and fairly recognise and reward colleagues for their individual contribution**

All colleagues are eligible to participate in a performance based incentive plan

**Our incentives are based on realistic but stretching performance targets**

Colleagues are encouraged to act within the business' risk appetite (see page 90)


**Bonuses for senior leadership are based on profit and cash – two of Wickes' key financial performance indicators**

Good performance is not just about profitable growth – our incentive programmes include ESG goals to encourage actions that benefit the environment and our colleagues (see page 95)

**Wickes SAYE enables all colleagues to participate in our success (see page 96)**

Our LTIP measures encourage focus on growth in Shareholder returns and bottom line profitability (see page 93)

## Strategic alignment of executive incentive plan metrics with KPIs

| Key Performance Indicator | Measure | Annual Bonus scheme | Long Term Incentive |
|---|---|---|---|
| **Profit** | Profit Before Tax (adjusted)* | ● | |
| **Earnings growth** | Earnings per Share (adjusted) | | ● |
| **Cash** | Free Cash Flow* | ● | |
| **Share price growth** | Total Shareholder Return (relative) | | ● |
| **ESG objectives** | People | ● | |
| | Environment | ● | |

* The profit measure under the 2021 annual bonus was adjusted operating profit and the 2021 cash measure was year end cash position.

# Directors' Remuneration Policy

**This section sets out the proposed Directors' Remuneration Policy for the Board.**

We will be seeking approval for our Remuneration Policy by way of a binding Shareholder vote at the AGM on 26 May 2022. Our Remuneration Policy will take effect from the date of approval.

## Executive Director Remuneration Policy Table

### Base salary

| Purpose and alignment to business strategy | Opportunity |
|---|---|
| **To provide fixed remuneration that will attract and retain the executive talent required to execute our strategy.** | There is no maximum salary, or maximum salary increase level. Salary increases will generally be in line with increases awarded to the wider workforce. However, as with all employees, the Committee may make increases above this level in specific circumstances such as; stepped or one-off increases to bring a recently appointed executive's salary up to targeted / market levels; an increase in the scope or responsibilities of the role; an increase to the size/ complexity of the business; increases in market pay levels.<br><br>Base salary levels are reviewed in the context of the potential value of the total remuneration package. |
| **Operation** | **Performance measurement** |
| Salary levels are generally reviewed annually with any increases typically taking effect from 1 April. Base salary levels are reviewed with reference to the skills, performance, and experience of the executive and periodic review of the external market rate for similar roles in companies of a similar size and complexity (including sector peers and FTSE listed general industry peers). | Recent business and individual performance will be taken into consideration when reviewing base salary levels. |

### Pension

| Purpose and alignment to business strategy | Opportunity |
|---|---|
| **To enable executives to save for their retirement and to enhance the market competitiveness of the total remuneration package.** | The maximum pension provision will be in line with the maximum rate available to the wider workforce, currently up to 10% of base salary per annum. |
| **Operation** | **Performance measurement** |
| Pension comprises a contribution into the Wickes Retirement Savings Plan or a cash allowance in lieu of pension contributions (or a mix of both). | N/A |

### Benefits

| Purpose and alignment to business strategy | Opportunity |
|---|---|
| **To enable the executives to perform their role by providing benefits that enhance their wellbeing.** | There is no maximum benefits value. The value of benefits is equal to the cost to the Company of providing benefits and may change year on year based on the cost of the provider. However, the Company will endeavour to select the best value benefits. |
| **Operation** | **Performance measurement** |
| Benefits include family private medical, life assurance, income protection, and company car or allowance. Other benefits, including relocation allowances may be provided as appropriate. | There is no performance assessment when determining benefit values. |

### Annual bonus

| Purpose and alignment to business strategy | Opportunity |
|---|---|
| **To reward achievement of stretching annual performance targets that are directly linked to delivery of the business strategy.**<br><br>**Deferral of one third of the bonus into Wickes Group shares aligns Executive Directors with Shareholder interests over the long term.** | The maximum opportunity for the Chief Executive Officer is 140% of salary and 120% of salary for other Executive Directors. For on target bonus performance 50% of the maximum bonus will be earned. For achievement of threshold performance 20% of the maximum will be earned. There is a straight line payout between these points. |
| **Operation** | **Performance measurement** |
| A minimum of one third of the bonus earned is deferred into Wickes Group shares for a period of three years. The remainder of the bonus is delivered in cash.<br><br>The Committee may use its discretion to amend the bonus payout level (see page 89).<br><br>Malus and clawback terms apply (see page 88). | Performance measures weightings and targets are set each year with reference to the business strategy. Measures may include financial and non financial goals, including personal objectives. The overall bonus will be weighted with at least 70% set on financial performance.<br><br>Details of measures and weightings will typically be disclosed in advance. Target ranges will be disclosed on a retrospective basis alongside actual performance. |

### Long-term incentives

| Purpose and alignment to business strategy | Opportunity |
|---|---|
| **To incentivise and reward long term Shareholder value creation.**<br><br>**Enables Executive Directors to build meaningful long term Wickes Group shareholdings, and further align the interests of the Executive Directors with Shareholders.** | The maximum annual LTIP opportunity under the rules of the plan is 200% of base salary.<br><br>The ongoing LTIP opportunity for the Chief Executive Officer is 175% of salary and for the Chief Financial Officer it is 150% of salary. 20% of the maximum award will be earned for achievement of threshold performance and 100% for maximum. There will be a straight line payout between these points. |
| **Operation** | **Performance measurement** |
| Performance is assessed over a minimum of three years. The vested shares (net of tax and National Insurance) will be held for a further two years, during which time they may not ordinarily be sold.<br><br>The Committee may use its discretion to amend the LTIP vesting level (see page 89).<br><br>Malus and clawback terms apply (see page 88). | Performance measures, weightings and targets are set each year with reference to the business strategy.<br><br>Details of measures, weightings and targets will typically be disclosed in advance. |

# Directors' Remuneration Policy continued

**Employment shareholding guidelines and post-cessation shareholding guidelines**

| Purpose and alignment to business strategy | Opportunity |
|---|---|
| **To encourage Executive Directors to build meaningful shareholdings and to align Executive Director interests with those of Shareholders both during their service and for a period afterwards.** | During their employment, Executive Directors are expected to retain at least 50% of post tax shares acquired from Company share plans to accumulate a shareholding in Wickes Group shares of 200% of salary within 5 full years of this policy being approved.<br><br>Post-cessation of employment, Executive Directors are required to hold the lower of 100% of their actual holding at cessation and 200% of salary for two years after leaving. |

| Operation | Performance measurement |
|---|---|
| Shares directly owned by the Executive Directors and their spouses or partners and shares that have vested and are not subject to further conditions count towards the guideline.<br><br>Shares held under the Deferred Annual Bonus Plan (DABP) and shares that have vested under the LTIP but are held within the two year holding period count towards the guideline on a net of tax basis.<br><br>We expect Executive Directors, upon the exercise of options, to retain net of tax shares that are subject to further holding requirements within the Company's nominee account. | N/A |

## Notes to the Executive Directors' Remuneration Policy Table

### Pre-existing remuneration arrangements

Remuneration entitlements that were in place prior to this policy being adopted, or prior to an Executive Director joining the Board and being unrelated to Board duties, will be allowed to continue in line with the terms originally agreed, notwithstanding that they may not be in line with the terms of this remuneration policy.

Incentive awards granted prior to the introduction of this policy will continue to operate in line with the terms agreed at grant, including the Transitional Awards granted in relation to the demerger.

### Minor changes

The Committee reserves the right to make minor changes to remuneration policy to reflect changes to statutory or accounting requirements, or minor changes to regulation, without obtaining prior Shareholder approval.

### Performance measurement

Performance measures are selected based on their importance and alignment to the business strategy. The Committee is also mindful of selecting straightforward metrics that provide ongoing line of sight to participants.

Careful thought is given to selecting an appropriate balance of measures that motivate the right behaviours and encourage sustainable growth.

We seek to set realistic yet stretching performance targets and take into account a range of factors when setting targets, including our strategic goals, past performance, analyst forecasts, governance guidelines and market practice.

### Malus and clawback (applies to all awards made under the Deferred Annual Bonus Plan (DABP) and LTIP)

The Committee may decide, at any time prior to the third anniversary of share awards vesting, that all or part of an award may be subject to malus and clawback if the Committee forms the view that any of the following occurred, leading to awards vesting to a greater extent than would otherwise have been the case:

- A material misstatement of financial results.
- A calculation in the assessment of any performance condition was based on inaccurate or misleading information.
- Serious misconduct by the award holder prior to awards vesting that could have warranted dismissal from employment.
- Corporate failure resulting in the appointment of a liquidator or administrator.
- Serious reputational damage to Wickes Group or a division of Wickes Group which as determined by the Committee is at least partly due to the actions of management.

To satisfy application of malus and clawback, the Committee may reduce (including to nil), any future bonus payments, existing and future share award grants.

The Committee may require the relevant individual to pay to the Group such an amount as required for malus and clawback to be satisfied.

### Differences between the policy for Directors and employees

The remuneration provided to Group colleagues is guided by the same overall philosophy. Details are set out on page 86.

### All employee share plans

The Executive Directors are also eligible to participate in any all employee share plans operated by the Company on the same terms as other eligible employees.

### Share award terms (applies to all awards made under the DABP and LTIP)

Share awards vesting under any of Wickes Group's share incentive plans may include the right to receive dividends accrued between the grant date and the date of vesting, and this may assume dividends are reinvested.

Share awards may be granted in the form of nil cost options or conditional shares.

Performance conditions may be adjusted by the Committee if an event occurs which causes the Committee reasonably to consider that it would be appropriate to amend the performance condition and the amended conditions will not be materially less challenging to satisfy.

In the event of a variation of the share capital, demerger, special dividend or similar event which affects the market price of shares to a material extent, the Committee may adjust the number of shares comprised in an award.

The Committee may reduce award grant levels in the event of a material reduction in the share price in the period prior to the date of grant.

### Remuneration Committee discretion

The Remuneration Committee may reduce the level of bonus payout and/or LTIP vesting to the extent that the overall performance of the Group over the relevant performance period is not considered to be reflective of incentive outcomes.

### Remuneration on recruitment

The Committee will provide any new Executive Director with a total remuneration package that is market competitive. Remuneration elements and their operation will be aligned to the ongoing remuneration policy.

The overall incentive plan maximum for new executives is 340% of salary for the CEO and 320% of base salary for other Directors (however, award levels may be set lower than this). This total is comprised of the ongoing annual bonus maximum for each executive role, and awards of up to 200% of salary under the LTIP rules (currently 175% for the CEO and 150% for the CFO).

The Committee is entitled to compensate new executives for forfeited incentive awards. The treatment of such awards will be determined on a case by case basis, however, the Committee will seek to make compensatory awards on a similar basis to those forfeited, taking into consideration; the form of award (e.g. cash or shares); the performance conditions; the timeframes; and the approximate value based on a best estimate of likely performance outcome. Where the existing LTIP plan cannot be used to satisfy such awards, the Committee may utilise Listing Rule 9.4.2 to make share awards.

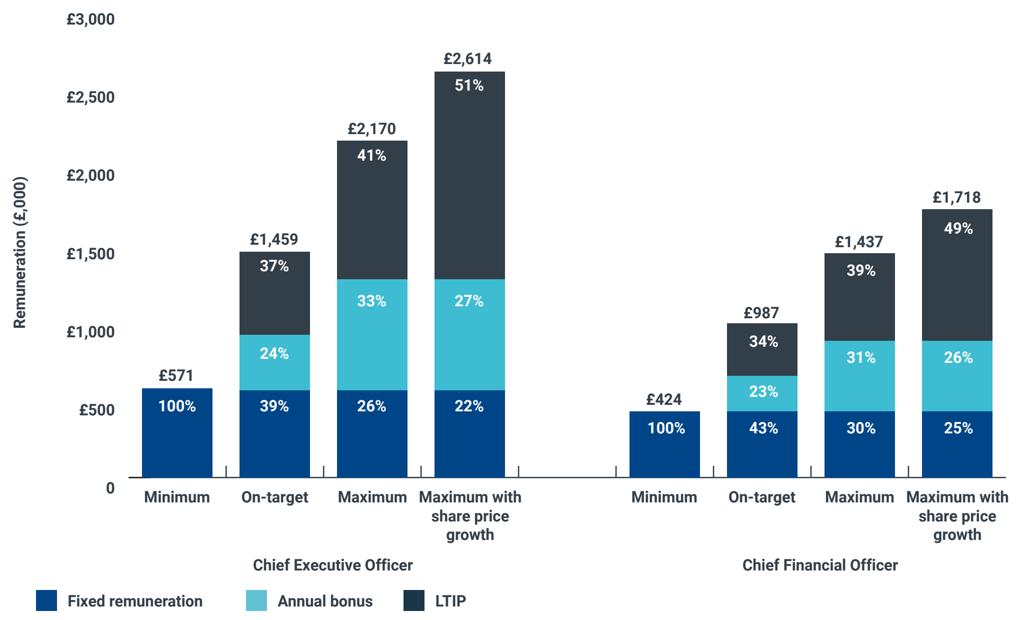
### Director Service Contracts/ Letters of Appointment

The service contracts for Executive Directors includes 12 months notice of cessation from the Company and 6 months from the Executive Director. The policy for remuneration on cessation is set out elsewhere in this report. The Non-executive Directors have letters of appointment that include a three month notice period, from either Company or Director. Non-executive Directors are not eligible for any loss of office payments.

All Directors are subject to annual re-election by Shareholders. Service contracts and Letters of Appointment are available for inspection at the Companies' registered office.

### Illustration of application of remuneration policy

The following chart illustrates how much the Executive Directors could receive in 2022 under a range of different scenarios:




| Element | Description |
|---|---|
| **Fixed** | Base salary:<br>– CEO: £507,375 (salary from 1 April 2022)<br>– CFO: £375,000 (agreed salary for Mark George upon joining)<br>Benefits: Car allowance, private medical insurance and fuel allowance*<br>Pension: 10% of salary<br>*CEO only |
| **Target** | 50% of maximum bonus (including deferral)<br>60% of maximum LTIP |
| **Maximum** | Maximum bonus: CEO: 140%, CFO: 120%<br>Maximum LTIP: CEO: 175%, CFO: 150% |
| **Maximum + 50% share price growth** | As for maximum with 50% increase in share value assumed for LTIP |

# Directors' Remuneration Policy continued

## Alignment of the Wickes Remuneration Policy to the UK Corporate Governance Code

Wickes remuneration philosophy and principles were established in advance of the 2021 demerger and are set out on page 86. We will continue to review and evolve these principles with the growth of the business and advancement of our business strategy and culture.

The table below summarises how we have considered the UK Code provisions when developing and implementing our remuneration strategy:

| Clarity | Simplicity | Risk |
|---|---|---|
| By creating simple incentives with relevant performance measures, and clear communication our aim is to make our variable pay plans clear to participants and Shareholders. | Our incentive plans and performance measures are market typical and easy to understand. Financial performance measures are used on a day to day basis to monitor performance and so provide clear line of sight to participants. | Our incentives are based on realistic but stretching performance targets – colleagues are encouraged to act within the business' risk appetite. |
| **Predictability** | **Proportionality** | **Alignment to culture** |
| Our approach to target setting each year considers the same internal and external factors to avoid inconsistency. Fixed pay elements provide a predictable level of reward each year. | Pay is set at an appropriate level relative to the market and this positioning is consistent throughout the organisation. Pay is weighted towards variable remuneration to ensure that variable pay is only delivered alongside high performance. | We have sought to design an incentive plan that aligns to our culture of simplicity, fairness and rewarding high performance. |

## Policy on payment for loss of office

### Contractual salary and benefits

- The Company is required to give executives 12 months' notice of employment termination, 6 months for termination by the executive.
- Payments include base salary, benefits, and pension.

### Good Leaver definition

- Good leaver circumstances include death, ill-health, injury or disability, redundancy, retirement, the employing entity no longer being part of the Group and any other circumstances where the Committee determines 'Good Leaver' treatment should apply.

### Annual bonus (audited)

- Annual bonus is not a contractual entitlement.
- For 'Good Leavers', an annual bonus may be paid for the period served to cessation, the value is dependent on an assessment of performance and generally pro-rated for time. Bonus is generally paid at the normal time.
- For 'Good Leavers', any unvested deferred bonus shares would generally continue and vest at the normal time.

### Long term incentives

- Treatment of long term incentive awards is subject to the rules of the plan as approved by Shareholders.
- For 'Good Leavers', unvested awards would generally be permitted to continue. Awards would vest subject to an assessment of performance and generally be pro-rated for time.
- For 'Good Leavers', unvested awards would generally vest at the normal time.

### Post-cessation shareholding

- Post-cessation shareholding requirements will continue to apply, as set out in the remuneration policy table. In exceptional circumstances, the Committee may waive or partially waive this requirement.

## Statement of consideration of Shareholder views

During 2021 the Committee invited our largest Shareholders (covering approximately 60% of our ownership) to consult on the proposed remuneration policy. All Shareholders that were engaged were supportive of the remuneration policy and no issues of concern were raised.

No changes were therefore made to the remuneration policy set out in the Company's Prospectus in March 2021.

## Statement of consideration of employee views

The Committee does not formally consult with employees specifically about Director remuneration, however, during the year, the Committee reviewed in depth information concerning the broader colleague reward structure and pay levels/outturns, including relative market positioning and pay ratios. We also held a listening group where colleagues were given the opportunity to share their views on executive pay. Further details in relation to colleague pay and reward can be found on page 96.

## Non-executive Director Remuneration Policy Table

| Chairman and Non-executive Director fees and benefits |
|---|
| **Purpose and alignment to business strategy** |
| To pay market competitive fees to attract and retain non-Executive talent. |
| **Operation** |
| Non-executive Directors are paid a basic fee for their Board membership. The Chairman of the Board is paid a separate fee. Additional fees are paid to the Chair of each Board Committee and the Senior Independent Director.<br><br>The Directors may also be paid expenses incurred in connection with the discharge of their responsibilities as Directors of the Company for example, travel, hotel, and subsistence costs in relation to attendance of Board meetings.<br><br>Directors do not participate in any incentive or pension arrangements. |
| **Opportunity** |
| Fees are reviewed periodically. Any increases will be determined in the context of salary increases awarded to the wider workforce.<br><br>Fees are set within the maximum level approved by Shareholders in the Articles of Association. |

## Non-executive Director letters of appointment

Non-executive Director letters of appointment contain a 3 month notice period, from either Company or Director. Non-executives are subject to annual re-election by Shareholders.

# Annual Report on Remuneration

### Single total figure of remuneration (audited)

The table below sets out the remuneration receivable by the Directors in respect of the year ended 1 January 2022.

| Director | Salary/ Fees[1,2] £'000 | Benefits[1,3] £'000 | Pension[1,4] £'000 | Bonus[5] £'000 | Long term incentives[6] £'000 | Total fixed remuneration £'000 | Total variable remuneration £'000 | Total 2021 remuneration £'000 | Total 2020 |
|---|---|---|---|---|---|---|---|---|---|
| **Executive Director** | | | | | | | | | |
| David Wood | 378 | 10 | 38 | 547 | 443 | 426 | 990 | 1416 | – |
| Julie Wirth | 261 | 13 | 28 | 332 | 268 | 302 | 600 | 902 | – |
| **Non-executive Director** | | | | | | | | | |
| Christopher Rogers[8] | 144 | 0 | 0 | 0 | 0 | 144 | 0 | 144 | – |
| Mark Clare[7] | 66 | 0 | 0 | 0 | 0 | 66 | 0 | 66 | – |
| Sonita Alleyne[9] | 54 | 0 | 0 | 0 | 0 | 54 | 0 | 54 | – |
| Mike Iddon[9] | 54 | 0 | 0 | 0 | 0 | 54 | 0 | 54 | – |
| Total current Directors | 957 | 23 | 66 | 879 | 711 | 1046 | 1590 | 2636 | – |
| **Directors of the Company prior to Demerger** | | | | | | | | | |
| Alan Williams[10] | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 136 |
| TP Directors[11] | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 136 |

1 For David Wood and Julie Wirth, base salary, benefit and pension figures relate to the period from 23 March 2021 to year end, reflecting the date they became Directors of Wickes Group Plc.

2 Base salaries for both David Wood and Julie Wirth were adjusted as part of the demerger and from 1 May 2021 were £495,000 and £350,000 respectively.

3 Includes the cost to the Company of private medical insurance, fuel allowance and car allowance. Includes a free share award of £300 received in July. Julie Wirth was in receipt of a subsistence allowance up until 31 May 2021.

4 Pension contributions equal to 10% of base salary were paid in cash in respect of 2021 since listing.

5 Bonus figures reflect total bonus earned over the full year 27 December 2020 to 1 January 2022.

6 Figures relate to the first tranche of the Transitional Award due to vest on 28 April 2022. The award has been valued using the average three month share price to 1 January 2022 of £2.26 (see further details on page 92 below)

7 Commenced qualifying services 1 February 2021. The remuneration set out above includes payments made in anticipation of performing qualifying services.

8 Commenced qualifying services 23 March 2021.

9 Commenced qualifying services 1 March 2021. The remuneration set out above includes payments made in anticipation of performing qualifying services.

10 Alan Williams resigned as a Director of the Company on 23 March 2021. In the period from 27 December 2020 to 23 March 2021, he carried out administrative services for the Company and its subsidiaries. The remuneration in respect of these services has been calculated based on reasonable assumptions as a proportion of the total remuneration that he received from Travis Perkins for those periods.

11 TP Directors Limited resigned as a Director of the Company on 23 March 2021. There has been no payment for services provided by TP Directors Limited.

### Annual bonus (audited)

The table below sets out details of the bonus targets and outturns for 2021:

| Measure | Weighting % of bonus | Threshold | On-target | Maximum | Actual | % achievement of bonus | Discretion or adjustment to targets? |
|---|---|---|---|---|---|---|---|
| Adjusted operating profit* | 70% | £89.8m | £94.5m | £104.0m | £116.3m | 70% | N |
| Cash Flow** | 20% | £148m | £156m | £172m | £123m | 0% | N |
| ESG | 10% | See table below for targets | | | | 9% | N |
| Total outturn | 100% | | | | | 79% | |

* Operating profit adjusted to reflect one off costs in relation to legal and professional services costs and IT separation costs in relation to the demerger.

** Year end cash movements in the year to include cash flow from operations including working capital movements, capital investment, adjusting items, corporation tax, share based payments and financing cash flows.

The table below provides further detail in relation to the ESG metric targets and achievements:

| Objectives and weightings | Outcome | Overall outcome (% of bonus) |
|---|---|---|
| Creation and approval of the inclusion and diversity (I&D) strategy (2.5%) | Comprehensive strategy developed setting out key objectives across 3 areas; I&D; Building Skills in our Communities; Community Programme. | 2.5% |
| Establish a consistent and accurate people data set to set ESG targets in 2022 (2.5%) | Data mechanics established to enable accurate and meaningful I&D targets to be set for 2022. | 2% |
| Creation and approval of the environment strategy (2.5%) | Long term environmental strategy developed focused on decarbonising our sites, transport, and operations to help fight climate change. Covers carbon, waste and water. | 2.5% |
| Establish a consistent and accurate environmental data set to set ESG targets in 2022 (2.5%) | Baseline environmental data produced to enable environmental targets to be set in 2022. Data mechanics developed to help enable us meet our 2022 reporting requirements including Carbon Disclosure Project and TCFD. | 2% |

A governance underpin exists in relation to the above objectives whereby the Directors needed to establish an ESG Committee and governance framework to support the development and delivery of the ESG agenda across the business. This underpin was met.

# **Annual Report on Remuneration** continued

### Long term incentives
The Transitional Awards were intended to address a long term incentive 'gap' whereby Wickes executives and management would not otherwise have any LTIPs vesting until 2024 due to no LTIP awards being made to the executives from Travis Perkins in 2019. The awards were granted to ensure our remuneration offering remains market competitive during these first few years of operation and to reward management for their role in the demerger and transformation of Wickes into an independent listed business.

The first tranche (T1) of the Transitional Awards granted to Executive Directors in relation to the listing is due to vest on 28/04/22 based on achievement of the underpin conditions. These conditions include:

- personal performance
- underlying corporate performance (for T1: 70% of the adjusted operating profit bonus target for 2021)
- any Shareholder concerns
- any other factors the Committee may consider relevant.

In the case of significant failure on the part of the Company or the participant, vesting may be reduced, including to nil.

The share price used to value the awards for the purpose of the single figure was £2.26 compared to a share price of £2.21 on the date of the award. Therefore, no portion of the value disclosed is attributable to share price appreciation.

The corporate performance element of the underpin for the first tranche of the Transitional Awards has been met. A final decision on the underpin will be made on the first anniversary of the demerger.

### Payments to past directors
There were no payments made to past Directors.

### Payments for loss of office
As announced on 20 January 2022, Julie Wirth, current Group Chief Financial Officer, will step down from her role as Chief Financial Officer and Director of the Company following her significant contribution to the successful transition of Wickes from a subsidiary business to a stand alone listed entity.

Julie Wirth will be retiring from full time executive life and will therefore not be returning to an equivalent role in the market. Julie Wirth has however agreed to stay on in her role as Chief Financial Officer until the new candidate is in place, to ensure a seamless and orderly transition.

The Remuneration Committee has agreed the following remuneration terms for Julie, which reflect the terms of her contract of employment, Wickes' incentive plan rules and the information disclosed in the Wickes' listing prospectus. The Committee is comfortable that, given Julie Wirth's performance to date, her agreement to remain in role to help ensure a smooth handover and her intention not to return to an equivalent role in the market, the below terms are fair and appropriate.

The Committee has determined that Julie Wirth will receive good leaver status only in respect of the incentives where the performance period is fully completed at the date of cessation and only to the extent that the associated performance conditions are met. The full terms agreed are therefore as follows:

- Base salary and associated benefits will be paid until the leaving date.
- No eligibility to receive a bonus in respect of the period of 2022 served in role.
- No eligibility to receive an LTIP grant in 2022.
- The 2021 LTIP awards will lapse in full.
- The second tranche of the Transitional Awards (awarded in respect of the demerger from Travis Perkins) will lapse in full.

The following incentives will be permitted to vest, to the extent that the performance conditions are met:

- The first tranche of the Transitional Awards – these will be tested for performance on 28 April 2022 and any shares permitted to vest will be required to be held for two further years.
- The 2021 bonus – Julie Wirth will remain eligible for a bonus payment assessed on the same performance criteria as other participants at year end. One third of any bonus earned will be deferred into shares for three years, the remainder will be paid in cash.

### Statement of Director shareholdings and share interests (audited)
A summary of the Directors' share interests is set out below.

| | Shares owned | | Awards over nil cost options – 2021 | | | | | |
|---|---|---|---|---|---|---|---|---|
| Director | 31 Dec 2021 | Date of demerger | Exercised | Vested but not exercised | Unvested and subject to continued employment | Unvested and subject to performance | Shareholding requirement | Shareholding as % of salary* |
| **Executive Director** | | | | | | | | |
| David Wood | 16,615 | 28/04/2021 | 0 | 0 | 0 | 783,228 | 200% | 8% |
| Julie Wirth | 6,067 | 28/04/2021 | 0 | 0 | 0 | 474,684 | 200% | 4% |
| **Non-executive Director** | | | | | | | | |
| Christopher Rogers | 71,272 | 28/04/2021 | 0 | 0 | 0 | 0 | - | - |
| Mark Clare | 40,000 | 28/04/2021 | 0 | 0 | 0 | 0 | - | - |
| Sonita Alleyne | 0 | 28/04/2021 | 0 | 0 | 0 | 0 | - | - |
| Mike Iddon | 0 | 28/04/2021 | 0 | 0 | 0 | 0 | - | - |

* When taking into account the 2021 deferred annual bonus award, and the Transitional Award due to vest in April 2022, the progress towards the shareholding requirement is expected to significantly increase to 69% and 57% of salary respectively for David Wood and Julie Wirth.

Shareholdings include all shares beneficially owned and share options that are have vested but have not been exercised. The post tax value of any unvested shares subject to continued employment are counted. None of the unvested awards still subject to performance are counted. The calculation is based on the closing share price at year end (£2.37).

The Executive Directors have five years to meet their shareholding guidelines.

### Share awards made during the financial year (audited)

The below table summarises the terms for the long term incentives awarded to Directors during 2021.

| Director | Type of award | Plan name | Date of grant | Number of shares / options | Award as % of salary | Face value | Performance period[1,2] | Vesting date | Holding period |
|---|---|---|---|---|---|---|---|---|---|
| David Wood | Nil Cost Option | LTIP | 28/09/21 | 391,614 | 175% | £866,250 | 1/9/21 – 31/8/24 | 28/09/24 | 2 years |
| David Wood | Nil Cost Option | Transitional Award (LTIP) | 28/09/21 | 391,614 | 175% | £866,250 | T1: 28/4/21 – 28/4/22 T2: 28/4/22 – 28/4/23 | T1: 28/04/22 T2: 28/04/23 | 2 years |
| Julie Wirth | Nil Cost Option | LTIP | 28/09/21 | 237,342 | 150% | £525,000 | 1/9/21 – 31/8/24 | 28/09/24 | 2 years |
| Julie Wirth | Nil Cost Option | Transitional Award (LTIP) | 28/09/21 | 237,342 | 150% | £525,000 | T1: 28/4/21 – 28/4/22 T2: 28/4/22 – 28/4/23 | T1: 28/04/22 T2: 28/04/23 | 2 years |

1 T1/T2 signifies Tranche 1 and Tranche 2 of Transitional Award.

2 The performance period for the EPS element of the 2021 LTIP is from the date of grant to 31 December 2023.

The number of shares under award was calculated using a share price of 221.2 pence, being the closing market price of the Company's shares on the dealing day immediately preceding the Grant Date.

### Performance conditions attached to Transitional Awards granted during 2021

The Committee will consider the Company and participants' performance in the round including:

- personal performance
- underlying corporate performance (for tranche 1: 70% of the adjusted operating profit bonus target for 2021, for tranche 2: 70% of the profit before tax (PBT) bonus target for 2022)
- any Shareholder concerns
- any other factors the Committee may consider relevant.

In the case of significant failure on the part of the Company or the participant, vesting may be reduced, including to nil.

### Performance conditions attached to long term incentive awards granted during 2021

| Measure | Weighting | Threshold | Maximum | Vesting at threshold | Vesting at maximum |
|---|---|---|---|---|---|
| Adjusted EPS in FY23 | 70% | 19.2p | 28.8p | 20% | 100% |
| Relative TSR vs constituents of the FTSE 250 (excluding investment trusts) | 30% | Median | Upper quartile | 20% | 100% |

Vesting is on a straight-line basis between threshold and maximum.

Adjusted EPS has been selected because this is a key performance indicator of the business and is reported externally, it is also a relevant Shareholder measure of Group profitability. Relative TSR has been selected because it aligns executives to our investor's experience and helps to reward outperformance of the market and long term value creation.

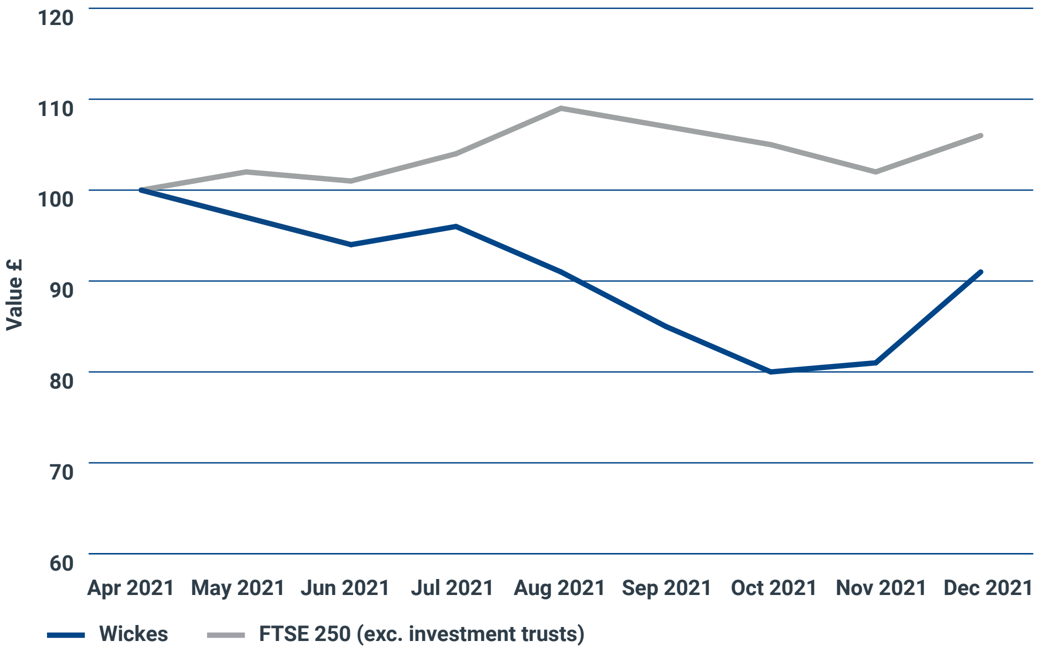
The adjusted EPS targets were set with a relatively wide range in order to provide for the uncertainty of the first few years of operations as a demerged business and in part to reflect the uncertainty of future trading conditions in relation to the pandemic.

# **Annual Report on Remuneration** continued

## TSR performance graph and history of CEO pay

The graph below shows the Group's performance from the date of listing to the financial year end, measured by Total Shareholder Return (TSR), compared with the FTSE 250 (exc. investment trusts). The Remuneration Committee has chosen the FTSE 250 (exc. investment trusts) as the comparative index as it is also the peer group used for the TSR performance condition in the 2021 LTIP.

### Wickes Total Shareholder Return vs FTSE 250 (exc. investment trusts)




| Director | Year | Total single figure of remuneration | % of annual bonus paid out | % of LTIP vested* |
|---|---|---|---|---|
| David Wood | 2021 | 1416 | 79% | 100% |

* Note - the LTIP value relates to the first tranche of the Transitional Award due to vest on 28 April 2022 (subject to achievement of the performance underpin)

## External appointments

External appointments must be approved by the Board in advance and Executive Directors are restricted to one Non-executive Directorship or other significant appointment. They are entitled to retain any fees paid for these services. During the year David Wood served as Non-executive Chairman, Green Sheep Group Ltd [1] and Director, Dremt Consulting Ltd. David Wood was paid a fee of £30,000 by Green Sheep Group Ltd [2].
Julie Wirth served as Director, Wirthwhile Resources Ltd, and no fee applied.

1 Commenced position on 10 November 2021
2 Fees earned from Green Sheep Group Ltd are paid to Dremt Consulting Ltd

## Dilution limits

Wickes Group Plc complies with the Investment Association's Principles of Remuneration with regard to dilution limits. These principles require that commitments under all of the Company's share incentive plans must not exceed 10% of the issued share capital in any rolling 10 year period. Share awards under all current incentive plans are within the Company's maximum 10% dilution limit.

## Implementation of Executive Remuneration policy in 2022

### Remuneration arrangements for new CFO

Mark George has been Chief Financial Officer at The Gym Group Plc since 2018. Before that Mark was at Auto Trader Plc, where he was Deputy CFO, and he previously held several senior roles in finance, strategy and general management in a number of leading consumer businesses including Tesco and Asos.

- Mark will be appointed on an annual base salary of £375,000. This salary level reflects Mark's prior experience as CFO of a listed business, the skills and expertise he will bring to the business, and the strong external talent market for this role.
- The incentive arrangements will be in line with our remuneration policy. The maximum annual bonus will be 120% of salary and the LTIP will be set at 150% of salary.
- Benefits will be provided in line with our usual policy.
- Pension contribution will be 10%, in line with the workforce.

The Remuneration Committee has agreed to buy out some of The Gym Group incentive awards forfeited by Mark. In doing so, the Committee has considered the performance conditions, time horizons and form of award of those forfeited and sought to replicate these on a like-for-like basis.

- The 2021 bonus period has been completed; therefore, this will be bought out in full based on actual performance achieved as stated in the Gym Group Annual Report and Accounts.
- The 2022 bonus will be eligible for a partial buy-out, pro-rated for time in service at the Gym Group and an expected value of 50% of maximum. Both 2021 and 2022 bonus payments will be subject to full repayment should Mark leave the business within 12 months of joining.
- The 2019 LTIP award grant due to vest in March 2022 will be bought out based on actual performance as stated in the Gym Group Annual Report and Accounts. The buy-out will be in the form of Wickes shares which will be subject to a two year holding period.
- The 2020 and 2021 LTIPs will be bought out, time pro-rated for the period served, at an expected value of 60%. These awards will be in the form of Wickes shares that will vest at the date intended for the forfeited award and be subject to a two year holding period. All LTIP awards will be subject to malus and clawback provisions under the terms of the LTIP.

## Summary of remuneration implementation for 2022

| Element | Implementation details |
|---|---|
| **Base salary** | – Base salary for the CEO will be increased to £507,375 from 1 April 2022, in line with the wider workforce.<br>– The newly appointed CFO's base salary will be £375,000. |
| **Annual bonus** | – The annual bonus will continue to operate in line with the framework set out in the policy table. The maximum opportunity will continue to be 140% of salary for the CEO and 120% of salary for the CFO.<br>– The performance focus areas and weightings will remain broadly the same as for 2021: 70% Profit, 20% Cash Flow, 10% ESG, however, we have refined our measurement approach to better reflect our financial reporting focus.<br>– 70% will be based on Profit Before Tax (adjusted), rather than Adjusted Operating Profit as was used in 2021.<br>– 20% will be based on Free Cash Flow, rather than year end cash position as was used in 2021.<br>– The ESG targets will be focused on the gender balance of our management populations and, under environment, store energy use and our carbon disclosure submission.<br>– Due to commercial sensitivity, the performance targets for the financial metrics will be disclosed retrospectively. |
| **LTIP** | – The LTIP will continue to operate in line with the framework set out in the policy table. The maximum opportunity will continue to be 175% of salary for the CEO and 150% of salary for the CFO.*<br>– The performance metrics and weightings will remain the same as for 2021: 70% Earnings per Share (adjusted), 30% Relative TSR.<br>– The performance targets for FY22 LTIP awards are as follows: |
| **Pension and benefits** | – There are no changes to the benefits provision for Executive Directors and pension will continue to be 10% of base salary in line with the maximum rate available to the wider workforce. |

LTIP performance targets for FY22:

| Measure and weighting | Threshold (20% vesting) | Maximum (100% vesting) |
|---|---|---|
| EPS growth (70%) | 27.2 | 32.9 |
| Relative TSR (30%) | Median Ranking | Upper Quartile Ranking |

* We intend to make awards in line with policy at levels no more than the maximum face values referred to above. Specific details will be confirmed in the RNS shortly after grant.

## Implementation of Non-executive Director policy in 2022

– Non-executive Director fees will be increased by 2.5% from 1 April 2022 in line with the wider workforce. Fees as at 1 April 2022 are set out below:

| Role | Fee level per annum |
|---|---|
| Basic Non-executive Director | £56,375 |
| Board Chair | £189,625 |
| Senior Independent Director | £7,687.5 |
| Chair of a Committee | £10,250 |

– In line with our policy, reimbursement of reasonable expenses in relation to Non-executive duties may be paid.

# Director remuneration in the context of colleague pay

### Remuneration approach for the wider group

The approach to remuneration for our colleagues is aligned with the principles that apply to our policy for the Executive Directors. Pay and benefits reflect the nature and contribution of the role and take into account levels of pay in comparable roles in the market.

The Group continued to protect and support colleagues over 2021 in the context of the pandemic. The Company has focused on a range of health and wellbeing initiatives, and in 2021 all store managers were trained as mental health first aiders. Further to this we rolled out our award winning Peppy benefit which provides fertility and menopause support for colleagues. Wickes has been recognised in the Financial Times 'Global Diversity Leaders Report 2022', where we indexed as a top 10 UK retailer, which reflects our core beliefs of equality and fairness.

All colleagues are eligible for a performance bonus, to support our strategy and to encourage and reward collaboration. Within our stores in 2021 we paid £3.9m to colleagues under our monthly gainshare plan, which allows colleagues to earn a share of store profit achieved above target. We closely monitor our approach to store pay to ensure it remains competitive, and last year we enhanced our premium basic pay rate for store colleagues in our London stores in response to market conditions.

The central annual bonus plan for Support Centre and management colleagues is based on achievement against Company profit and sales targets. The plan paid out at 100% of maximum bonus to colleagues for 2021, rewarding their contribution to our strong business performance.

The Board was particularly keen to ensure colleagues would feel positive about the demerger and could share in the future success of the business. In July we made a Free Share award of £300 (£150 for part-time) to those colleagues employed on the date of the listing. Further to this we introduced a SAYE plan as a further means to strengthen the link between colleagues' interests and those of Shareholders. Over 26% of eligible colleagues joined the three year plan with monthly contributions totalling over £295,000.

**GENDER PAY GAP**

In December 2021 we published our first gender pay gap report as an independent Company. We reported that for 2021, we saw a significant reduction in our mean gender pay gap from 10.25% to 6.44%. This is mainly due to greater female representation across all of our management grades. Our median pay gap of 8.36% is broadly in line with the previous year.

**6.44%**

Gender Pay Gap (mean)

**Our Winning Behaviours**

Our business is powered by highly engaged teams who operate around a set of simple principles:


### Engagement with colleagues (UK Code requirement)

When considering remuneration arrangements for Executive Directors, the Committee takes into account, as a matter of course, the pay and conditions of colleagues at all levels throughout the Company, to ensure appropriate alignment. The Committee receives regular updates regarding any major changes to colleague remuneration during the year and also reviews information on internal measures, including details of our gender pay gap and the ratio of Chief Executive Officer remuneration to that of our colleagues, and considers how these compare externally.

The Board places great importance on listening to the views of our colleagues on a range of issues including pay and benefits, and Sonita Alleyne our designated Non-executive Director for representing employee views, takes the lead on ensuring these views are heard by the Board (see pages 35 to 37 of the Annual Report for further details). To facilitate more in depth and open discussion with colleagues on a broad range of current issues, we held a colleague listening group in November 2021 with Sonita in attendance. One of the focus areas of this session was sharing our approach to executive pay, including how this aligns with wider Company pay policy, and colleagues were given the opportunity to share their views on this topic.

### CEO to employee pay ratio

The table below sets out the ratio of CEO total remuneration to the 25th, 50th and 75th percentile colleagues. Approach B has been used in order to identify the relevant colleagues to calculate the ratio, this was chosen as it utilises data already collected for Gender Pay Gap calculation from April 2021, providing consistency. The Committee is comfortable this approach provides a realistic assessment of the differential between CEO and colleague pay.

| Year | Method | 25th percentile pay ratio | 50th percentile pay ratio | 75th percentile pay ratio |
|---|---|---|---|---|
| 2021 | Approach B | 97:1 | 90:1 | 71:1 |
| 2021 Total pay and benefits[1] | | £14,661 | £15,751 | £20,073 |

1 The full year pay and benefit figures for the selected colleagues on a FTE basis are £18,023, £18,665 and £24,768 respectively.

The CEO total remuneration has been taken from the single figure table and reflects 2021 remuneration earned over the period 23 March 2021 to 1 January 2022, with the exception of bonus which reflects the full year payment for the whole of 2021. Colleague remuneration has been calculated on the same basis, reflecting 2021 earnings from 23 March 2021 onwards and full year bonus.

Where relevant, each colleague's pay and benefits were calculated on a full time equivalent basis, and no further adjustments were made. The values for total remuneration for the 25th, median and 75th percentiles consist of salary, bonuses, shift premiums and employer contribution to pension. To ensure these three colleagues were a suitable representative of their quartile, the total pay figures calculated were compared against a sample of colleagues either side of the three identified colleagues.

The Remuneration Committee considers pay ratios as one of a number of reference points when reviewing executive remuneration and considers that the median pay ratio for 2021 is consistent with the pay and progression policies for the Company.

### Relative importance of spend on pay

The table below illustrates the total spend on colleague remuneration in 2021 compared with other financial dispersals.

| | 2021 £m |
|---|---|
| Total colleague cost[1] | 217.9 |
| Total distributions to Shareholders[2] | 5.3 |
| Total income taxes paid[3] | 14.6 |
| Total capital expenditure[4] | 26.5 |

1 Includes social security, pensions and share-based payments (see note 8 of the financial statements)

2 (see note 27 of the financial statement)

3 (see the cash flow statement on page 113)

4 (see the cash flow statement on page 113)

### Percentage change in Directors' and colleague remuneration

As this is the first year of the Group's operation as a listed business a percentage change in remuneration has not been included.

# Remuneration Committee

The Committee is responsible for determining the remuneration policy for the Chairman, Executive Directors and other designated senior management. In doing so, the Committee is required to consider all factors which it deems necessary, including;

- relevant legal and regulatory requirements;
- alignment to Company purpose and values;
- the link to the successful delivery of the Company's long term strategy and long term Shareholder interests;
- workforce remuneration and related policies and the alignment of incentives and rewards with culture; and
- feedback from the engagement process with employees.

The Committee is comprised of all the independent Non-executive Directors and the Chairman (who was considered independent on appointment). Prior to appointment, the Committee Chair had served on a Remuneration Committee for at least 12 months in line with the Code. Biographical details on the Committee Chair and members of the Committee can be found on page 69.

The Committee operates in line with its Terms of Reference which are available on the Company's website at www.wickesplc.co.uk

### Committee activities

The table below sets out the meetings and key activities undertaken in the year:

| | April 21 | June 21 | Sept 21 | Dec 21 |
|---|---|---|---|---|
| Approved Remuneration Committee Terms of Reference | ● | | | |
| Reviewed remuneration policy and proposals | ● | | ● | ● |
| Approved financial bonus targets for the financial year ended 1 January 2022 | ● | | | |
| Approved LTIP measures and weightings for awards granted in financial year ended 1 January 2022 | ● | | | |
| Reviewed incentive awards for managers and colleagues | ● | | | |
| Selected Committee advisor | | ● | ● | |
| Discussed all-employee share plans | | ● | | ● |
| Approved ESG targets for the financial year ended 1 January 2022 | | | ● | |
| Approved LTIP and Transition Award targets for the financial year ended 1 January 2022 | | | ● | |
| Reviewed trends in remuneration and governance | | | ● | |
| Considered approach to the drafting of the Directors' Remuneration report | | | ● | |
| Reviewed Group wide remuneration | | | ● | |
| Discussed shareholder engagement and feedback from consultation | | ● | ● | ● |
| Reviewed progress against bonus targets for the financial year ended 1 January 2022 | | | | ● |
| Reviewed Gender Pay Gap reporting | | | | ● |
| Reviewed CEO and Chairman expense claims | | | | ● |
| Reviewed Committtee forward agenda and meeting schedule | | | | ● |

### Advice to the Committee

Members of the executive leadership team may attend meetings at the invitation of the Committee but are not present when their own remuneration is being discussed. The Committee is supported by the Chief People Officer, Head of Reward, Chief Financial Officer and General Counsel and Company Secretary.

The Committee received external advice during 2021 from PricewaterhouseCoopers LLP and Willis Towers Watson. PricewaterhouseCoopers LLP was the Committee's independent advisor until July 2021 when, further to a competitive tender process, Willis Towers Watson was appointed as the Committee's independent advisor. Willis Towers Watson and PricewaterhouseCoopers LLP are members of the Remuneration Consultants Group and operate under the executive remuneration consulting Code of Conduct. Both are considered by the Committee to be objective and independent. The Committee is satisfied that no conflict of interest arose in the provision of these services.

The total fees paid to PricewaterhouseCoopers LLP in respect of services to the Committee during the year were £57,250. The total fees paid to Willis Towers Watson in respect of services to the Committee during the year were £35,200.

### Shareholder voting

In accordance with the UK Corporate Governance Code, following the voting outcome of 55.27% in favour of the resolution to approve Wickes share plans at the Travis Perkins plc General Meeting held on 27 April 2021, the Chair of the Committee invited a number of the Company's Shareholders (representing approximately 60% of the Company's shares) to engage with him to fully understand their concerns. These engagements provided a helpful opportunity to clarify the proposals with Shareholders, including the proposals in relation to the Transitional Awards and associated performance hurdles, and the Committee gained valuable feedback and insights from this process. Having reviewed the feedback received from Shareholders, the Committee determined that Shareholders were satisfied with our proposals, including those in relation to the Transitional Awards, and the Transitional Awards were granted on 28 September 2021. Details on the Transitional Awards can be found on page 92. We remain committed to engaging proactively with Shareholders and advisory bodies on remuneration matters and thank our Shareholders that took part in the engagement process.

The Directors' Remuneration report has been approved by the Board of Directors and is signed on its behalf by:

**Mark Clare**
Chair of the Remuneration Committee
24 March 2022

# Directors' report

The Directors present their report, together with the audited financial accounts for the 53 weeks ended 1 January 2022. This report sets out information required to be disclosed in the Directors' report in accordance with the Companies Act 2006 (the 'Act'), the Financial Conduct Authority's Listing Rules ('Listing Rules'), the Disclosure Guidance and Transparency Rules (DTRs) and the UK Corporate Governance Code 2018 (the 'Code').

### Articles of Association

The Company's Articles of Association ("Articles") may only be amended by special resolution at a general meeting of the shareholders. The Articles are available on the Company's website www.wickesplc.co.uk

### Directors

Details of the Directors at the date of this report are set out on page 69 together with their biographical information. These Directors were appointed on 23 March 2021 in anticipation of the demerger of the Company from the Travis Perkins Plc Group. Until 23 March 2021, the Company was a fully owned subsidiary of Travis Perkins Plc and the Directors of the Company were Alan Williams and TP Directors Limited.

The appointment and removal of Directors is governed by the Articles, the Act, the Code and related legislation. In accordance with the Code and to promote good governance, all Directors shall retire and those wishing to serve again will put themselves forward for re-election at the Annual General Meeting (AGM).

The powers and responsibilities of the Directors are governed by the Act, the Articles and any direction given by shareholders by special resolution and subject to these conditions the Board may exercise all of the powers of the Company.

### Directors' interests

The Company has robust procedures to identify, authorise and manage actual and potential conflicts of interest. If any potential conflicts arise they are reviewed and, if appropriate, approved by the Board.

At no time during the year, did any Director have a material interest in any contract of significance to the Group's business.

The interests of the Directors who served during the year in the shares of Wickes Group Plc along with details of Directors' share options are set out in the Directors' Remuneration report on pages 83 to 98.

### Directors' indemnities

In accordance with the Company's Articles and the Act s.234(2) a qualifying third party indemnity is in force to the extent permitted by law for the benefit of each of the Directors in respect of liabilities incurred as a result of their office. For those liabilities for which Directors may not be indemnified, the Company has maintained Directors and Officers Liability Insurance throughout the financial year.

### Share capital

The Articles contain provisions governing the ownership and transfer of shares. As at 1 January 2022 the Company had an allotted and fully paid issued share capital of 259,637,998 Ordinary shares of 10 pence each, with an aggregate nominal value of £25,963,800.

The ordinary shares are listed on the London Stock Exchange and each share carries the right to one vote at general meetings of the Company. No shareholder holds securities having special rights with regard to control of the Company. There are no restrictions on voting rights or the transfer of securities in the Company. The Company is not aware of any agreements between holders of securities that result in such restrictions. Details of the Company's share capital, including changes during the year are set out on page 140.

As at 1 January 2022, The Wickes Employee Benefit Trust held 6,557,475 shares (2.5% of the issued share capital) and the Equiniti Share Plan Trustees Limited held 932,039 shares (0.4% of the issued share capital) in the Company for use in connection with the Company's share plans. Shares held by the trusts rank pari passu with the shares in issue and have no special rights. Voting rights and rights of acceptance of any offer relating to the shares held in these trusts rests with the trustees, who may take account of any recommendation from the Company. The trustees of the SIP Trust may vote in respect of shares held in the Share Incentive Plan (SIP) Trust, but only as instructed by participants in the SIP in respect of their Free Shares and Dividend Shares. The trustees will not otherwise vote in respect of shares held in the SIP Trust.

### Significant agreements – change of control

The Company is not party to any significant agreements that would take effect, alter or terminate following a change of control of the Company. The Company does not have agreements with any Director or officer that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover.

### Authorities

At the AGM on 23 March 2021 Directors of the Company were authorised to allot new shares in the Company or grant rights to subscribe for, or to convert any security of the Company in shares up to a maximum number of shares representing not more than one third of the share capital of the Company. The Directors were also given the authority to allot relevant securities in connection with an offer by way of a rights issue up to a further one third of the issued share capital of the Company. During the year, 7,494,075 shares were issued and allotted by the Company to the trustees of the Company's Employee Benefit Trust and SIP Trust for nominal value, for the purpose of satisfying the vesting of awards under the Company's employee share plans.

The Company was further authorised at the same AGM to purchase its own shares in the market up to a maximum of approximately 10% of the Company's issued share capital. No shares were purchased under that authority during the financial year.

The Company is seeking to renew these authorities at the forthcoming AGM, within the limits set out in the notice of that meeting and in line with the recommendations of the Pre-emption Group.

### Dividends

The profit for the financial year ended 1 January 2022 after taxation amounts to £58.8m from continuing operations. The Directors have declared dividends as follows:

| Ordinary shares | £m |
|---|---|
| **Paid interim dividend of 2.1 pence per share** | 5.3 |
| **Proposed final dividend of 8.8 pence per share** | 22.2 |
| **Total dividend of 10.9 pence per share in respect of financial year ended 1 January 2022** | 27.5 |

Refer to note 27 on page 146.

# **Directors' report** continued

## Major shareholders

As at 1 January 2022, the Company had been notified of the following interests in voting rights pursuant to Chapter 5 of the DTRs. Between 1 January 2022 and the date of this report no notifications were received by the Company.

| | Number of shares | % of voting rights |
|---|---|---|
| **Pzena Investment Management, Inc.** | 12,885,980 | 4.96 |
| **Jupiter Fund Management Plc** | 12,801,742 | 4.93 |

## Employment policies

The Company's policies and related guidance are designed to create a modern and inclusive working environment and provide support to colleagues through the key moments that matter in their personal and work life and help them to feel at home at Wickes.

Policies are designed to promote the Company's values and support its long term sustainable success. Any changes are reviewed to ensure this alignment to culture is retained and that they sit alongside the Company's Code of Business Ethics which embeds a culture both of taking personal responsibility and 'doing the right thing' across the business. The Board receives reports on workforce practices and culture both directly and through the Responsible Business Committee.

Family friendly and wellbeing policies have been designed to support colleagues' mental health and wellbeing as well as their financial health. Policies encourage and promote equal treatment and any decisions relating to any aspect of employment are free from bias. Colleagues feel safe in speaking up where they experience unacceptable behaviour.

We recognise the benefits of inclusion and diversity within our workforce and encourage equality of treatment and opportunities in all aspects of employment including recruitment and selection, training and development. This is reflected in all employment policies and processes which are designed to ensure that anyone with a disability is treated fairly and any form of discrimination is not tolerated.

We regularly review our facilities and working practices to ensure we cater for people with special requirements or disabilities. We are members of the Business Disability Forum and Valuable 500. Applications from candidates who have a disability are given full and fair consideration throughout the recruitment process and all candidates are measured against their suitability for the role. Managers are provided with unconscious bias training to support this. We actively support candidates with reasonable adjustments throughout the application and interview process.

Line managers are given support and coaching to help understand mental or physical health and wellbeing conditions so they can make suitable adjustments to ensure their colleagues can perform at their best and feel at home at Wickes. In 2021 we delivered Disability Smart training to 360 managers and Mental Health First Aid training to 233 managers. Managers are supported by specialist advisers and networks such as Occupational Health and the Business Disability Forum to help give advice on individual circumstances including adjustments we can make in the workplace. We raise awareness and educate managers by supporting international and awareness days such as International Day of People with Disabilities and encourage colleagues to share their experiences with colleagues.

Whilst not tolerating any kind of disability discrimination, we focus on ability and not disability, ensuring that all colleagues are empowered to flourish. To achieve this, the Wickes Ability network exists to champion each colleague's own ability to ensure they reach their full potential and to highlight opportunities where we can continue to improve. Career development and opportunities are available to all colleagues and we make every attempt to make reasonable adjustments and provide continuity of employment should a colleague become disabled. The colleague and line manager are supported throughout any change either internally by Employee Relations or our external network.

The Company's culture and values are critical to sustaining an engaged workforce but we know things can sometimes go wrong. Grievance and disciplinary policies have been designed to ensure we treat all colleagues fairly in line with our values and in a professional and sensitive manner. Colleagues know where to go for support and guidance is available to help them every step of the way.

Policies are designed to engage and retain talent in the business and set out the behaviours expected, what colleagues are entitled to, where they can go for help and how we will treat all colleagues fairly and consistently.

## Colleague engagement

We know that our high levels of colleague engagement and unique culture are what make our colleagues feel at home at Wickes. We communicate with colleagues regularly through a variety of channels tailored to each area of the business to ensure they are informed about the business direction including Company performance, and that they are listened to and inspired to play their part in delivering our strategy and purpose.

We engage with our colleagues formally and informally, using weekly newsletters, regular informal team briefings, 'The Scoop' intranet communications, Google communities, monthly CEO Company wide updates via email, video and 'town halls'. We host an annual managers' strategy communication and awards event which sets up our teams for the year and celebrates our successes.

We use these communication channels to engage colleagues in Company share schemes, giving them the opportunity to share in the future success of the business and a personal connection to Company performance. All colleagues were given Free Shares in the Company to celebrate the Company's listing on the London Stock Exchange in April 2021. You can find out more information on colleague reward and engagement in the Directors' Remuneration report on pages 83 to 98 and the Section 172 statement on pages 50 to 53.

Colleagues have an opportunity to give regular feedback through our annual colleague engagement surveys, topical mini surveys, listening roadshows with our Executive Board and quarterly Colleague Voice sessions. In November we held a virtual Colleague Voice session which was represented by 11 colleague voices and the Plc Board was represented by our designated Non-executive Director for employee voice, Sonita Alleyne. The matters raised by colleagues are fed back and discussed by the Board.

### Human Rights and Modern Slavery
The Company is opposed to all forms of unethical business behaviour. We are committed to ensuring there is decent, fair and safe work for all, both directly and indirectly throughout our supply chain. Through our supplier audits we monitor human rights standards. We recognise the harmful impact that modern slavery has on individuals and society and we are committed to helping prevent these illegal practices. The Company's statement on modern slavery is reviewed and approved by the Board on an annual basis and published on the Company's website www.wickesplc.co.uk

### Anti-bribery Policy
We have a zero-tolerance approach to bribery. Our anti-bribery programme is built on a clear understanding of how and where bribery risks affect our business and comprises key controls of: policies (including anti-bribery, gifts & entertainment, conflicts of interest, charitable donations); procedures (such as conducting due diligence on suppliers); training all colleagues annually on bribery risks; and ongoing assurance programmes to monitor the effectiveness of controls. We encourage any instances of alleged bribery and corruption to be reported either through line management or through the anonymous whistleblowing platform. All reports are thoroughly investigated and the Board receives reports at least annually on any breaches of policy.

### Political Donations Policy
The Group's policy is not to make donations to political parties and it has made no such payments to either political groups or individual candidates, nor did it incur any political expenditure during the year.

The Company is seeking to renew the authority to make political donations at the forthcoming AGM, within the limits set out in the notice of that meeting. This is on a precautionary basis to avoid any unintentional breach of the relevant provisions of the Act.

### Events after the balance sheet date
You can find the balance sheet on page 111.
No important events have occurred after the balance sheet date.

### Statement of disclosure to auditors
Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- that the Director has taken all reasonable steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with s.418(2) of the Companies Act 2006.

### Additional disclosures
Other information that is relevant to this Directors' report and which can be incorporated by reference to this report can be located as follows:

Applicable disclosures required pursuant to Listing Rule 9.8.4R

| | |
|---|---|
| Prospectus information and differences LR9.8.4(2) | **114** |
| Long term incentive schemes LR9.8.4(4) | **94** |
| Allotment of equity securities LR9.8.4(7) | **141** |
| Contracts of significance LR9.8.4(10)(11) | **155** |
| Dividend waivers LR9.8.4(12)(13) | **146** |

Other disclosures incorporated by reference to this Directors' report

| | |
|---|---|
| Business review | **6-9** |
| Financial review and KPIs | **54-56, 26-27** |
| Directors | **69** |
| Directors' interests in shares | **92** |
| Corporate Governance statement | **67-98** |
| Going concern and viability statements | **65-66** |
| Principal risks and uncertainties | **60-64** |
| Financial instruments and financial risk management | **152-155** |
| People policies and colleague engagement | **32-37, 100-101** |
| Stakeholder (including customers and suppliers) engagement | **50-53** |
| Greenhouse gas emissions and energy consumption | **40** |

The Directors' report has been approved by the Board of Directors and is signed on its behalf by:

**Helen O'Keefe**
General Counsel and Company Secretary
24 March 2022

# Statement of Directors' Responsibilities in respect of the Annual Report and financial statements

Under company law the Directors are responsible for preparing the Annual Report and Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. In addition the Group financial statements are required under the UK Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU").

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU");
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the Company's financial position and enable them to ensure compliance with the Companies Act 2006. They are responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and have general responsibility for safeguarding the Group's assets and to prevent and detect fraud and other irregularities.

Under applicable law and regulations the Directors are also responsible for preparing the Strategic report, Directors' report, Section 172 Statement, Directors' Remuneration report and Corporate Governance statement that complies with that law and regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Responsibility Statement of the Directors in respect of the annual financial report**

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the risks and uncertainties they face.

The Statement of Directors' Responsibilities has been approved by the Board of Directors and is signed on its behalf by:

**David Wood**
Chief Executive Officer
24 March 2022

**Julie Wirth**
Chief Financial Officer
24 March 2022

# Independent Auditor's report

## To the members of Wickes Group Plc

### 1. Our opinion is unmodified

We have audited the financial statements of Wickes Group Plc ("the Company") for the 53 week period ended 1 January 2022 which comprise the Consolidated income statement and other comprehensive income, Consolidated and Company balance sheet, Consolidated and Company statement of changes in equity, Consolidated cash flow statement, and the related notes, including the accounting policies in note 1 to the Group financial statements and note C2 to the parent Company financial statements.

**In our opinion:**

– the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 1 January 2022 and of the Group's profit for the 53 week period then ended;

– the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;

– the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and

– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors on 6 March 2020 prior to the parent Company becoming a Public Interest Entity. The period of total uninterrupted engagement is for one financial year ended 1 January 2022 as a Public Interest Entity, and three financial years in total. Prior to that we were also auditor to the Group's main trading subsidiary Wickes Building Supplies Limited, but which, being unlisted, was not a Public Interest Entity. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed Public Interest Entities. No non-audit services prohibited by that standard were provided.

**Overview**

| | | |
|---|---|---|
| **Materiality:** Group financial statements as a whole | £3.4m (2020:£2.5m) 4% (2020: 5%) of adjusted profit before tax | |
| **Coverage** | 100% (2020:100%) of adjusted profit before tax | |
| **Key audit matters** | **vs 2020** | |
| **New risks** | Store impairment | ◀▶ |
| | Completeness of Do It For Me ("DIFM") revenue recognition | ▲ |
| **Parent Company** | Recoverability of parent Company's investment in subsidiaries | ▲ |

# Independent Auditor's report continued

## 2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

| | The risk | Our response |
|---|---|---|
| **Store impairment**<br>(£4.1 million; 2020: £12.1 million)<br>*Refer to page 80 (Audit Committee report), page 119 (accounting policy) and page 134 (financial disclosures).* | **Risk based assessment:**<br>Our risk assessment indicated there were nine stores with assets values that are significant individually, and in aggregate, that incurred a loss in the 2022 financial year. Further, three of these nine stores have previously been impaired and are forecasting an improved store performance compared to that assumed at the point of impairment.<br>These factors indicate a risk of material impairment, or reversal of impairment, which will therefore require a store impairment review.<br>There are several judgements in performing impairment reviews, most notably forecast future cash flows and growth rates, and there is a risk that any impairment or reversal is incorrectly recorded. Auditor judgement is required to assess whether the Directors' estimate of the forecast future cash flows and growth rate falls within an acceptable range. The financial statements (note 15) disclose the sensitivity estimated by the Group.<br>The effect of these matters is that, as part of our risk assessment, we determined that the forecasted future cash flows has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. | We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Our procedures included:<br>– **Risk Assessment:** We considered the actual and forecast performance by store for indicators of impairment to assess the completeness of the Group's store impairment review;<br>– **Historical comparisons:** We assessed the reasonableness of the forecasts used by considering the historical accuracy of previous forecasts and the results currently being achieved;<br>– **Our sector experience:** We assessed whether assumptions used, in particular those relating to forecast store profitability, reflect our knowledge of the business and industry, including known or probable changes in the business environment;<br>– **Benchmarking assumptions:** We challenged the key inputs used in the Group's calculation of the discount rate by comparing it to externally derived data, including available sources for comparable companies;<br>– **Sensitivity analysis:** We performed our own sensitivity analysis on the forecasts, including a reduction in assumed store profitability and growth rates;<br>– **Assessing indicators of impairment:** We assessed indicators of impairment up to the balance sheet date for evidence that would materially change the conclusion of the impairment reviews; and<br>– **Assessing transparency:** We assessed whether the Group's disclosures regarding the sensitivity of the impairment assessment to changes in key assumptions appropriately reflects the risks inherent in the impairment reviews.<br>**Our results**<br>– We found the store asset carrying balances, and the related impairment charges to be acceptable (2020: acceptable). |

## 2. Key audit matters: our assessment of risks of material misstatement continued

| | The risk | Our response |
|---|---|---|
| **Completeness of Do It For Me "DIFM" revenue recognition**<br>(£300.2 million; 2020: £274.5 million)<br>*Refer to page 80 (Audit Committee report), page 116 (accounting policy) and page 121 (financial disclosures).* | **DIFM revenue and deferred income:**<br>Professional standards require us to presume (unless rebutted) that the fraud risk from revenue recognition is a significant risk.<br>In our view this risk is most prevalent in DIFM. A large proportion of the DIFM revenue is deferred at the end of the financial year, and judgement exists as to whether performance obligations (delivery and/or installation) have been satisfied in relation to these orders.<br>We consider the risk to relate to the completeness of revenue recognised in the financial year, on the basis that the fraud risk factors specific to Wickes indicate there may be an incentive to defer income recognition into the following financial year. | We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.<br>Our procedures included:<br>– **Tests of details:** We inspected the reconciliation of orders in the financial year, orders included in opening deferred income and orders included in closing deferred income to DIFM revenue, on an individual order basis, to consider whether orders have been appropriately accounted for in the financial year; and<br>– **Accounting analysis:** We inspected a range of analysis derived from the order data and comparing to our own expectation (including corroborating any outliers), including:<br>  – the monthly order profile;<br>  – the revenue and deferral profile of orders; and<br>  – the revenue profile by order date; and<br>– **Tests of details:** We carried out detailed sample testing of DIFM orders included in the deferred income balance (products ordered and not delivered and/or installed) to check whether they should have been recorded as revenue in the financial year, including agreeing to subsequent delivery and/or installation documentation, where applicable.<br>**Our results**<br>– The results of our testing were satisfactory and we considered the amount of DIFM revenue recognised in the financial year to be acceptable (2020: acceptable). |
| **Recoverability of parent Company's investment in subsidiaries**<br>(£770.8 million; 2020: £769.0 million)<br>*Refer to page 158 (accounting policy) and page 159 (financial disclosures).* | **Forecast based assessment:**<br>The carrying amount of the parent Company's investment in its subsidiary (which effectively represents an investment in the Wickes trading business) is significant and at risk of irrecoverability as the net assets of the subsidiaries and the market valuation of the Group are below the investment carrying value.<br>The estimated recoverable amount of the investment balance is based on a discounted future cash flow calculation which is subjective due to the inherent uncertainty in forecasting trading conditions and cash flows.<br>The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of the cost of the investment in its subsidiary has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note C6) disclose the sensitivity estimated by the Group. | We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.<br>Our procedures included:<br>– **Benchmarking assumptions:** We challenged the assumptions used in the cash flows included in the discounted cash flow calculation based on our knowledge of the Group and the markets in which it operates;<br>– **Historical comparisons:** We assessed the reasonableness of the cash flow forecasts by considering the historical accuracy of the previous forecasts;<br>– **Benchmarking assumptions:** We challenged the key inputs used in the Group's calculation of the discount rate by comparing it to externally derived data, including available sources for comparable companies;<br>– **Sensitivity analysis:** We performed our own sensitivity analysis on the forecasts, including a reduction in assumed store profitability and growth rates;<br>– **Our sector experience:** We evaluated the current level of trading, including identifying any indications of a downturn in activity, by examining the post financial year end management accounts, considering our knowledge of the Group and the market, and external expectations of future financial performance; and<br>– **Assessing transparency:** We assessed the adequacy of the parent Company's disclosures in respect of the investments in subsidiaries.<br>**Our results**<br>– We found the Group's conclusion that there is no impairment of the investment balance to be acceptable (2020: acceptable). |

# **Independent Auditor's report** continued

## 3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £3.4m, determined with reference to a benchmark of group profit before tax, normalised to exclude adjusting items as disclosed in note 9, of which it represents 4%. In the non-statutory consolidated financial statements for the comparative period materiality as a whole was set at £2.5m which was also determined with reference to a benchmark of group profit before tax, normalised to exclude adjusting items as disclosed in note 9, of which it represented 5%.

Materiality for the parent company financial statements as a whole was set at £2.7m, determined with reference to a benchmark of parent Company total assets, of which it represents 0.4%. In the comparative period in which the company only produced non-consolidated financial statements for which the materiality for the financial statements as a whole was set at £15.0m which was also determined with reference to parent Company total assets, of which it represented 1.95%.

Wickes Building Supplies Limited is part of a Group headed by Wickes Group Plc. Materiality of £3.3m (2020: £2.5m), as communicated by the Group audit team, has been applied to the audit of this company.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% (2020: 65%) of materiality for the financial statements as a whole, which equates to £2.2m for the Group and £1.76m for the parent Company.

We applied this percentage in our determination of performance materiality based on the level of identified misstatements, control deficiencies, and the changes in the control environment during the prior period.

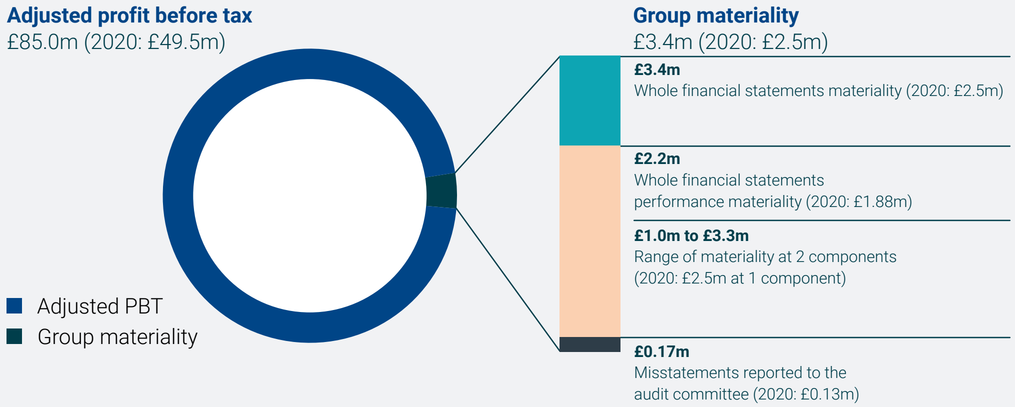
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.17m (2020: £0.13m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 5 (2020: 5) reporting components, we subjected 2 (2020: 2) to full scope audits for group purposes. The components within the scope of our work accounted for the percentages illustrated opposite.

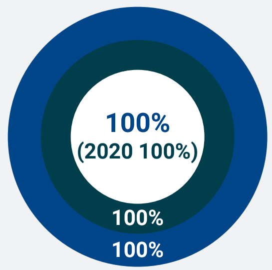
For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The audit of all components, including the audit of the parent Company were completed by the Group engagement team, who also performed procedures on those items excluded from adjusted profit before tax.

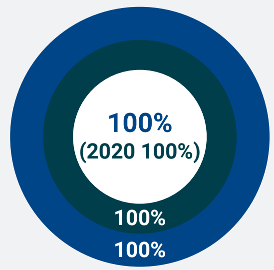
The scope of the audit work performed was predominantly substantive as we placed limited reliance upon the Group's internal control over financial reporting.



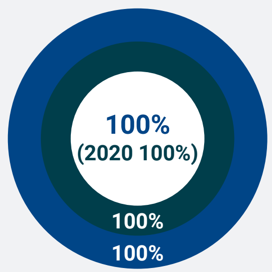

**Group revenue**



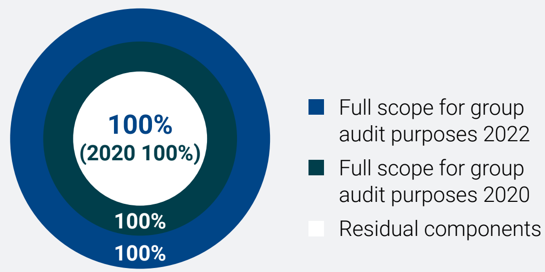

**Group profit before tax**




**Group total assets**




**Adjusted profit before tax**



## 4. The impact of climate change on our audit

We considered the impacts of climate change on the financial statements as part of our planning of the Group audit, including enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements and the Group's preparedness for this. The key areas of our consideration included the Group's plan to be a net zero business by 2040, to remove operational waste from the business, and to decarbonise various parts of the business.

We did not consider that any specific areas of the financial statements were materially affected by assumptions or commitments made in relation to climate change.

There was no significant impact of this on our key audit matters.

We also read the disclosure of climate related information in the front half of the annual report and considered consistency with the financial statements and our audit knowledge. We have not been engaged to provide assurance over the accuracy of these disclosures.

In addition to this we held discussions with our own climate change professionals to challenge our risk assessment.

## 5. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the parent Company or to cease their operations, and as they have concluded that the Group's and the parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least 15 months from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and parent Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and parent Company's available financial resources over this period was the ability of the Group to remain profitable and deliver on the budgeted Group performance for the 2022 period end.

We also considered less predictable but realistic second order impacts, such as the follow on impacts of COVID-19 and the erosion of customer confidence, which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks, and related sensitivities.
We also assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or parent Company's ability to continue as a going concern for the going concern period; and
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and parent Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on page 66 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the parent Company will continue in operation.

## 6. Fraud and breaches of laws and regulations – ability to detect

**Identifying and responding to risks of material misstatement due to fraud**
To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Directors and Audit committee as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management (including Directors) including the profit target for management remuneration.
- Using analytical procedures to identify any unusual or unexpected relationships.
- We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group management may be in a position to make inappropriate accounting entries;
- the risk of bias in accounting estimates such as store impairment; and
- the risk that DIFM revenue is understated through recording revenues in the wrong period as a result of the current financial year profit targets being met.

We did not identify any additional fraud risks.

Further detail in respect of the DIFM revenue risk is set out in the key audit matter disclosures in section 2 of this report.

# **Independent Auditor's report** continued

## 6. Fraud and breaches of laws and regulations – ability to detect continued

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by Executive Directors and unusual account pairings.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

### Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management (as required by auditing standards) and discussed with the Directors and other management, policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## 7. We have nothing to report on the other information in the Annual Report & Accounts

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

### Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### Directors' Remuneration report

In our opinion the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

### Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on page 60 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal risks and uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## 7. We have nothing to report on the other information in the Annual Report & Accounts continued

We are also required to review the viability statement, set out on page 65 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and parent Company's longer-term viability.

### Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

## 8. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## 9. Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 102, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

## 10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Andrew Cawthray (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor**

CHARTERED ACCOUNTANTS
ONE SNOWHILL
SNOW HILL QUEENSWAY
BIRMINGHAM
B4 6GH

24 MARCH 2022

# Consolidated income statement and other comprehensive income

| (£m) | Notes | 53 weeks ended 1 January 2022 Adjusted | 53 weeks ended 1 January 2022 Adjusting items (note 9) | 53 weeks ended 1 January 2022 Total | 52 weeks ended 26 December 2020 Adjusted | 52 weeks ended 26 December 2020 Adjusting items (note 9) | 52 weeks ended 26 December 2020 Total |
|---|---|---|---|---|---|---|---|
| Revenue | 5 | **1,534.9** | **–** | **1,534.9** | 1,346.9 | – | 1,346.9 |
| Cost of sales | | **(966.4)** | **–** | **(966.4)** | (837.8) | – | (837.8) |
| **Gross profit** | | **568.5** | **–** | **568.5** | 509.1 | – | 509.1 |
| Selling costs | | **(330.9)** | **–** | **(330.9)** | (323.5) | – | (323.5) |
| Administrative expenses | | **(121.3)** | **(19.6)** | **(140.9)** | (104.0) | (20.6) | (124.6) |
| **Operating profit** | 6 | **116.3** | **(19.6)** | **96.7** | 81.6 | (20.6) | 61.0 |
| Finance costs | 7 | **(31.3)** | **–** | **(31.3)** | (32.1) | – | (32.1) |
| **Profit before tax** | | **85.0** | **(19.6)** | **65.4** | 49.5 | (20.6) | 28.9 |
| Tax | 10 | **(16.5)** | **9.9** | **(6.6)** | (8.9) | 6.3 | (2.6) |
| **Profit for the period and total comprehensive income** | | **68.5** | **(9.7)** | **58.8** | 40.6 | (14.3) | 26.3 |
| **Profit for the period attributable to owners of the parent company** | | **68.5** | **(9.7)** | **58.8** | 40.6 | (14.3) | 26.3 |
| **Earnings per share** | | | | | | | |
| Basic and diluted | 11 | | | **23.3p** | | | 10.4p |
| **Adjusted earnings per share** | | | | | | | |
| Basic | | | | **27.2p** | | | 16.1p |
| Diluted | 11 | | | **27.1p** | | | 16.1p |

There are no recognised gains and losses other than those included in the Income Statement above and therefore no separate Statement of Other Comprehensive Income has been presented.

# Consolidated balance sheet

| (£m) | Notes | As at 1 January 2022 | As at 26 December 2020 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | 12 | **8.4** | 8.4 |
| Other intangible assets | 12 | **12.5** | 12.3 |
| Property, plant and equipment | 13 | **105.0** | 103.1 |
| Right-of-use assets | 14 | **604.6** | 654.2 |
| Deferred tax asset | 16 | **30.1** | 24.0 |
| **Total non-current assets** | | **760.6** | 802.0 |
| **Current assets** | | | |
| Inventories | 18 | **188.2** | 138.3 |
| Trade and other receivables | 20 | **84.0** | 261.6 |
| Derivative financial instruments | 30 | **0.7** | – |
| Cash and cash equivalents | 21 | **123.4** | 6.5 |
| **Total current assets** | | **396.3** | 406.4 |
| **Total assets** | | **1,156.9** | 1,208.4 |

| (£m) | Notes | As at 1 January 2022 | As at 26 December 2020 |
|---|---|---|---|
| **Equity and Liabilities** | | | |
| **Capital and reserves** | | | |
| Issued share capital | 22 | **26.0** | 25.2 |
| EBT share reserve | 22 | **(0.8)** | – |
| Other reserve | 22 | **(785.7)** | (785.7) |
| Retained earnings | | **921.3** | 890.3 |
| **Total equity** | | **160.8** | 129.8 |
| **Non-current liabilities** | | | |
| Lease liabilities | 23 | **660.7** | 712.8 |
| Long-term provisions | 25 | **1.2** | 0.3 |
| **Total non-current liabilities** | | **661.9** | 713.1 |
| **Current liabilities** | | | |
| Lease liabilities | 23 | **81.4** | 77.2 |
| Trade and other payables | 26 | **241.8** | 277.9 |
| Short-term provisions | 25 | **11.0** | 10.4 |
| **Total current liabilities** | | **334.2** | 365.5 |
| **Total liabilities** | | **996.1** | 1,078.6 |
| **Total equity and liabilities** | | **1,156.9** | 1,208.4 |

The consolidated financial statements of Wickes Group Plc, registered number 12189061, were approved by the Board of Directors on 24 March 2022 and signed on its behalf by:

**David Wood**
CHIEF EXECUTIVE OFFICER

**Julie Wirth**
CHIEF FINANCIAL OFFICER

# Consolidated statement of changes in equity

| (£m) | Notes | Issued share capital | Share premium account | EBT Share reserves | Other reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|
| **At 28 December 2019** | | 25.2 | 862.3 | – | (785.7) | 176.8 | 278.6 |
| Profit for the period and other comprehensive income | | – | – | – | – | 26.3 | 26.3 |
| Share capital reduction | 22 | – | (862.3) | – | – | 862.3 | – |
| Dividends paid | 27 | – | – | – | – | (176.8) | (176.8) |
| Equity-settled share-based payments | 28 | – | – | – | – | 1.7 | 1.7 |
| **At 26 December 2020** | | 25.2 | – | – | (785.7) | 890.3 | 129.8 |
| Profit for the period and other comprehensive income | | **–** | **–** | **–** | **–** | **58.8** | **58.8** |
| Issue of share capital | 22 | **0.8** | **–** | **(0.8)** | **–** | **–** | **–** |
| IFRS 16 adoption adjustments | | **–** | **–** | **–** | **–** | **3.1** | **3.1** |
| Dividends paid | 27 | **–** | **–** | **–** | **–** | **(35.3)** | **(35.3)** |
| Equity-settled share-based payments | 28 | **–** | **–** | **–** | **–** | **3.8** | **3.8** |
| Tax on equity-settled share-based payments | | **–** | **–** | **–** | **–** | **0.6** | **0.6** |
| **At 1 January 2022** | | **26.0** | **–** | **(0.8)** | **(785.7)** | **921.3** | **160.8** |

# Consolidated cash flow statement

| £m | Notes | 53 weeks ended 1 January 2022 | Restated* 52 weeks ended 26 December 2020 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Operating profit** | | **96.7** | 61.0 |
| Adjustments for: | | | |
| Amortisation of internally-generated intangibles | 12 | **5.2** | 4.5 |
| Depreciation of property, plant and equipment | 13 | **19.1** | 21.3 |
| Depreciation of right-of-use assets | 14 | **78.1** | 77.3 |
| Impairment of property, plant and equipment | 15 | **0.2** | – |
| Impairment of right-of-use assets | 15 | **5.1** | 12.1 |
| Reversal of impairment of right-of-use assets | 15 | **(1.0)** | – |
| Gains on terminations of leases | | **(1.6)** | (1.9) |
| Losses on disposal of property, plant and equipment | 6 | **0.6** | 1.6 |
| Foreign exchange | 6 | **(2.0)** | - |
| Share-based payments | 28 | **3.8** | 1.7 |
| **Operating cash flows** | | **204.2** | 177.6 |
| Movements in working capital: | | | |
| (Increase)/decrease in inventories | | **(49.9)** | 12.1 |
| (Increase)/decrease in trade and other receivables | | **(7.4)** | 27.1 |
| (Decrease)/increase in trade and other payables | | **(0.7)** | 46.7 |
| Increase/(decrease) in provisions | | **1.8** | (2.9) |
| **Cash generated from operations** | | **148.0** | 260.6 |
| Interest paid | | **(0.7)** | (0.1) |
| Interest on lease liabilities | | **(31.3)** | (32.0) |
| Income taxes paid | | **(14.6)** | (17.3) |
| **Net cash inflow from operating activities** | | **101.4** | 211.2 |

| £m | Notes | 53 weeks ended 1 January 2022 | Restated* 52 weeks ended 26 December 2020 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | **(20.4)** | (17.2) |
| Development costs of computer software | | **(6.1)** | (2.9) |
| Proceeds on disposal of property, plant and equipment | | **1.2** | 0.2 |
| Interest received | | **0.1** | – |
| Net repayments from/(cash advances to) Travis Perkins group | | **123.5** | (134.4) |
| **Net cash inflow/(outflow) from investing activities** | | **98.3** | (154.3) |
| **Cash flows from financing activities** | | | |
| Payment of lease liabilities | | **(77.5)** | (75.8) |
| Dividends paid to equity holders of the Parent | 27 | **(5.3)** | – |
| **Net cash outflow from financing activities** | | **(82.8)** | (75.8) |
| **Net increase/(decrease) in cash and cash equivalents** | | **116.9** | (18.9) |
| Cash and cash equivalents at the beginning of the period | | **6.5** | 25.4 |
| Cash and cash equivalents at the end of the period | 21 | **123.4** | 6.5 |
| **Adjusting items** | 9 | | |
| Adjusting items paid included in the cash flow | | **17.9** | 12.7 |
| Total pre-tax Adjusting items | | **19.6** | 20.6 |

* see Note 1 to the financial statements

# Notes to the consolidated financial statements

## 1 General information and accounting policies

### Overview

Wickes Group Plc (the 'Company') is a limited company incorporated on 4 September 2019 in the United Kingdom under the Companies Act 2006. The registered office of the Company is 19 Colonial Way, Watford, WD24 4JL.

The consolidated financial statements represent the results of the Company and its subsidiaries (together referred to as the 'Group').

The principal activity of the Group is the operation of retail DIY stores across the United Kingdom.

### Basis of accounting

The annual financial statements of the Group for the 53 weeks ending 1 January 2022 have been prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The current financial period is 53 weeks long, whereas the comparative financial period is 52 weeks long.

The Company has elected to prepare its Parent Company financial statements in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; these are presented on pages 156 to 161.

### Basis of preparation

The financial statements have been prepared on the historical cost basis, except that certain financial instruments including derivative instruments are stated at their fair value.

The comparative figures for the 52 weeks ended 26 December 2020 do not constitute statutory accounts for that financial year. The Company statutory accounts were prepared in accordance with Financial Reporting Standard ("FRS 102") issued by the Financial Reporting Council and the Companies Act 2006 and were reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor on those accounts (i) was unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report, and (iii) did not contain statements under section 498 (2) or (3) of the Companies Act 2006. The Company was exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements.

The Company prepared non-statutory consolidated financial statements for the 52 weeks ended 26 December 2020, in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, which has been presented in the Wickes Group Plc Prospectus in March 2021. The Group first adopted IFRS in its preparation of the non-statutory consolidated financial statements which have been presented in the Wickes Group Plc Prospectus in March 2021.

The 2020 full year non-statutory financial statements as disclosed in the Company's Prospectus are available on the Wickes Group Plc website (www.wickesplc.co.uk).

### Summary of impact of Group restructure and listing of shares on the London Stock Exchange

On 28 April 2021, the Group, which comprises the Company and its subsidiaries (Wickes Group Holdings Limited, Wickes Building Supplies Limited, Wickes Finance Limited and Wickes Holdings Limited) listed its shares on the London Stock Exchange and was admitted to the premium segment of the Official List of the Financial Conduct Authority.

Prior to admission, the aforementioned entities undertook a restructure in order to put in place the current Group structure.

On 17 March 2020, the Company acquired Wickes Group Holdings Limited by means of a share-for-share exchange, and Wickes Group Holdings Limited acquired Wickes Building Supplies Limited and Wickes Finance Limited by means of a share-for-share exchange ("the Capital Reorganisation"), in order to put in place a new parent company and intermediate parent company for Wickes Building Supplies Limited and Wickes Finance Limited, which comprise the assets and liabilities used in managing and operating the Wickes home improvement business.

The Capital Reorganisation falls outside the scope of IFRS 3 "Business Combinations" and has been accounted for using the principles of predecessor accounting using the carrying amounts of assets and liabilities included in the financial statements of the acquired entities. This policy reflects the economic substance of the transactions and means that, although the Capital Reorganisation did not become effective until 17 March 2020, the consolidated financial statements have been prepared as if the Group had been in existence throughout the periods presented.

The share capital issued as consideration is treated as if it had existed from the earliest period presented. This presentation of share capital results in the creation of the other reserves in the consolidated balance sheet. The other reserves represent the difference between the carrying values of the assets and liabilities of the parties to the Capital Reorganisation, which are not required to be adjusted to fair value on acquisition, and the nominal value and premium of the shares issued.

On 18 March 2020, after the Capital Reorganisation, the Company undertook a capital reduction and the entire balance on the share premium account of £862.3m was reduced and credited to retained earnings.

Ahead of the date of demerger and in order to establish an appropriate capital structure for the independent Group, cash of £123.5 million was received from Travis Perkins Plc, through repayment of existing intercompany receivables. The remaining intercompany receivables were settled through a non-cash dividend to Travis Perkins Plc (£30 million), and a non-cash transaction whereby Travis Perkins Plc settled the repayment of 2020 rates on behalf of the Group (£32.6 million).

### Going concern

Based on the Group's liquidity position and cash flow projections, including a forward looking severe but plausible scenario, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the duration of the going concern period, being the period ending 30 June 2023, and they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements for the period ended 1 January 2022.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 54 to 56. The principal risks and viability statement of the Group are set out on pages 60 to 64. The Directors

## 1 General information and accounting policies continued

have considered these areas alongside the principal risks and how they may impact going concern.

The Directors do not consider going concern to be a critical accounting judgement. In determining that going concern is not a critical accounting judgement the Directors have taken into account the strong performance, sales growth and positive cashflow in 2021 despite the impacts of the pandemic, Brexit, and global supply issues, and a positive start to the 2022 financial year.

At 1 January 2022, the bank balance stood at £123.4m, with no bank overdrafts being used, and an available undrawn Revolving Credit Facility of a further £80m which expires in March 2024, with the expiry date being extended for a further year to March 2025 after the year end, and is not forecast to be utilised over the going concern period.

Net debt stood at £618.7m due to the lease liabilities of £742.1m included on the balance sheet under IFRS 16, with £81.4m due within one year: the Group has no other debt obligations.

Considering whether the Group's financial statements can be prepared on a going concern basis, the Directors have reviewed the Group's business activities together with factors likely to affect its performance, financial position and access to liquidity (including consideration of financial covenants). While trading continues to be strong, in forming their outlook on the future financial performance, the Directors considered the risk of higher business volatility arising from potential future pandemic outbreaks and the potential negative impact of the general economic environment driven by Brexit and global supply difficulties.

The Directors' review also included a severe but plausible scenario to assess the impact of a sales decline over the entire going concern period as a result of the general economic uncertainty, and a resurgence of the pandemic in a comparable manner to that seen in 2021, with the core business continuing to be seen as an essential business, but the Do It For Me showrooms being required to close for a lockdown period. The severe but plausible scenario assumes a sales reduction of 6% from 2021, a margin reduction of 1%, and an increase in customer delivery costs of 5%, consistent with the impact of the pandemic seen in 2020. Even under this severe but plausible scenario the group retains a significant cash balance and does not assume utilisation of the RCF: the severe but plausible scenario does show a covenant breach but, as it does not assume a requirement to use the facility at any point, this does not indicate a risk to going concern. Nevertheless, in the event of this scenario there are further cost cutting measures that could be taken to assist with covenant compliance if this was considered necessary, including reducing bonuses and discretionary spend in the short term.

Given current trading and expectations for the business, the Directors believe that this scenario reflects a severe but plausible outcome for the Group. Should the impact of the pandemic or the wider economic uncertainty be more prolonged or severe than currently forecast by the Directors under this severe but plausible scenario, the Group would need to implement additional operational or financial measures.

The Directors have prepared cash flow forecasts, including severe but plausible downside scenarios, for a period of at least 15 months from the date of approval of these financial statements. These forecasts indicate that the Group is able to operate within its current facilities. The Directors however remain watchful of ongoing pandemic impact and are aware that the Group is exposed to a number of risks and uncertainties, which could affect the Group's ability to meet its forecasts.

The Directors believe that the Group has the flexibility to react to changing market conditions and is adequately placed to manage its business risks successfully. The Directors have undertaken a detailed going concern assessment which entails assessing the Group's current and projected financial performance and position, including current assets and liabilities, debt maturity profile, future commitments and forecast cash flows. The downside scenarios tested, outlining the impact of severe but plausible adverse scenarios based on a severe recession and housing market weakness, show that there is sufficient headroom for liquidity purposes for at least the next 15 months from the date of approval of these financial statements.

Consequently, the directors are confident that the Group and parent company will have sufficient funds to continue to meet its liabilities as they fall due for at least 15 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### Prior year restatement

Following reconsideration in the current period, the cash flow statement for the period ended 26 December 2020 presented in the Wickes Group Plc Prospectus has been restated to reclassify certain cash flows within the cash flow statement as follows:

Cash advanced to Travis Perkins Plc group entities had previously been presented as operating cash flows (included in the movement in receivables). In accordance with the requirements of IAS 7, these cash flows have been re-presented as investing cash flows. The effect of this adjustment is that the net cash inflow from operating activities and net cash outflow from investing activities have increased by £134.4 million.

There has been no change in the net increase/(decrease) in cash and cash equivalents as a result of this restatement. The restatement has no effect on reported profit or net assets for any period presented.

## 2 Accounting policies

### Functional and presentational currency

The financial information is presented in Pounds Sterling, the currency of the primary economic environment in which the Group operates. All amounts in the financial statements have been rounded to the nearest £0.1m.except where otherwise noted.

Transactions denominated in foreign currencies are recorded at the rates ruling on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

### Business segments

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM"), which is considered to be the Board, to assess performance and allocate capital. Management considers there to be one operating segment.

# Notes to the consolidated financial statements continued

## 2 Accounting policies continued

### 2.1. Impact of new standards and interpretations

The following standards and interpretations, which have not yet been applied in these financial statements were in issue, but not yet effective:

- Amendments to IFRS 3 – Business Combinations
- Amendments to IAS 1 – Presentation of Financial Statements
- Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
- Amendments to References to Conceptual Framework in IFRS Standards
- IFRS 17 – Insurance Contracts.
- Narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and annual improvements on various IFRS
- Classification of liabilities, presentation of financial statements
- Interest Rate Benchmark Reform; amendments to IFRS 9, IAS 39 and IFRS 7

Adoption of these standards in future periods is not expected to have a material impact on the financial statements.

### 2.2. Revenue

Revenue is recognised when the Group has satisfied its performance obligations to the customer and the customer has obtained control of the goods or services being transferred. Revenue is measured at the transaction price received or receivable less an appropriate deduction for actual and expected returns and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and value added tax.

Customers are entitled to return goods for a period after purchase. A right of return is not a separate performance obligation and the Group is required to recognise revenue net of estimated returns. A refund liability and a corresponding asset in inventory representing the right to recover products from the customer are recognised. The value of customer returns is immaterial in the context of the financial statements.

Services comprise kitchen and bathroom installations and these are typically completed over a short period of time. The Group does not sell installation services separately from the sale of kitchen and bathroom products. Control of installed kitchens and bathrooms passes to the customer when the Group has fulfilled all its obligations under the installation contract and revenue from the installation of kitchens and bathrooms is recognised at this point.

### 2.3. Inventories

Inventories, which consist of goods for resale, are stated at the lower of average weighted cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price less the estimated costs of disposal.

#### Cost of inventories

In determining the cost of inventories the Directors have to make estimates to arrive at cost and net realisable value. Determining the net realisable value of the wide range of products held in many locations requires an assessment to be applied to determine the likely saleability of the product and the potential price that can be achieved. In arriving at any provisions for net realisable value the Directors take into account the age, condition and quality of the product stocked and the recent trend in sales. The Group does not consider that there is a significant risk of material adjustment arising within the next financial period as a result of this estimate.

### 2.4. Adjusting items

Adjusting items are those items of income and expenditure that, by reference to the Group, are material in size or unusual in nature or incidence and that in the judgement of the Directors should be disclosed separately on the face of the financial statements to ensure both that the reader has an understanding of the Group's underlying trading performance and the separate impact of one off or unusual events in the year, and that there is comparability of financial performance between periods.

Items of income or expense that are considered by the Directors for designation as adjusting items include, but are not limited to, significant restructurings, significant write downs or impairments of current and non-current assets, the costs of demerging and listing the business, the associated costs of separating the business from the Travis Perkins Group's IT systems, and the effect of changes in corporation tax rates on deferred tax balances.

### 2.5. Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

#### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. This is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction (other than in a business combination) that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax laws and rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

### 2.6. Goodwill and other intangible assets

#### Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the share of the aggregate fair value of identifiable net assets (including intangible assets) of a business or a subsidiary at the date of acquisition. All material intangible fixed assets obtained on acquisition have been recognised separately in the financial statements. Goodwill is initially recognised as an asset and allocated to cash generating units or groups of cash generating units that are expected

## 2 Accounting policies continued

to benefit from the synergies of the combination and is then reviewed at least annually for impairment. Any impairment is recognised immediately in the income statement and is not reversed. Goodwill is accordingly stated in the balance sheet at cost less any provisions for impairment in value.

**Software**
The directly attributable costs incurred for the development of computer software controlled by and for use within the business are capitalised and written off as an administrative expense over their estimated useful life, which range from three years to 10 years. No amortisation is charged on computer software under construction.

Costs relating to research, maintenance and training are expensed as they are incurred. No amortisation is charged on assets in the course of construction. License fees for using third-party software are expensed over the period the software is in use.

### 2.7. Property, plant and equipment
Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any impairment in value. Assets are depreciated to their estimated residual value on a straight-line basis over their estimated useful lives as follows:

- Leasehold improvements – over the term of the lease
- Plant and equipment – three to 10 years

The residual value and useful life of assets are reviewed annually.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds net of expenses and the carrying amount of the asset in the balance sheet and is recognised in the income statement.

### 2.8. Supplier income
Supplier income comprises fixed price discounts and volume rebates.

Fixed price discounts and volume rebates received and receivable in respect of goods which have been sold are initially deducted from the cost of inventory and therefore reduce cost of sales in the income statement when the goods are sold. Where goods on which the fixed price discount or volume rebate has been earned remain in inventory at the period-end, the cost of that inventory reflects those discounts and rebates.

Supplier income receivable is netted off against trade payables when there is a legally binding arrangement in place and it is management's intention to do so, otherwise amounts are included in other receivables in the balance sheet.

### 2.9. Financial receivables
The Group's trade and other receivables at the balance sheet date comprises principally of amounts receivable from the sale of goods, amounts due in respect of rebates and sundry prepayments. Trade receivables are held at amortised cost less impairment.

Trade receivables are subject to the expected credit loss model in IFRS 9 – Financial Instruments. The Group applies the IFRS 9 – Financial Instruments simplified approach to measuring expected credit losses. This uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group and the commencement of legal proceedings.

### 2.10. Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation because of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value.

Should a provision ultimately prove to be unnecessary then it is credited back into the income statement. Where the provision was originally established as an adjusting item, any release is shown as an adjusting credit.

The Group's stores operate from a significant number of leased properties. Where necessary a provision has been made for the residual commitments for rates and other payments, after taking into account existing and anticipated subtenant arrangements.

It is Group policy to insure itself using policies with a high excess against claims arising in respect of damage to assets, or due to employers or public liability claims. The nature of insurance claims means they may take some time to be settled. The insurance claims provision represents management's best estimate, based upon external advice, of the value of outstanding claims against it where the final settlement date is uncertain.

### 2.11. Trade payables and liabilities
Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs and are measured at amortised cost. The Directors consider that the carrying amount of trade payables approximates to their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

### 2.12. Employee benefits – pensions
Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

### 2.13. Equity
Equity instruments represent the ordinary share capital of the Group and are recorded at the proceeds received, net of directly attributable incremental issue costs.

A description of the nature and purpose of each reserve is given below:

- The share premium represents the amounts above the nominal value received for shares sold
- The other reserves represent the difference between the carrying values of the assets and liabilities of the parties to the Capital Reorganisation, which are not required to be adjusted to fair value on acquisition, and the nominal value and premium of the shares issued.
- Retained earnings represents cumulative results for the Group.

### 2.14. Leases
IFRS 16 – Leases establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

**Identifying a lease**
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed

# Notes to the consolidated financial statements continued

## 2 Accounting policies continued

where the Group has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for fleet leases in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

For each lease or lease component, the Group follows the lease accounting model as per IFRS 16 – Leases, unless the recognition exceptions can be used.

**Recognition exceptions**

The Group has elected to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following two types of leases:

(i) leases with a lease term of 12 months or less and containing no purchase options – this election is made by class of underlying asset; and

(ii) leases where the underlying asset has a low value when new – this election can be made on a lease-by-lease basis,

For leases where the Group has taken short-term lease recognition exemption and there are any changes to the lease term or the lease is modified, the Group accounts for the lease as a new lease.

**Lessee accounting**

Upon lease commencement the Group recognises a right-of-use asset and a lease liability.

**Initial measurement**

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or to restore the underlying asset or the site on which is located, less any lease incentives received.

Right-of-use assets were measured at the date of adoption of IFRS 16 – Leases at either:

- Their carrying amount as if IFRS 16 – Leases had been applied since the lease commencement date, discounted by the lessees' incremental borrowing rate as at 1 January 2017. The Group has applied this methodology to the Group's property leases and the majority of plant and equipment leases.
- At amounts equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised on the balance sheet. This has been applied to the remaining portfolio of leases.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate.

Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability and are initially measured using the index or rate as at the commencement date. Amounts expected to be payable by the lessee under residual value guarantees are also included.

Variable lease payments that are not included in the measurement of the lease liability are recognised in profit or loss in the period in which the event or condition that triggers payment occurs, unless the costs are included in the carrying amount of another asset under another accounting standard.

**Subsequent measurement**

After lease commencement, the Group measures right-of-use assets using a cost model. Under the cost model a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment.

The lease liability is subsequently remeasured to reflect changes in:

- the lease term (using a revised discount rate)
- the assessment of a purchase option (using a revised discount rate)
- the amounts expected to be payable under residual value guarantees (using an unchanged discount rate)
- future lease payments resulting from a change in an index or a rate used to determine those payments (using an unchanged discount rate)

The remeasurements are matched by adjustments to the right-of-use asset.

Lease modifications may also prompt remeasurement of the lease liability unless they are determined to be separate leases.

**Depreciation**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

**Lessor accounting**

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance or operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises operating lease payments as income on a straight-line basis over the lease term as part of 'other income'. The Group recognises finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment.

### 2.15. Borrowings

Interest bearing bank loans and overdrafts and other loans are recognised in the balance sheet initially at fair value and subsequently at amortised cost. Finance charges associated with arranging non-equity funding are recognised in the income statement over the life of the facility. All other borrowing costs are recognised in the income statement in accordance with the effective interest rate method.

### 2.16. Net debt

Net debt comprises cash and cash equivalents (being cash balances net of overdrafts) and the carrying value of lease liabilities. The carrying amount of these assets and liabilities approximates to their fair value.

### 2.17. Financial instruments

**Classification**

The Group classifies its financial assets in the following measurement categories:

## 2 Accounting policies continued

- those to be measured subsequently at fair value (either through Other Comprehensive Income ''FVOCI'', or through profit or loss "FVTPL"); and
- those to be measured at amortised cost.

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTPL or at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

**Measurement**
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

**Impairment**
The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9 – Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### 2.18. Impairment

**Impairment of tangible and intangible assets**
The carrying amounts of the Group's tangible and intangible assets with a definite useful life are reviewed at each balance sheet date to determine whether there is any indication of impairment to their value. If such an indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. The Group has determined that each store is a separate CGU. The recoverable amount of an asset is the greater of its fair value less disposal cost and its value-in-use (the present value of the future cash flows that the asset is expected to generate). In determining value in use the present value of future cash flows is discounted using a pre-tax discount rate that reflects current market assessments of the time value of money in relation to the period of the investment and the risks specific to the asset concerned. The carrying value of CGUs includes right-of-use assets.

Where the carrying value exceeds the recoverable amount a provision for the impairment loss is established with a charge being made to the income statement. When the reasons for a write down no longer exist the write down is reversed in the income statement up to the net book value that the relevant asset would have had if it had not been written down and if it had been depreciated.

For intangible assets that have an indefinite useful life the recoverable amount is estimated at each annual balance sheet date.

**Measuring recoverable amounts**
The Group tests goodwill and other non-monetary assets with indefinite useful lives for impairment annually or more frequently if there are indications that an impairment may have occurred.

The recoverable amounts of the goodwill and other non-monetary assets with indefinite useful lives are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and like-for-like market volume changes which impact sales and therefore cash flow projections and maintenance capital expenditure. Management estimates pre- tax discount rates that reflect current market assessments of the time value of money and the risks specific to the CGU groupings that are not reflected in the cash flow projections.

### 2.19. Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, having been adjusted to reflect an estimate of shares that will eventually vest and for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes pricing model which is considered by management to be the most appropriate method of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The scheme also provides employees with the ability to purchase ordinary shares at 80 per cent. of the current market value. These are measured at fair value at the date of the grant and expensed on a straight-line basis over the vesting period.

Prior to the demerger, the Group was part of a group share-based payment plan with the Travis Perkins group. It recognised and measured its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the Travis Perkins group. This allocation was based on individual employees and where their services were rendered for group companies.

### 2.20. Post balance sheet events

These accounts reflect events only up to the date on which the relevant underlying financial statements were approved.

# Notes to the consolidated financial statements continued

## 3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions concerning the future that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These judgements are based on historical experience and management's best knowledge at the time and the actual results may ultimately differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying value of assets and liabilities are explained below.

**Impairment of store assets (significant estimate)**
Determining whether store assets (right of use assets relating primarily to the lease of each individual store, and any associated PP&E) are impaired requires an estimation of the value in use of the cash-generating units to which such fixed assets have been allocated. The value in use calculation requires estimation of future cash flows expected to arise from the cash-generating unit (CGU) discounted at a suitable discount rate in order to calculate present value. The significant estimates relate to changes in the store profitability and the medium term growth rate. Details of CGUs as well as further information about the assumptions made and the sensitivities to key inputs are disclosed in note 15.

## 4 Auditor's remuneration

During the period the Group incurred the following costs for services provided by the Company's auditors:

| (£'000) | 53 weeks ended 1 January 2022 | 52 weeks ended 26 December 2020 |
|---|---|---|
| Fees payable to the Company's auditor for audit services: | | |
| Audit of the Company's annual accounts | **100** | – |
| Auditor for the audit of the Company's subsidiaries | **665** | 180 |
| Fees paid to the Company's auditor for other services: | | |
| Services relating to corporate finance transactions (demerger) | **575** | 250 |
| Review of interim statement | **70** | – |
| | **1,410** | 430 |

A description of the work of the Audit & Risk Committee is set out in the Audit & Risk Committee report on pages 78 to 81 and includes an explanation of how auditor objectivity and independence is safeguarded when the auditor provides non-audit services.

## 5 Revenue

The Group has one operating segment in accordance with IFRS 8 'Operating Segments', which is the retail of home improvement products and services, both in stores and online.

The Chief Operating Decision Maker is the Executive Board of Directors. Internal management reports are reviewed by them on a regular basis. Performance of the segment is assessed based on a number of financial and non-financial KPIs as well as on profit before taxation.

The Group identifies two distinct revenue streams within its operating segment which are analysed below.

Both activities operate entirely in the United Kingdom. The Group's revenue is driven by a large number of individual small value transactions and as a result, Group revenue is not reliant on a major customer or group of customers.

| **Revenue** (£m) | **53 weeks ended 1 January 2022** | 52 weeks ended 26 December 2020 |
|---|---|---|
| Core (product sales) | **1,234.7** | 1,072.4 |
| "Do It For Me" (project sales) | **300.2** | 274.5 |
| | **1,534.9** | 1,346.9 |

| **Revenue reconciliation and like-for-like sales** (£m) | **53 weeks ended 1 January 2022** | 52 weeks ended 26 December 2020 |
|---|---|---|
| 2020 / 2019 revenue | **1,346.9** | 1,292.4 |
| Network change | **(4.8)** | (10.1) |
| 2020 / 2019 like-for-like revenue | **1,342.1** | 1,282.3 |
| Like-for-like revenue | **174.8** | 64.6 |
| 2021 / 2020 like-for-like revenue | **1,516.9** | 1,346.9 |
| Network change | **0.4** | – |
| Other movements | **17.6** | – |
| 2021/ 2020 revenue | **1,534.9** | 1,346.9 |
| Like-for-like revenue (%) | **13.0%** | 5.0% |

Calculating like-for-like sales enables management to monitor the performance trend of the business period-on-period. It also gives management a good indication of the health of the business compared to competitors.

Like-for-like sales are a measure of sales performance for two successive periods. Stores contribute to like-for-like sales once they have been trading for more than twelve months. Revenue included in like-for-like sales is for the equivalent times in both periods being compared. When branches close, revenue is excluded from the prior period figures for the months equivalent to the post closure period in the current period.

Other movements represent the impact of the fact that the financial year ended 1 January 2022 is a 53 week period, whereas the financial year ended 26 December 2020 was 52 weeks; the extra week is presented separately to enable direct comparison.

# Notes to the consolidated financial statements continued

## 6 Operating profit

Operating profit has been arrived at after charging/(crediting):

| (£m) | 53 weeks ended 1 January 2022 | 52 weeks ended 26 December 2020 |
|---|---|---|
| Net foreign exchange gains taken to cost of sales | **(2.0)** | - |
| Depreciation of property, plant and equipment (note 13) | **19.1** | 21.3 |
| Depreciation of right of use assets (note 14) | **78.1** | 77.3 |
| Amortisation of internally-generated intangible assets (note 12) | **5.2** | 4.5 |
| Lease payments made in respect of low value and short leases | **1.2** | 1.3 |
| Impairment of right-of-use assets (note 14 and 15) | **5.1** | 12.1 |
| Reversal of impairment of right-of-use assets (note 14 and 15) | **(1.0)** | – |
| Impairment of property, plant and equipment (note 13 and 15) | **0.2** | – |
| Gains on terminations of leases | **(1.6)** | (1.9) |
| Loss on disposal of property, plant and equipment | **0.6** | 1.6 |
| Income from subleasing right-of-use assets (note 14) | **(3.1)** | (3.8) |
| Grants from Government Job Retention Scheme | **–** | (6.4) |
| Grants from the Government's Business Rates Relief | **–** | (32.6) |
| Total grants from Government schemes | **–** | (39.0) |
| Repayment of grants from Government schemes | **–** | 39.0 |
| Employee benefit expenses | **217.9** | 199.1 |

The UK government has offered a range of financial support packages to help companies affected by coronavirus, including the furlough scheme and business rates holidays. The Group had received the following benefits from these support packages listed above and subsequently decided to repay the government financial support amount in December 2020.

No government grants from the furlough scheme or business rates relief were received in the 53 weeks ended 1 January 2022.

For the 52 weeks ended 26 December 2020, the grant from the furlough scheme of £6.4m received in the initial pandemic outbreak were repaid in December 2020 while the business rates relief received of £32.6m were repaid in March 2021.

The Group operates a defined contribution pension plan for its employees. A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions.

The amounts charged to the Income Statement in respect of pension costs and other post-retirement benefits are the contributions payable in the financial year. Difference between the contributions payable in the financial year and contribution actually paid are shown as either accruals or prepayments in the balance sheet.

## 7 Net finance costs

| (£m) | 53 weeks ended 1 January 2022 | 52 weeks ended 26 December 2020 |
|---|---|---|
| **Finance income** | | |
| Net gains on remeasurement of derivatives at fair value | **0.7** | – |
| Interest receivable | **0.1** | – |
| | **0.8** | – |
| **Finance costs** | | |
| Interest on lease liabilities (note 14) | **(31.3)** | (32.0) |
| Amortisation of loan arrangement fees | **(0.1)** | – |
| Commitment fee on revolving credit facilities | **(0.6)** | – |
| Other interest | **(0.1)** | (0.1) |
| | **(32.1)** | (32.1) |
| **Net finance costs** | **(31.3)** | (32.1) |

The net gains on remeasurement of foreign currency derivatives relate to the movement in the fair value of foreign currency forward contracts. No hedge accounting is applied and all movements in the fair value of derivatives is recognised in the income statement as net finance costs. There were no derivative financial instruments in the comparative periods presented.

# Notes to the consolidated financial statements continued

## 8 Staff costs and employee benefit expense

| Average number of persons employed by the Group (including directors) during the financial year (No.) | 53 weeks ended 1 January 2022 | 52 weeks ended 26 December 2020 |
|---|---|---|
| Administration | **443** | 368 |
| Stores | **7,995** | 7,613 |
| | **8,438** | 7,981 |

| Average number of full-time equivalent persons employed by the Group during the financial year (No.) | 53 weeks ended 1 January 2022 | 52 weeks ended 26 December 2020 |
|---|---|---|
| Administration | **436** | 359 |
| Stores | **6,048** | 5,763 |
| | **6,484** | 6,122 |

**Aggregate payroll costs of these persons were as follows:**

| (£m) | 53 weeks ended 1 January 2022 | 52 weeks ended 26 December 2020 |
|---|---|---|
| Wages and salaries | **194.8** | 181.8 |
| Social security costs | **15.5** | 11.6 |
| Other pension costs (defined contribution plans) | **3.8** | 4.0 |
| Share-based payments (equity-settled) | **3.8** | 1.7 |
| | **217.9** | 199.1 |

There are wages and salaries and social security costs for the 53 weeks ended 1 January 2022 of £0.2m in Adjusting items (2020: £0.2m).

All qualifying employees are able to contribute to the Wickes Group Pension Plan, a defined contribution pension scheme. The pension cost represents contributions payable by the Group.

## 9 Adjusting items

Adjusting items are those items of income and expenditure that, by reference to the Group, are material in size or unusual in nature or incidence and that in the judgement of the Directors should be disclosed separately on the face of the financial statements to ensure both that the reader has an understanding of the Group's underlying trading performance and the separate impact of one off or unusual events in the financial year, and that there is comparability of financial performance between periods.

Items of income or expense that are considered by the Directors for designation as adjusting items include, but are not limited to, significant restructurings, significant write downs or impairments of current and non-current assets, the costs of demerging and listing the business, the associated costs of separating the business from the Travis Perkins Group's IT systems, and the effect of changes in corporation tax rates on deferred tax balances.

To enable a reader of the financial statements to obtain a fuller understanding of the underlying trading and to allow comparability between periods and give a better indication of potential future periods, the Directors have presented the items below separately in the income statement.

| (£m) | **53 weeks ended 1 January 2022** | 52 weeks ended 26 December 2020 |
|---|---|---|
| **Adjusting items – operating** | | |
| Demerger related costs | **5.3** | 0.6 |
| Right-of-use asset impairment charge | **1.1** | 10.2 |
| Reversal of impairment of right-of-use assets recognised in prior financial years | **(1.0)** | – |
| IT separation project costs | **14.2** | 7.6 |
| Restructuring costs | **–** | 2.2 |
| **Total pre-tax Adjusting items** | **19.6** | 20.6 |
| | | |
| **Adjusting items – tax** | | |
| Tax on adjusting items | **(3.2)** | (3.9) |
| Adjusting items – deferred tax rate change | **(6.7)** | (2.4) |
| **Total tax on Adjusting items** | **(9.9)** | (6.3) |
| **Total post-tax Adjusting items** | **9.7** | 14.3 |

**Demerger related costs**
Demerger related costs are the costs incurred during the process of demerging the Wickes business from the Travis Perkins Plc group. Costs predominantly relate to professional services fees.

# Notes to the consolidated financial statements continued

## 9 Adjusting items continued

### Right-of-use asset impairment charges and reversals

In the period ended 1 January 2022, a further impairment charge of £1.1m has been recognised on stores that had previously been identified as impaired in 2020. £1.0m of impairment charges identified in 2020 was reversed due to the improved performance of the store.

In the period ended 26 December 2020, the pandemic and related government restrictions implemented on 23 March 2020 was considered an impairment trigger and as a result all stores were tested for impairment. These impairment reviews resulted in a £12.1m impairment charge in respect of right-of-use assets, which were the only material assets of these stores in the prior period. This charge is stated net of £1.9m of gains on the termination of leases where the right-of-use asset had previously been impaired and presented as an adjusting item in the 52 weeks ended 26 December 2020.

The nature of the original impairments, given that they arose due to the pandemic, was considered to arise from a one-off or unusual event, and the impairment in the financial year ended 26 December 2020 was therefore recognised within adjusting items. In order to be consistent, revisions to these previous impairment charges have been recognised within adjusting items.

In a portfolio of stores there will be, from time to time, impairments rising on certain specific stores that do not arise from such a one off event, but arise from underlying trading performance. These impairments are therefore included within adjusted profit. In the current financial year, impairment charges totalling £4.0m due to such impairments are included within adjusted profit.

Impairment charges are discussed in further detail in note 15.

### IT separation project costs

IT separation project costs are the costs incurred to enable the Wickes Group to operate an entirely standalone IT environment from the Travis Perkins Group. These costs have included the costs of creating standalone versions of already existing systems, of transferring data from Travis Perkins systems onto these standalone systems, of upgrading some older legacy systems to newer “software as a service” solutions, and of managing the project. Costs related to maintenance and licence of existing systems are included in underlying trading as these costs will continue after the separation project is concluded: where costs meet the definition of an intangible asset they have been capitalised, and future amortisation will be included in underlying trading.

### Restructuring costs

There were no restructuring costs in the 53 weeks ended 1 January 2022.

The restructuring charge of £2.2m in the 52 weeks ended 26 December 2020 relates to the cost-reduction programmes announced for the Wickes business in May 2020 and consist of redundancy and reorganisation costs in the business.

### Deferred tax rate change

The tax charge includes an adjusting credit of £6.7m (52 weeks ended 26 December 2020: £2.4m) arising from the increase in the rate of UK corporation tax effective from 1 April 2023 from 19% to 25%. The legislation enacting this rate increase was substantively enacted on 24 May 2021.

The deferred tax credit of £2.4m in the 52 weeks ended 26 December 2020 arises from the increase in the rate of UK corporation tax effective on 1 April 2020 from 17% to 19%.

## 10 Taxation

| (£m) | 53 weeks ended 1 January 2022 | 52 weeks ended 26 December 2020 |
|---|---|---|
| **Current tax** | | |
| UK corporation tax expense | **12.4** | 7.3 |
| UK corporation tax adjustment to prior periods | **(0.1)** | 0.1 |
| Total current tax charge | **12.3** | 7.4 |
| **Deferred tax** | | |
| Deferred tax movement in financial year | **0.7** | (2.0) |
| Effect of change in tax rate | **(6.7)** | (2.4) |
| Adjustments in respect of prior periods | **0.3** | (0.4) |
| Total deferred tax credit | **(5.7)** | (4.8) |
| Total tax charge | **6.6** | 2.6 |

The differences between the total tax charge and the amount calculated by applying the standard rate of UK corporation tax of 19.0% (2020: 19.0%) to the profit before tax for the Group are as follows:

| (£m) | 53 weeks ended 1 January 2022 | 52 weeks ended 26 December 2020 |
|---|---|---|
| Profit before taxation | **65.4** | 28.9 |
| Tax at the standard corporation tax rate | **12.4** | 5.5 |
| Effects of: | | |
| Depreciation of non-qualifying property | **0.9** | 0.6 |
| Tax effect of expenses that are not deductible | **0.4** | 0.2 |
| Adjustment to prior period | **0.2** | (0.3) |
| Effect of share based payments | **(0.2)** | – |
| Change in tax rate | **(6.7)** | (2.4) |
| Other differences | **(0.4)** | (1.0) |
| Total tax charge | **6.6** | 2.6 |

# Notes to the consolidated financial statements continued

## 10 Taxation continued

The tax charge includes an adjusting credit of £6.7m. (52 weeks ended 26 December 2020: £2.4m) arising from the increase in the rate of UK corporation tax effective from 1 April 2023 from 19% to 25%. The legislation enacting this rate increase was substantively enacted on 24 May 2021.

The deferred tax credit of £2.4m in the 52 weeks ended 26 December 2020 arises from the increase in the rate of UK corporation tax effective on 1 April 2020 from 17% to 19%.

The effective tax rate for the period is 10.1% (2020: 9.0%). The 2021 and 2020 effective tax rates are affected by the impact of the change in tax rate on the Group's deferred tax asset and the loss on legal entity restructuring. These events and their tax effect do not provide a guide to the Group's future tax charge.

The underlying effective tax rate (before adjusting items) for the 53 weeks ended 1 January 2022 is 19.4% (52 weeks ended 26 December 2020: 18.0%). The underlying effective tax rate can be calculated directly from the income statement.

## 11 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the 53 weeks period ended 1 January 2022.

| (£m) | **53 weeks ended 1 January 2022** | 52 weeks ended 26 December 2020 |
|---|---|---|
| Profit attributable to the owners of the Parent | **58.8** | 26.3 |
| (No.) | | |
| Weighted average number of ordinary shares | **256,163,656** | 252,143,923 |
| Adjustment for weighted average number of shares held in EBT | **(4,019,733)** | – |
| Weighted average number of ordinary shares in issue | **252,143,923** | 252,143,923 |
| **Basic earnings per share (in pence per share)** | **23.3p** | **10.4p** |

For dilutive earnings per share, the weighted average number of ordinary shares in issue is adjusted to include all dilutive potential ordinary shares arising from share options.

| (£m) | **53 weeks ended 1 January 2022** | 52 weeks ended 26 December 2020 |
|---|---|---|
| Profit attributable to the owners of the Parent | **58.8** | 26.3 |
| (No.) | | |
| Weighted average number of shares in issue | **252,143,923** | 252,143,923 |
| Diluted effect of share options on potential ordinary shares | **259,182** | – |
| Diluted weighted average number of ordinary shares in issue | **252,403,105** | 252,143,923 |
| **Diluted earnings per share (in pence per share)** | **23.3p** | **10.4p** |

## 11 Earnings per share continued

The Directors believe that EPS excluding Adjusted items ("Adjusted EPS") reflects the underlying performance of the business before the impact of unusual or one off events and assists in providing the reader with a view of the trading performance of the Group.

**Reconciliation of profit after taxation to profit after taxation excluding Adjusting items ("Adjusted profit"):**

| (£m) | **53 weeks ended 1 January 2022** | 52 weeks ended 26 December 2020 |
|---|---|---|
| Profit attributable to the owners of the parent from continuing operations | **58.8** | 26.3 |
| Adjusting items before tax | **19.6** | 20.6 |
| Tax on adjusting items | **(3.2)** | (3.9) |
| Adjusting items – deferred tax | **(6.7)** | (2.4) |
| Adjusting items after tax (note 9) | **9.7** | 14.3 |
| **Adjusted profit** | **68.5** | 40.6 |
| Weighted average number of ordinary shares in issue | **252,143,923** | 252,143,923 |
| Weighted average number of dilutive ordinary shares in issue | **252,403,105** | 252,143,923 |
| Adjusted basic earnings per share (in pence per share) | **27.2p** | 16.1p |
| Adjusted diluted earnings per share (in pence per share) | **27.1p** | 16.1p |

# **Notes to the consolidated financial statements** continued

## 12 Goodwill and other intangible assets

| (£m) | Goodwill | Software | Total |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 28 December 2019 | 8.4 | 20.4 | 28.8 |
| Additions | – | 2.9 | 2.9 |
| At 26 December 2020 | 8.4 | 23.3 | 31.7 |
| Additions | **–** | **6.1** | **6.1** |
| Disposals | **–** | **(1.0)** | **(1.0)** |
| **At 1 January 2022** | **8.4** | **28.4** | **36.8** |
| **Amortisation and impairment** | | | |
| At 28 December 2019 | – | 6.5 | 6.5 |
| Charged in the period | – | 4.5 | 4.5 |
| At 26 December 2020 | – | 11.0 | 11.0 |
| Charged in the period | **–** | **5.2** | **5.2** |
| Disposals | **–** | **(0.3)** | **(0.3)** |
| **At 1 January 2022** | **–** | **15.9** | **15.9** |
| **Net book value** | | | |
| **At 1 January 2022** | **8.4** | **12.5** | **20.9** |
| At 26 December 2020 | 8.4 | 12.3 | 20.7 |

Goodwill arising on acquisition represents the excess of the cost of acquisition over the share of the aggregate fair value of identifiable net assets (including intangible assets) of a business or a subsidiary at the date of acquisition. The goodwill held by the Group arose on the acquisition of Focus DIY stores in 2007 and 2011.

At the beginning and end of the financial periods the recoverable amount of goodwill with indefinite useful lives was in excess of their book value. In the absence of a binding agreement to sell the assets and active reference market on which fair value can be determined, the recoverable amount of the goodwill was determined according to value in use. The Directors' calculations have shown that no impairments have occurred. Details of impairment tests are shown in note 15.

## 13 Property, plant and equipment

| (£m) | Leasehold improvements | Plant and equipment | Total |
|---|---|---|---|
| **Cost** | | | |
| At 28 December 2019 | 120.7 | 238.5 | 359.2 |
| Additions | 9.3 | 7.9 | 17.2 |
| Disposals | (3.6) | (5.8) | (9.4) |
| At 26 December 2020 | 126.4 | 240.6 | 367.0 |
| Additions | **14.3** | **8.0** | **22.3** |
| Disposals | **(4.7)** | **(17.2)** | **(21.9)** |
| Impairments | **(0.2)** | **–** | **(0.2)** |
| **At 1 January 2022** | **135.8** | **231.4** | **367.2** |
| | | | |
| **Accumulated depreciation** | | | |
| At 28 December 2019 | 66.8 | 183.4 | 250.2 |
| Charged in the period | 6.4 | 14.9 | 21.3 |
| Disposals | (2.3) | (5.3) | (7.6) |
| At 26 December 2020 | 70.9 | 193.0 | 263.9 |
| Charged in the period | **6.5** | **12.6** | **19.1** |
| Disposals | **(3.9)** | **(16.9)** | **(20.8)** |
| **At 1 January 2022** | **73.5** | **188.7** | **262.2** |
| | | | |
| **Net book value** | | | |
| **At 1 January 2022** | **62.3** | **42.7** | **105.0** |
| At 26 December 2020 | 55.5 | 47.6 | 103.1 |

£0.2m of impairment was recognised in the period on stores identified for closure in 2022 where the remaining cash flows from the store are not expected to support the carrying value of the asset.

Impairment tests were performed on all other assets. Details of impairment tests are shown in note 15.

# Notes to the consolidated financial statements continued

## 14 Right-of-use assets

The Group leases many assets including land and buildings and vehicles, the weighted average remaining lease term is ten years (2020: nine years). Information about leases for which the Group is a lessee is presented below.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility. The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options and break clauses. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which can affect the amount of lease liabilities and right-of-use assets recognised. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For property leases the following factors are normally the most relevant:

- The profitability of the leased store/warehouse and future plans for the business
- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate)

At 1 January 2022, the Group had no material leases committed to but not yet commenced (2020: none). The Group, which does not enter into turnover rent agreements and which has extension options solely in respect of some vehicle leases, does not have material variable payments in its leases and does not have significant exposure to extension options that are not reflected in the lease liability.

| **Net carrying value** (£m) | **Land and buildings** | **Plant and equipment** | **Total** |
|---|---|---|---|
| At 28 December 2019 | 719.7 | 16.1 | 735.8 |
| Additions | 9.7 | 0.3 | 10.0 |
| Terminations | (2.0) | (0.2) | (2.2) |
| Depreciation | (72.5) | (4.8) | (77.3) |
| Impairments | (12.1) | – | (12.1) |
| At 26 December 2020 | 642.8 | 11.4 | 654.2 |
| Additions | **33.9** | **3.0** | **36.9** |
| Terminations | **(3.6)** | **(0.7)** | **(4.3)** |
| Depreciation | **(72.6)** | **(5.5)** | **(78.1)** |
| Impairments | **(5.1)** | **–** | **(5.1)** |
| Reversal of previous impairments | **1.0** | **–** | **1.0** |
| **At 1 January 2022** | **596.4** | **8.2** | **604.6** |

## 14 Right-of-use assets continued

| Lease liabilities (£m) | As at 1 January 2022 | As at 26 December 2020 |
|---|---|---|
| **Maturity analysis – contractual undiscounted cash flow** | | |
| Less than one year | **109.5** | 110.0 |
| One to five years | **390.4** | 404.5 |
| More than five years | **398.5** | 472.7 |
| Total undiscounted lease liabilities | **898.4** | 987.2 |
| **Lease liabilities included in the balance sheet** | | |
| Current | **81.4** | 77.2 |
| Non-current | **660.7** | 712.8 |
| | **742.1** | 790.0 |

| Amounts recognised in profit and loss (£m) | 53 weeks ended 1 January 2022 | 52 weeks ended 26 December 2020 |
|---|---|---|
| Depreciation expense on right-of-use assets | **78.1** | 77.3 |
| Interest expense on lease liabilities | **31.3** | 32.0 |
| Gain on terminations | **(1.6)** | (1.9) |
| Impairment | **5.1** | 12.1 |
| Reversal of impairment recognised in prior financial years | **(1.0)** | – |
| Expenses related to short-term leases | **0.9** | 0.8 |
| Expenses related to low-value assets | **0.3** | 0.5 |
| Income from subleasing right-of-use assets | **(3.1)** | (3.8) |

The weighted average incremental borrowing rate applied to property leases is 4.1% (2020: 4.0%), and for fleet leases was 2.4% (2020: 1.8%). Incremental borrowing rates for property leases are calculated from Group debt costs modified for retail property yields across the UK. Incremental borrowing rates for fleet leases are calculated from hire-purchase rates.

# Notes to the consolidated financial statements continued

## 14 Right-of-use assets continued

### Sublet income

The Group leases space in some of its stores to third parties. Property rental income earned during the period in respect of these properties is disclosed in the table above.

At the balance sheet date, the Group had contracts with lessees for the following undiscounted future minimum lease payments:

| (£m) | As at 1 January 2022 | As at 26 December 2020 |
|---|---|---|
| Within one year | **2.9** | 3.8 |
| One to five years | **7.9** | 11.5 |
| After five years | **4.7** | 7.2 |
| | **15.5** | 22.5 |

## 15 Impairment testing

### Measuring recoverable amounts

For impairment testing purposes, the Group has determined that each store is a separate CGU. 'Click and collect' sales and an allocation of delivered online sales are included in store cash flows to reflect the contributions stores make to fulfilling such orders and marketing the Group's products. Each CGU is tested for impairment at the balance sheet date if any indicators of impairment have been identified through a review of their performance in recent periods to identify lossmaking stores.

The Group's goodwill balance, which arose in relation to the acquisition of certain stores formerly operating under the Focus brand in 2007 and 2011, is allocated and monitored for impairment testing purposes to groups of individual CGUs. The Group tests goodwill for impairment annually, or more frequently if there are indications that an impairment may have occurred.

The recoverable amount of each CGU is determined from value-in-use calculations. The key assumptions for the value-in-use calculation are those regarding discount rates, medium and long-term growth rates, and FY22 store profitability. Management estimates pre-tax discount rates that reflect current market assessments of the time value of money and the risks specific to the Group that are not reflected in the cash flow projections.

## 15 Impairment testing continued

### Key assumptions

The key financial assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of current market conditions and future trends and have been based on historical data from both external and internal sources

| | 2021 | 2020 |
|---|---|---|
| Pre-tax discount rate | **10.5%** | 11.8% |
| Medium-term growth rate | **1.9% - 4.1%** | 1.5% |
| Long-term growth rate | **1.4%** | 1.5% |

Management determined the values assigned to these financial assumptions as follows:

- The pre-tax discount rate is derived from the Group's weighted average cost of capital, which has been calculated using the capital asset pricing model, the inputs of which include a UK risk-free rate, equity risk premium, Group size premium and a risk adjustment ("beta").
- Medium-term growth rate is taken from the Group's 5 year plan, after stripping out the impact of new stores, re-fits, and cost saving operations that are yet to be enacted at the year end.
- Long-term growth rate: This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. This represents the forecast GDP growth for the final period considered in the Office for Budget Responsibility's most recent Economic and Fiscal Outlook report.

Cash flow forecasts are derived from historical financial performance, adjusted for management's expectation of specific factors on a store-by-store basis.

The key operating assumptions used in the estimation of future cash flows are future store profitability, notably store revenues and margin. These are derived from a variety of sources including historical store performance, competitor activity, and consumer and market outlook.

Cash flows beyond the corporate plan period (2027 and beyond) have been determined using the long-term growth rate.

### Impairment of goodwill

At 1 January 2022 the recoverable amount of goodwill was in excess of its book value and therefore no impairment has been recognised. Of the impairments noted on right-of-use assets below, £0.6m relates to right-of-use assets for stores associated with some goodwill: however, the goodwill is associated with a group of CGUs and there remains significant headroom within this group as a whole. The impairment review was not sensitive to changes in the assumptions used in the value-in-use model.

# Notes to the consolidated financial statements continued

## 15 Impairment testing continued

### Impairment of store related fixed assets

An impairment review was performed on eleven stores that were identified as lossmaking in the period ended 1 January 2022, of which four were previously impaired in the period ended 26 December 2020. The impairment reviews were carried out using the assumptions and methodology disclosed in this note. The remaining lease term was used as the remaining useful life. The impairments have been recognised against the right-of-use assets associated with these stores, which are the only material assets.

Of the four stores impaired in 2020, the impairment review identified that £1.1m of impairment charge and £1.0m impairment credit relating to the reversal of the impairment recognised in 2020 should be recognised. This impairment charge and credit is recognised in adjusting items in the period ending 1 January 2022. The carrying amount of non-current assets attributable to these stores after impairment is £18.9m

Of the seven stores that had not been previously impaired, the impairment review identified that five stores should be impaired resulting in £4.0m of impairment charge. This impairment charge is recognised within adjusted profit. The carrying amount of non-current assets attributable to these stores after this impairment is £32.2m.

The total impairment charge recognised is therefore £5.1m, with £4.0m being recognised in adjusted profit and £1.1m being recognised in adjusting items. The total impairment reversal is £1.0m which is all recognised in adjusting items.

It is possible that a materially different impairment would have been identified in the impairment review if the key assumptions were changed significantly in the value-in-use calculations. The impact on the impairment charge recognised from reasonably possible changes in assumption, all other assumptions remaining the same, are shown in the table below.

### Assumption

| (£m) | Increase in impairment charge |
|---|---|
| Reduction in 2022 store profit by 10% | 3.9 |
| Reduction of medium term growth rates to 0% per annum | 2.8 |

Reasonably possible changes of the other key assumptions, including a 50 basis point increase in the discount rate, would not result in a material increase to the impairment charge, either individually or in combination.

### Key estimates over assumptions used in value-in-use calculations

In testing for impairment, the Directors have made certain estimates concerning discount rates, future cash flows and the future development of the business that are consistent with the corporate plan. Whilst the Directors consider their assumptions to be realistic: should actual results, including those for market changes, be different from expectations, for instance due to a worsening of the UK economy, then it is possible that the value of non-current assets included in the balance sheet could become impaired.

## 16 Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting periods.

| | Capital Allowance | Share-based payments | Leases | Total |
|---|---|---|---|---|
| At 29 December 2019 | (1.3) | 0.2 | 20.3 | 19.2 |
| Credit to the profit or loss | 1.6 | 0.3 | 2.9 | 4.8 |
| At 26 December 2020 | 0.3 | 0.5 | 23.2 | 24.0 |
| (Credit)/charge to the profit or loss | **(0.7)** | **0.2** | **(0.2)** | **(0.7)** |
| Charge to equity | **–** | **0.4** | **–** | **0.4** |
| Prior period adjustment | **(0.1)** | **(0.2)** | **–** | **(0.3)** |
| Change in tax rates | **(0.2)** | **0.2** | **6.7** | **6.7** |
| **At 1 January 2022** | **(0.7)** | **1.1** | **29.7** | **30.1** |
| **Disclosed with non-current assets** | **(0.7)** | **1.1** | **29.7** | **30.1** |

Deferred tax from capital allowance are derived from the difference between the property, plant and equipment carrying value of the relevant assets and the tax base.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted, or substantively enacted, at the balance sheet date. The Group has separately calculated the tax rates applicable in respect of Adjusting items for the period as well as the tax rate change as a result of the substantive enactment in March 2021 of the Government's decision to increase tax rates from 19% to 25% from 1 April 2023. The UK corporation tax rate of 19% will continue to apply until this date and thereafter, the tax rate change for reassessment of deferred tax assets and liabilities will be 25%.

At 1 January 2022, the Group had unused capital losses of £37.6m (2020: capital losses of £38.7m) available for offset against future capital profits. No deferred tax asset has been recognised because it is improbable that future taxable profits will be available against which the Group can utilise the losses.

## 17 Investments

As at 1 January 2022, these consolidated financial statements of the Group comprise the Company, Wickes Group Plc, and the following companies which are all incorporated in the United Kingdom. All subsidiaries are 100% owned.

| Incorporated in England and Wales and registered at Vision House, 19 Colonial Way, Watford, WD24 4JL | Principal activity | Class of share |
|---|---|---|
| Wickes Group Holdings Limited | Holding company | Ordinary |
| Wickes Building Supplies Limited* | Home improvement retailer | Ordinary |
| Wickes Finance Limited* | Dormant | Ordinary |
| Wickes Holdings Limited* | Dormant | Ordinary |

* indirect shareholding

# Notes to the consolidated financial statements continued

## 18 Inventories

| (£m) | As at 1 January 2022 | As at 26 December 2020 |
|---|---|---|
| Inventories | **188.2** | 138.3 |

Inventories consist of goods for resale. Inventories are stated after provisions for impairment of £4.4m (2020: £4.0m).

Cost of sales for the 53 weeks ended 1 January 2022 includes inventory recognised as an expense amounting to £829.1m (2020: £706.1m).

## 19 Supplier income

Supplier income balances included within balance sheet are as follows:

| (£m) | As at 1 January 2022 | As at 26 December 2020 |
|---|---|---|
| Other receivables | **28.9** | 21.8 |
| Trade payables | **9.1** | 13.5 |
| Inventories | **(8.8)** | (7.2) |

## 20 Trade and other receivables

| (£m) | As at 1 January 2022 | As at 26 December 2020 |
|---|---|---|
| Trade receivables | **33.3** | 43.7 |
| Allowance for expected credit losses | **(1.6)** | (0.6) |
| | **31.7** | 43.1 |
| Amounts owed by Travis Perkins group undertaking | **–** | 186.1 |
| Tax receivable | **6.5** | 4.0 |
| Other receivables | **32.2** | 24.9 |
| Prepayments and accrued income | **13.6** | 3.5 |
| Total current trade and other receivables | **84.0** | 261.6 |

Trade receivables represent amounts due from third parties providing finance to the Group's customers. These amounts are payable to the Group by the financing providers following the delivery of the financed goods or the completion of DIFM project installation. Cash received from third parties providing finance to the Group's customers is recognised in the Cash Flow Statement as an operating cash flow.

Amounts owed by Travis Perkins group undertakings relate to loans and trading balances. These loans are interest-free and were settled in April 2021 in advance of the Group's demerger from Travis Perkins.

Other receivables primarily represent amounts due from suppliers for rebates of £28.9m (26 December 2020: £21.8m) to the Group.

## 20 Trade and other receivables continued

The ageing of trade receivables is shown below and shows amounts that are past due at the reporting date. A provision for expected credit losses has been recognised at the reporting date through consideration of the ageing profile of the Group's trade receivables and the perceived credit quality of its customers reflecting net debt due.

The carrying amount of trade receivables, net of expected credit loses, is considered to be an approximation to its fair value.

The Group does not retain consumer credit risk in respect of these financed sales and does not provide credit services directly to customers.

The loss allowance as at 1 January 2022 for trade receivables was determined as follows:

| | Current | 1-30 days | 31-60 days | 61-120 days | More than 120 days | Total |
|---|---|---|---|---|---|---|
| Expected loss rate | – | – | – | – | 64.0% | 64.0% |
| Carrying amount of trade receivables (£m) | 29.7 | 0.7 | 0.2 | 0.2 | 2.5 | 33.3 |
| Loss allowance (£m) | – | – | – | – | (1.6) | (1.6) |
| Credit impaired | No | No | No | No | No | |

The loss allowance as at 26 December 2020 for trade receivables was determined as follows:

| | Current | 1-30 days | 31-60 days | 61-120 days | More than 120 days | Total |
|---|---|---|---|---|---|---|
| Expected loss rate | 1.7% | – | – | – | – | 1.7% |
| Carrying amount of trade receivables (£m) | 42.5 | 1.1 | – | – | 0.1 | 43.7 |
| Loss allowance (£m) | (0.6) | – | – | – | – | (0.6) |
| Credit impaired | No | No | No | No | No | |

Trade receivables are written off when there is no longer a reasonable expectation of recovery. Indicators that there is no reasonable expectation if recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and failure to make contractual payments for a period greater than one year past due.

The Group assesses on a forward looking basis expected credit losses associated with the trade receivable by considering actual credit loss experience over the past three financial years and whether there has been a significant increase in credit risk. The impairment methodology applied for trade receivables is the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the trade receivable.

Trade receivables after expected credit losses is shown above.

# Notes to the consolidated financial statements continued

## 20 Trade and other receivables continued

The movement in the allowance for impairment in respect of trade receivables during the financial year was as follows:

| (£m) | As at 1 January 2022 | As at 26 December 2020 |
|---|---|---|
| At the beginning of the period | **0.6** | 0.2 |
| Provided in the financial year | **1.6** | 0.4 |
| Released during the financial year | **(0.6)** | – |
| At the end of the period | **1.6** | 0.6 |

The Group applies the IFRS 9 simplified approach to measuring Expected Credit Losses (ECLs) for trade receivables.

Trade receivables were grouped according to shared characteristics (payor/payor type) and the days past due. As the majority of the Group's debt is receivable from large, financing providers such as Barclays or Hitachi, the Group has concluded that historical debt performance of the portfolio during the last three reporting periods provides a reasonable approximation of the future expected loss rates for each payor age category. Expected credit losses are calculated on a collective basis and are not allocated to individual financial assets.

The Group has not changed the methodology in respect of the Expected Credit Loss (ECL) calculations due to the pandemic. The Group's customer profile includes large financing providers that have stable credit ratings and the Group does not offer credit directly to customers, therefore the payment profiles have remained stable for historical debts.

## 21 Cash and cash equivalent

| (£m) | As at 1 January P2022 | As at 26 December 2020 |
|---|---|---|
| Cash at Bank | **28.4** | 6.5 |
| Short-term deposits | **95.0** | – |
| | **123.4** | 6.5 |

Cash and cash equivalent comprise cash balances, short-term deposits and other short term highly liquid investments (including money market funds) with maturities not exceeding three months from the date of acquisition placed with investment grade counterparties which are subject to an insignificant risk of change in value.

## 22 Capital and reserves

| | 10 pence ordinary shares | |
|---|---|---|
| **The Group and Company** | **Shares** | **£m** |
| **Authorised, issued and fully paid** | | |
| At 26 December 2020 | **252,143,923** | **25.2** |
| Allotted under share option schemes | **7,494,075** | **0.8** |
| **At 1 January 2022** | **259,637,998** | **26.0** |

## 22 Capital and reserves continued

The Group and Company has 259,637,998 allotted and fully paid ordinary shares of 10 pence each. There is a single class of ordinary shares and all shares rank equally with regard to the Company's residue asset. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

Further to a prospectus of the Group dated 24 March 2021, the Group issued and allotted 6,557,475 ordinary shares at 10 pence each on the 17 June 2021 to the trustee of the Group's employee benefit trust. In addition and on the same date, the Group issued and allotted a further 936,600 ordinary shares of 10 pence each to trustee of the Group's Share Incentive Plan. These shares were issued to support the employee share schemes put in place at the point of demerger.

### Share premium account

On 18 March 2020, after the Capital Reorganisation, the Company undertook a capital reduction and the entire balance on the share premium account of £862.3m was reduced and credited to retained earnings

### EBT share reserves

The Wickes Employee Benefit Trust and Equiniti Share Plan Trustees Limited (together "the Trusts") have been put in place to further the interests of the Company by benefiting employees of the Group. The Trusts are treated as an extension of the Group and the Company.

During the 53 weeks ended 1 January 2022, 6,557,475 and 936,600 ordinary shares were issued and allotted to the Wickes Employee Benefit Trust and Equiniti Share Plan Trustees Limited respectively (2020: nil shares) at nominal value.

Where the Trusts purchase the Company's equity share capital the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. As at 1 January 2022, 7,489,514 shares (2020: nil shares) were held by the Trusts in relation to the Company's Share Incentive Plan.

| (number of shares) | **As at 1 January 2022** | As at 26 December 2020 |
|---|---|---|
| At beginning of the period | **–** | – |
| Issued and allotted shares | **7,494,075** | - |
| Shares released to participants | **(4,561)** | – |
| At end of the period | **7,489,514** | – |

### Other reserves

Other reserves represent the difference between the carrying values of the assets and liabilities of the parties to the Capital Reorganisation, which are not required to be adjusted to fair value on acquisition, and the nominal value and premium of the shares issued.

### Distributable reserves

The distributable reserves of the Company approximate to the accumulated profits, under Reporting Standard FRS102, after deducting equity settled share based payments and investments in own shares, resulting in distributable reserves of £735.0m (2020: £743.8m). When required the Company can receive dividends from its subsidiaries to further increase the distributable reserves.

In the 53 weeks ended 1 January 2022, the Company received £35.3m of dividends from its subsidiaries (2020: £nil) to pay to its equity shareholders of the Parent.

Share-based payments made during the 53 weeks ended 1 January 2022 include £1.1m of pre-demerger charges for Wickes employees under the Travis Perkins share schemes.

# **Notes to the consolidated financial statements** continued

## 23 Borrowings

### Bank borrowings

On 23 March 2021, the Group entered into a three-year £80.0m Revolving Credit Facility (RCF) with a syndicate of banks. The Revolving Credit Facility is intended to be used for general corporate purposes and was undrawn as at 1 January 2022. The group does not have an overdraft facility as at 1 January 2022 (2020: no facility).

At the period end, the Group had the following borrowing facility available:

| (£m) | As at 1 January 2022 | As at 26 December 2020 |
|---|---|---|
| **Undrawn facilities:** | | |
| 3-year committed revolving credit facility (expires March 2024) | **80.0** | – |
| | **80.0** | – |

In March 2022, a one year extension was obtained on the revolving credit facility, extending the expiry date to March 2025.

### Lease liabilities

**Obligations under finance leases**

The Group has finance in respect of retail stores, vehicles and office equipment. The leases are secured on floating charges over both the present and future assets of material subsidiaries in the Group. Leases, with present value liability of £742.1m (2020: £790.0m), expire in various periods to 2042 and carry an average incremental borrowing rates of 4.0% (2020: 4.0%). Rent in respect of retail stores leases are reviewed periodically with reference to RPI, subject to assorted floors and caps. The discount rate used are calculated on a lease by lease basis, and are based on estimates of incremental borrowing rates.

Changes in lease liabilities arising from financing activities are detailed in Movement in Net Debt note 24.

In the financial year, the Group recognised charges of £1.2m (2020: £1.3m) of lease expenses relating to short term and low value leases for which the exemption under IFRS 16 has been taken.

Some leases receive RPI increases on an annual basis which affects both the cash flow and interest charged on those leases. Except for this increase, cash flows and charges are expected to remain in line with current financial year.

See note 14 for more detail on the depreciation of the Right-of-Use (ROU) assets and note 7 for more detail on the interest expense relating to leases.

## 24 Movement in net debt

| (£m) | Cash and cash equivalents | Lease liability | Total |
|---|---|---|---|
| At 28 December 2019 | (25.4) | 855.0 | 829.6 |
| Cashflow | | | |
| Net cash advances to Travis Perkins group | 134.4 | – | 134.4 |
| Increase in cash and cash equivalents – other | (115.5) | – | (115.5) |
| Repayment of lease liabilities | – | (107.8) | (107.8) |
| Discount unwind on lease liability | – | 32.0 | 32.0 |
| Lease additions | – | 15.0 | 15.0 |
| Lease terminations | – | (4.2) | (4.2) |
| At 26 December 2020 | (6.5) | 790.0 | 783.5 |
| Cashflow | | | |
| Net repayments from Travis Perkins group | **(123.5)** | **–** | **(123.5)** |
| Increase in cash and cash equivalents – other | **6.6** | **–** | **6.6** |
| Repayment of lease liabilities | **–** | **(108.8)** | **(108.8)** |
| Discount unwind on lease liability | **–** | **31.3** | **31.3** |
| Lease additions | **–** | **35.5** | **35.5** |
| Lease terminations | **–** | **(5.9)** | **(5.9)** |
| **At 1 January 2022** | **(123.4)** | **742.1** | **618.7** |

| **Balances** (£m) | **As at 1 January 2022** | As at 26 December 2020 |
|---|---|---|
| Cash and cash equivalents | **(123.4)** | (6.5) |
| Current lease liabilities | **81.4** | 77.2 |
| Non-current lease liabilities | **660.7** | 712.8 |
| Net debt | **618.7** | 783.5 |

During the 53 weeks ended 1 January 2022, the Group received £123.5m cash settlement of certain intercompany balances owed by the Travis Perkins Group as part of the pre-Demerger Reorganisation. On settlement of these intercompany balances the Group derecognised an equivalent amount of the intercompany receivables due from the Travis Perkins Group.

# **Notes to the consolidated financial statements** continued

## 25 Provisions

| (£m) | Property | Warranty | Restructuring | Insurance | Total |
|---|---|---|---|---|---|
| At 28 December 2019 | 3.7 | 1.4 | 3.9 | 6.5 | 15.5 |
| Charge to income statement | 1.7 | 0.1 | 2.2 | 2.8 | 6.8 |
| Utilisation | (3.0) | – | (6.1) | (2.5) | (11.6) |
| At 26 December 2020 | 2.4 | 1.5 | – | 6.8 | 10.7 |
| Charge to income statement | **1.1** | **1.7** | **–** | **–** | **2.8** |
| Cash received from Travis Perkins in respect of dilapidations | **1.2** | **-** | **-** | **-** | **1.2** |
| Utilisation | **(1.0)** | **(1.0)** | **–** | **(0.5)** | **(2.5)** |
| **At 1 January 2022** | **3.7** | **2.2** | **–** | **6.3** | **12.2** |

| (£m) | **As at 1 January 2022** | As at 26 December 2020 |
|---|---|---|
| Current | **11.0** | 10.4 |
| Non-current | **1.2** | 0.3 |
| | **12.2** | 10.7 |

Property-related provisions primarily arise following the decision to close a branch where there is still an obligation to fulfil rate, insurance and dilapidation payments under the lease contract. The provision will be revised in future periods should the lease be terminated early or a subtenant found.

£1.2m was received from the Travis Perkins group in respect of dilapidations on a distribution centre previously leased by Travis Perkins and transferred to the Group in the year.

As set out in note 9, the Group recognised an adjusting charge relating to restructuring costs in the financial year ended 26 December 2020. The restructuring provision relates to these costs. It excludes property-related provisions and trade creditor amounts, which are presented separately.

The insurance claims provision represents management's best estimate, based on external advice, of the value of outstanding claims against it where the final settlement date is uncertain, in line with IAS 37. The Group has no material self insured claims.

All provisions as at 1 January 2022 other than £1.2m of property provisions are considered to be current and expected to be utilised at any time within the next twelve months.

## 26 Trade and other payables

| (£m) | As at 1 January 2022 | As at 26 December 2020 |
|---|---|---|
| Trade payables | **112.6** | 150.1 |
| Amounts owed to Travis Perkins group undertakings | **–** | 1.0 |
| Social security and other taxes | **8.9** | 15.0 |
| Other payables | **15.3** | 16.7 |
| Deferred income | **64.2** | 36.1 |
| Accrued expenses | **40.8** | 59.0 |
| **Trade and other payables** | **241.8** | 277.9 |

The accruals balance for the 52 weeks ended 26 December 2020 includes £32.6m in respect of the Government's Business Rates Relief arrangement. The Group announced in December 2020 that it would repay all support it received in 2020 under these schemes.

The deferred income balance represents amounts received directly from customers for goods and services where the Group has not fulfilled its performance obligations. Under the terms of the relevant contracts, sales made where third parties have provided finance to the customer do not give rise to deferred income.

# Notes to the consolidated financial statements continued

## 27 Dividends

| (£m) | As at 1 January 2022 | As at 26 December 2020 |
|---|---|---|
| Amounts recognised in the financial statements as distributions to equity shareholders are shown below: | | |
| – final dividend for the 52 weeks ended 26 December 2020 of nil pence (2019: nil pence) | – | – |
| – interim dividend for the 53 weeks ended 1 January 2022 of 2.1 pence (2020: nil pence) | **5.3** | – |

In the periods before the demerger date, dividend payment of £30.0m was recognised in the financial statements as distributions to the former sole shareholder, Travis Perkins Plc, in the 53 weeks ended 1 January 2022 (52 weeks ended 26 December 2020: £176.8m).

The dividends paid to Travis Perkins Plc were as a result of the reorganisation of the legal structure of the Wickes entities in preparation for the demerger. The dividends paid was in the form of an intercompany transfer, as a result no cash payment was made.

A final dividend of 8.8p is proposed in respect of the 53 weeks ending 1 January 2022. It will be paid on 8 June 2022 to shareholders on the register at the close of business on 22 April 2022 (the Record Date). The shares will be quoted ex-dividend on 21 April 2022.

Shareholders may elect to reinvest their dividend in the Dividend Reinvestment Plan (DRIP). The last date for receipt of DRIP elections and revocations will be 16 May 2022.

## 28 Share-based payments

The Group operates a number of share-based payment schemes for Executive Directors and other employees, all of which are equity settled.

The Group has no legal or constructive obligation to repurchase or settle any of the options in cash. The total cost in respect of LTIPs, SAYE and Free Shares recognised in the income statement was £3.8m in the financial year ended 1 January 2022 (2020: £1.7m). Employer's National Insurance (including Apprenticeship Levy and additional 1.25% Health & Social Care Levy in the tax year 2022/23) is being accrued, where applicable, at the rate of 14.3%, which management expects to be the prevailing rate at the time the options are exercised, based on the share price at the reporting date. The total National Insurance charge for the financial year was £0.7m (2020: £1.0m).

The total cost between each of the relevant schemes, together with the number of options outstanding are shown below:

| | 53 weeks ended 1 January 2022 | | | 52 weeks ended 26 December 2020 | | |
|---|---|---|---|---|---|---|
| Charge (£m) | Wickes Group Plc | Travis Perkins Plc* | Total | Wickes Group Plc | Travis Perkins Plc | Total |
| Long Term Incentive Plan | **0.9** | **0.3** | **1.2** | – | 0.7 | 0.7 |
| Transition Awards | **1.2** | **–** | **1.2** | – | – | – |
| Save As You Earn (SAYE) | **0.2** | **0.8** | **1.0** | – | 1.0 | 1.0 |
| Free Shares | **0.4** | **–** | **0.4** | – | – | – |
| | **2.7** | **1.1** | **3.8** | – | 1.7 | 1.7 |

| Number of options (thousands) | Wickes Group Plc | Travis Perkins Plc* | As at 1 January 2022 | Wickes Group Plc | Travis Perkins Plc | As at 26 December 2020 |
|---|---|---|---|---|---|---|
| Long Term Incentive Plan | **1,795** | **–** | **1,795** | – | 384 | 384 |
| Transition Awards | **1,617** | **–** | **1,617** | – | – | – |
| Save As You Earn (SAYE) | **5,434** | **–** | **5,434** | – | 1,070 | 1,070 |
| Free Shares | **882** | **–** | **882** | – | – | – |
| | **9,728** | **–** | **9,728** | – | 1,454 | 1,454 |

* to the date of demerger

A summary of the main features of the schemes are shown below:

### Long Term Incentive Plan

The Long Term Incentive Plan ('LTIP') is open to Executive Directors and designated senior managers, and awards are made at the discretion of the Remuneration Committee. Awards are subject to market and non-market performance criteria.

Awards granted under the LTIP vest subject to achievement of performance conditions measured over a period of at least three years and the Wickes Group Awards are in the form of nil-cost options as allowed by the Plan rules.

# Notes to the consolidated financial statements continued

## 28 Share-based payments continued

Vesting of awards will be dependent on financial and share price measures, as set by the Committee, which are aligned with the long-term strategic objectives of the Group and shareholder value creation. 30% of an award are based on share price measures. The remainder 70% are based on financial measures. At the threshold performance, no more than 20% of the award will vest, rising to 100% for maximum performance.

The charge in the period for LTIP includes an accrual of £0.6m for the Group's Deferred Share Bonus plan in respect of the bonus payable in shares for the period ended 1 January 2022.

On 28 September 2021, the Company granted a total of 1,795,194 options to the Executive directors and other senior management. The options will vest based on earnings per share ('EPS') (70%) targets for the financial year ending 30 December 2023 and relative total shareholder return ('TSR') (30%) targets on performance over the three year period to 31 August 2024. Upon vesting, the options will remain exercisable until 28 September 2031.

Travis Perkins costs and options are in respect of options on shares in Travis Perkins Plc held by the staff of Wickes Building Supplies Limited, now a subsidiary of Wickes Group Plc, up to the point of demerger. All these shares were accrued up to the date of demerger and available to be exercised.

### Transition Awards

On 28 September 2021, the Company granted a total of 1,616,863 Transition Awards as planned shortly after the announcement of the Company's half year financial results.

The Transition Awards shall ordinarily vest 50% on the first anniversary of the completion of the Demerger with the balance vesting on the second anniversary of the completion of the Demerger, 28 April 2022 and 28 April 2023 respectively.

Any awards made will be subject to the continued employment of recipients and for Executive Directors, a performance underpin.

### Save As You Earn

The Save As You Earn ("SAYE") is open to all Wickes Group employees. Vesting will be dependent on continued employment for a period of 3 years from grant. A maximum monthly contribution of £500 is permitted under the option scheme.

On 19 October 2021, the Company launched its first SAYE scheme. There are no performance conditions in respect of the scheme and the vesting date is 19 October 2024. Upon vesting, the options will remain exercisable for 6 months. The IFRS 2 charge has been calculated using an adjusted Black Scholes model with judgements including leavers of the scheme (employees who may cease to save) and dividend yields.

### Free Shares

Free Shares are free Wickes Shares which have been allocated to full-time and part-time employees and had a market value of £300 or £150 respectively.

### Fair value of options

The Black-Scholes option-pricing model is used to calculate the fair value of the options and the amount to be expensed. The probability of the performance conditions being achieved was included in the fair value calculations.

## 28 Share-based payments continued

The following information is relevant to the determination of the fair value of the awards granted for the 52 weeks ended 1 January 2022 under the schemes and, in the case of Travis Perkins, the options granted in the periods prior to the demerger are expressed as weighted averages:

| | 53 weeks ended 1 January 2022 | | | |
|---|---|---|---|---|
| The Group and Company: | LTIP (nil cost options) | Transition Awards | SAYE | Free Shares |
| Share price at grant date (pence) | **221.2** | **221.2** | **232.8** | **249.0** |
| Option exercise price (pence) | **–** | **–** | **196.0** | **–** |
| Option life (years) | **2.8** | **0.8** | **2.8** | **2.5** |
| Expected dividends as a dividend yield (%) | **2.5%** | **2.5%** | **2.5%** | **2.5%** |
| Risk free interest rate (%) | **0.4%** | **0.2%** | **0.7%** | **0.2%** |
| Volatility (%) | **26.8%** | **26.8%** | **26.5%** | **31.9%** |

If options remain unexercised after a period of 10 years from the date of grant, these options expire. Options are forfeited if the employee leaves the Group before options vest. SAYE options vest after three and expire 3½ years after the date of grant.

The expected life of options used in the model has been adjusted, based upon management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The risk-free interest rate of return is the yield on zero-coupon UK Government bonds on a term consistent with the vesting period. Dividends used are based on actual dividends where data is known and future dividends estimated using a dividend cover of three times (within the Board's target range).

Volatility is based on historic share prices over a period since the demerger date, when Wickes Group Plc joined the London Stock Exchange. Option life used in the model has been based on options being exercised in accordance with historical patterns. For LTIP are nil cost share options and the vesting period is three years.

**Travis Perkins Plc shares before Demerger**

| | 2020 | | |
|---|---|---|---|
| | Executive options | SAYE | Nil price options |
| Share price at grant date (pence) | 1,149 | 1,204 | 1,096 |
| Option exercise price (pence) | 1,144 | 898 | – |
| Option life (years) | 2.2 | 3.1 | 2.2 |
| Expected dividends as a dividend yield (%) | 2.5% | 2.5% | 2.6% |
| Risk free interest rate (%) | (0.1%) | 0.0% | (0.1%) |
| Volatility (%) | 42.5% | 42.4% | 42.6% |

If options remain unexercised after a period of 10 years from the date of grant, these options expire. Options are forfeited if the employee leaves the Group before options vest. SAYE options vest after three or five years and expire 3½ or 5½ years after the date of grant.

# Notes to the consolidated financial statements continued

## 28 Share-based payments continued

The expected life of options used in the model has been adjusted, based upon management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The risk-free interest rate of return is the yield on zero-coupon UK Government bonds on a term consistent with the vesting period. Dividends used are based on actual dividends where data is known and future dividends estimated using a dividend cover of three times (within the Board's target range).

Volatility is based on historic share prices over a period equal to the vesting period. Option life used in the model has been based on options being exercised in accordance with historical patterns. For executive share options the vesting period is three years.

### Income statement charge, shares granted and outstanding at the end of the period

A description of the share schemes operated by the Group is contained in the remuneration report on pages 91 to 95. The estimated fair values of the shares under option granted under the Group's share schemes in 2021 are shown below:

| Grant date – scheme | Expiry date | Exercise price (pence) | Share options (thousands) | Fair value for the Group (£m) |
|---|---|---|---|---|
| 28/09/2021 – Long Term Incentive Plan | 28/09/2031 | – | 1,795 | 2.5 |
| 28/09/2021 – Transition Awards | 28/09/2031 | – | 1,617 | 3.5 |
| 19/10/2021 – Save As You Earn plan | 19/04/2025 | 196 | 5,434 | 2.7 |
| 28/06/2021 – Free Shares | n/a | – | 882 | 1.5 |

The Group charged £3.8m (2020: £1.7m) to the income statement in respect of equity-settled share-based payment transactions.

The aggregate number of share awards outstanding for the Group and their weighted average exercise price is shown below:

| | 53 weeks ended 1 January 2022 | | | 52 weeks ended 26 December 2020 | | |
|---|---|---|---|---|---|---|
| | Weighted average exercise price (pence) | Number of options (thousands) | Number of nil price options (thousands) | Weighted average exercise price (pence) | Number of options (thousands) | Number of nil price options (thousands) |
| Outstanding at the beginning of the period | **932** | **1,108** | **346** | 791 | 640 | 105 |
| Exercised during the period | **932** | **(1,108)** | **(346)** | 1,024 | (84) | (19) |
| Forfeited during the period | **–** | **–** | **–** | 1,053 | (82) | (3) |
| Granted during the period – Travis Perkins Plc | **–** | **–** | **–** | 907 | 634 | 263 |
| Outstanding at end of period / before the date of the Demerger | **–** | **–** | **–** | 932 | 1,108 | 346 |
| Granted during the period – Wickes Group Plc | **109** | **5,434** | **4,294** | | | |
| Forfeited during the period – Wickes Group Plc | **90** | **(252)** | **–** | | | |
| Outstanding at the end of the period | **110** | **5,182** | **4,294** | | | |
| Exercisable at the end of the period | **–** | **–** | **–** | 1,530 | 33 | 2 |

## 28 Share-based payments continued

Details of the share options outstanding at 1 January 2022 are shown below:

| | 53 weeks ended 1 January 2022 | | | 52 weeks ended 26 December 2020 | | |
|---|---|---|---|---|---|---|
| | **LTIP** | **Transition Awards** | **SAYE and Free Shares** | Executive options | SAYE | Nil price options |
| Range of exercise price (pence) | **–** | **–** | **nil-196** | 743-1958 | 898-1616 | – |
| Weighted average exercise price (pence) | **–** | **–** | **169** | 1,241 | 921 | – |
| Number of shares (thousands) | **1,795** | **1,617** | **6,316** | 38 | 1,070 | 346 |
| Weighted average expected remaining life (years) | **2.8** | **0.8** | **2.8** | 1.6 | 2.2 | 0.9 |
| Weighted average contractual remaining life (years) | **9.8** | **9.8** | **3.2** | 9.2 | 2.4 | 9.3 |

## 29 Commitments

### Consignment stock

At 1 January 2022, the Group held consignment stock on sale or return of £9.0m (2020: £10.0m). The Group is only required to pay for the goods it chooses to sell and therefore this stock is not recognised as an asset.

### Capital commitments

Capital commitments comprise amounts payable under capital contracts which are duly authorised and in progress at the consolidated balance sheet date. They include the full cost of goods and services to be provided under the contracts through to completion. The Group has rights within its contracts to terminate at short notice and, therefore, cancellation payments are minimal.

Capital commitments at the end of the period are shown below:

| (£m) | **As at 1 January 2022** | As at 26 December 2020 |
|---|---|---|
| Contracted but not provided for in the accounts | **13.8** | 13.9 |

# Notes to the consolidated financial statements continued

## 30 Financial instruments

| The carrying value of categories of financial instruments (£m) | Note | As at 1 January 2022 | As at 26 December 2020 |
|---|---|---|---|
| **Financial assets:** | | | |
| Cash and cash equivalent | 21 | **123.4** | 6.5 |
| Trade and other receivables at amortised cost | 20 | **70.4** | 72.0 |
| Amounts owned by Travis Perkins group at amortised cost | 20 | **–** | 186.1 |
| | | **193.8** | 264.6 |
| **Financial Liabilities** | | | |
| Trade and other payables at amortised cost | 26 | **127.9** | 166.8 |
| Amounts owed to Travis Perkins group at amortised cost | 26 | **–** | 1.0 |
| | | **127.9** | 167.8 |

### Credit risk and impairment

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and financing institutes.

### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's exposure to credit risk from trade receivables is considered to be low because of the nature of its customers and policies in place to prevent credit risk occurring.

Most revenues arise from the Core business and DIFM projects. Core and DIFM business revenues give rise to trade receivables which are mainly financed by large reputable financing institutions, which have high credit worthiness. In 2020, the intercompany receivables represents amounts due from Travis Perkins Plc – a FTSE 250 business with a robust financial position. Prior to the demerger the intercompany receivables were settled in full.

The Group establishes an allowance for impairment that represents its expected credit loss in respect of trade and other receivables.

This allowance is composed of specific losses that relate to individual exposures and also an Expected Credit Loss (ECL) component established using rates reflecting historical information for payor groups, and forward looking information.

The ECL as at 1 January 2022 is £1.6m (2020: £0.6m).

Trade and other receivables exclude prepayments of £13.6m (2020: £3.5m).

Trade and other payables excludes taxation, social security, accruals and deferred income amounts totalling £113.9m (2020: £110.1m).

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

## 30 Financial instruments continued

### Fair value of financial instruments

Financial assets designated as FVTPL comprise foreign currency forward contracts and are measured using quoted forward exchange rates.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (ie as prices) or indirectly (ie derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There were no transfers between levels during the financial year. There are no non-recurring fair value measurements.

The Group held financial instruments measured at fair value as shown in the table below:

| (£m) | As at 1 January 2022 | As at 26 December 2020 |
|---|---|---|
| **Included in assets** | | |
| Level 2 | | |
| Foreign currency forward contracts at fair value through profit and loss | 0.7 | – |
| | 0.7 | – |
| Current assets | 0.7 | – |
| Non-current assets | – | – |
| | 0.7 | – |

### Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

### Interest rate risk

The Group is exposed to interest rate risk arising from fluctuations in market rates. This affects future cash flows from money market investments and the cost of variable rate borrowings such as the Revolving Credit Facility which currently undrawn. The Group did not have any loans or overdrafts facility during the 53 weeks ended 1 January 2022 (2020: none).

### Currency forward contracts

The Group acquires goods for sale from overseas, which when not denominated in sterling are paid for principally in US dollars. The Group has entered into forward foreign exchange contracts (all of which are less than eighteen months in duration) to buy US dollars to hedge the exchange rate risk arising from these anticipated future purchases. At the balance sheet date the total notional value of contracts to which the Group was committed was US$87.3.m (2020: nil). The fair value of these derivatives was £0.7m asset (2020: nil). These contracts are not designated cash flow hedges and accordingly the fair value movement has been reflected in the income statement.

# Notes to the consolidated financial statements continued

## 30 Financial instruments continued

### Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

### Liquidity analysis
The following table details the Group's liquidity analysis for its other financial liabilities. The table has been drawn up based on the undiscounted net cash flows on the derivative instruments that settle on a net basis and the undiscounted gross cash flows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest and foreign currency rates as illustrated by the yield curves existing at the reporting date.

The Group's contractual maturities, at as the balance sheet date, of financial liabilities:

| | | Maturity analysis | | | | |
|---|---|---|---|---|---|---|
| (£m) | Note | Carrying amount | Contractual cash flows | Within 1 year | Between one and five years | More than five years |
| **As at 1 January 2022** | | | | | | |
| Trade and other payables at amortised cost | 26 | **127.9** | **127.9** | **127.9** | **–** | **–** |
| Amounts owed to Travis Perkins group at amortised cost | 26 | **–** | **–** | **–** | **–** | **–** |
| Lease liabilities | 14 | **742.1** | **898.4** | **109.5** | **390.4** | **398.5** |
| | | **870.0** | **1,026.3** | **237.4** | **390.4** | **398.5** |
| **As at 26 December 2020** | | | | | | |
| Trade and other payables at amortised cost | 26 | 166.8 | 166.8 | 166.8 | – | – |
| Amounts owed to Travis Perkins group at amortised cost | 26 | 1.0 | 1.0 | 1.0 | – | – |
| Lease liabilities | 14 | 790.0 | 987.2 | 110.0 | 404.5 | 472.7 |
| | | 957.8 | 1,155.0 | 277.8 | 404.5 | 472.7 |

## 31 Related party transactions

### Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. They include the Board and Executive Committee, as identified on page 69.

### Key management compensation

| (£m) | 53 weeks ended 1 January 2022 | 52 weeks ended 26 December 2020 |
|---|---|---|
| Salaries and other short-term employee benefits | **1.6** | 1.9 |
| Post-employment benefits | **0.1** | 0.3 |
| Share based payments | **0.9** | 0.2 |
| Total | **2.6** | 2.4 |

During the period two Directors were members of a defined benefit pension scheme (2020: two).

In 2020, the total amounts received or receivable by Directors under long-term incentive schemes in respect of qualifying service in the period is £235,600. In 2020, the aggregate of gains made by the Directors in the period on the exercise of share options equated to £8,000.

Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration report on page 91.

The Group has a related party relationship with its subsidiaries, with its Directors and up to the date of the demerger had related party relationships with Travis Perkins Group companies. There have been no related party transactions with Directors other than in respect of remuneration. Transactions with the Travis Perkins Group companies relate to the purchase of goods and lease arrangements before the demerger date of 28 April 2021 and are detailed below. The Travis Perkins Group companies ceased to be related parties after the demerger date and therefore there are no further related parties transactions after that date.

Purchases of £0.9m (52 weeks ended 26 December 2020: £2.8m) were made from other entities in the Travis Perkins group, of which £nil (52 weeks ended 26 December 2020: £1.0m) remained due at the period-end. Rental payments of £0.9m (52 weeks December 2020: £4.7m) were made to other entities in the Travis Perkins group, of which £nil (52 weeks ended 26 December 2020: £0.2m) remained due at the period-end. Rental income of £0.4m (52 weeks ended 26 December 2020: £2.1m) was received, of which £nil (52 weeks ended 26 December 2020: £nil) remained due at the period-end.

## 32 Events after the reporting period

There have been no events to disclose after the reporting date.

# Company balance sheet

| (£m) | Notes | As at 1 January 2022 | As at 26 December 2020 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investment | C6 | **770.8** | 769.0 |
| **Total non-current assets** | | **770.8** | 769.0 |
| **Total assets** | | **770.8** | 769.0 |
| **Equity and Liabilities** | | | |
| **Capital and reserves** | | | |
| Issued share capital | 22 | **26.0** | 25.2 |
| EBT share reserves | 22 | **(0.8)** | – |
| Retained earnings | | **738.5** | 743.8 |
| **Total equity** | | **763.7** | 769.0 |
| **Current liabilities** | | | |
| Other payables | C8 | **7.1** | – |
| **Total current liabilities** | | **7.1** | – |
| **Total liabilities** | | **7.1** | – |
| **Total equity and liabilities** | | **770.8** | 769.0 |

The profit attributable to the owners of the Company for the financial year ended 1 January 2022 was £27.3m (2020: loss £118.5m).

The company's financial statements of Wickes Group Plc, registered number 12189061, were approved by the Board of Directors on 24 March 2022 and signed on its behalf by:

**David Wood**
CHIEF EXECUTIVE OFFICER

**Julie Wirth**
CHIEF FINANCIAL OFFICER

# Company statement of changes in equity

| (£m) | Issued share capital | Share premium account | EBT share reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **At 29 December 2019** | – | – | – | – | – |
| Loss for the period and other comprehensive loss | – | – | – | (118.5) | (118.5) |
| Allotment of shares | 25.2 | 862.3 | – | – | 887.5 |
| Share capital reduction | – | (862.3) | – | 862.3 | – |
| **At 26 December 2020** | 25.2 | – | – | 743.8 | 769.0 |
| Profit for the period and other comprehensive income | **–** | **–** | **–** | **27.3** | **27.3** |
| Issue of share capital | **0.8** | **–** | **(0.8)** | **–** | **–** |
| Dividends paid | **–** | **–** | **–** | **(35.3)** | **(35.3)** |
| Equity-settled share-based payments | **–** | **–** | **–** | **2.7** | **2.7** |
| **At 1 January 2022** | **26.0** | **–** | **(0.8)** | **738.5** | **763.7** |

# Notes to the Company financial statements

This section contains the notes to the Company financial statements. The issued share capital and EBT share reserves are consistent with the Wickes Group Plc Group Consolidated financial statements. Refer to note 22 of the Group financial statements.

## C1 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102 ("FRS 102") in conformity with the Companies Act 2006 and on an historical cost basis. The financial statements are presented in UK sterling and all values are rounded to the nearest million pounds (£m), except when otherwise indicated.

See note 1 for general information about the Company.

The financial statements have been prepared on a going concern basis as the Directors believe there are no material uncertainties that lead to significant doubt that the Company can continue as a going concern for at least 15 months from the date of approval of these financial statements (see the Going Concern section in note 1 for more detail).

The Company has used the exemption granted under s408 of the Companies Act 2006 that allows for the non-disclosure of the income statement of the Parent Company.

As the consolidated financial statements of the Group headed by the Company are prepared in accordance with International Financial Reporting Standards as adopted by the UK and include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Cash Flow Statement and related notes
- Key Management Personnel compensation
- Certain disclosures required by FRS 102.26 *Share Based Payments*
- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company did not have items to be reported as other comprehensive income; therefore, no statement of comprehensive income was prepared.

## C2 Significant accounting policies in this section

### Financial Instruments

Financial instruments and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

### Investment in subsidiaries

The Company's investments in subsidiaries are carried at cost less provisions resulting from impairment. Investments are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in operating profit in the profit or loss as a charge to administrative expenses.
In testing for impairment, the carrying value of the investment is compared to its recoverable amount, being its value-in-use.

Where indicators exist for a decrease in a previously recognised impairment loss, the prior impairment loss is tested to determine whether a reversal is required. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

### Share-based payments

The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings is recognised by the Company in its individual financial statements as an increase in its investment in subsidiaries with a credit to equity equivalent to the cost in subsidiary undertakings. The subsidiary, in turn, will recognise the cost in its income statement with a credit to equity to reflect the deemed capital contribution from the Company.

## C3 Key estimates and assumptions in this section

**Impairment testing of investments in subsidiaries**
The Company's investments in subsidiaries have been tested for impairment by comparison against the underlying value of the subsidiaries' assets based on a value-in-use calculated using current year cash flows, the Group's long term growth rate of 1.4%, and discounted using the Group's WACC. See note C6 for more detail.

## C4 Staff costs and Directors' remuneration

The Company had no employees during the financial year, except for the Directors. The information on compensation for the Directors, being considered as the key management personnel of the Company, is disclosed in note 31

## C5 Auditor's remuneration

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements.

## C6 Investment in subsidiaries

| (£m) | Subsidiary undertakings |
|---|---|
| Cost | |
| At 29 December 2019 | – |
| Additions – Investment in subsidiaries | 887.5 |
| **At 26 December 2020** | **887.5** |
| Additions – share based payments | 1.8 |
| **At 1 January 2022** | **889.3** |
| | |
| Impairment | |
| At 29 December 2019 | – |
| Impairment | (118.5) |
| **At 26 December 2020 and 1 January 2022** | **(118.5)** |
| | |
| Net book value | |
| At 26 December 2020 | 769.0 |
| **At 1 January 2022** | **770.8** |

Details of the Company's subsidiaries at the balance sheet date are in note 17 to the Group financial statements.

# Notes to the Company financial statements continued

## C6 Investment in subsidiaries continued

At the financial year end, investments in subsidiaries were reviewed for indicators of impairment.

Management acknowledged two indicators of impairment at the period end, being that the net assets of the Company are higher than that of the Group's consolidated net assets, and the investment value is higher than the market capitalisation. An impairment review was therefore performed with no impairment arising.

The impairment review calculates the value in use of the investment by taking the current year cash flows earned by the Group and growing these into perpetuity using the Group's long term growth rate of 1.4% and pre-tax discount rate of 10.5%. The following reasonably possible changes to the key assumptions would result in the value in use being equal to the carrying value of the investment, and any further change would result in impairment.

| Assumption | |
|---|---|
| Discount rate | Increase by 0.8% to 11.3% |
| Medium and long term growth rate | Reduce by 0.6% to 0.8% |
| 2022 forecast cash flows | Reduce by 6% |

## C7 Capital management and financial instruments

The capital structure of the Company comprises issued capital, reserves and retained earnings as disclosed in the Company statement of changes in equity totalling £763.7m (2020: £769.0m) as at 1 January 2022.

### Credit risk

As at 1 January 2022, the Company had no amounts owed (2020: £nil). The Company's maximum exposure to credit risk is £nil (2020: £nil).

### Liquidity risk

The Company finances its activities through its investments in subsidiary undertakings.

The Company anticipates that its funding sources will be sufficient to meet its anticipated future administrative expenses and dividend obligations as they become due over the next 12 months.

### Market risk

As at 1 January 2022, the Company had short-term payables of £7.1m (2020: £nil) owed to subsidiary undertakings, which are repayable on demand and bear no interest. The Directors do not perceive that servicing this debt poses any significant risk to the Company given its size in relation to the Company's net assets.

## C8 Related party transactions

The Company's subsidiaries are listed in note 17 to the Group financial statements. The following table provides the Company's balances that are outstanding with subsidiary companies at the balance sheet date:

| (£m) | As at 1 January 2022 | As at 26 December 2020 |
|---|---|---|
| Amounts owed to subsidiary undertakings – Wickes Building Supplies Limited | 7.1 | – |
| | 7.1 | – |

The amounts outstanding are unsecured and repayable on demand.

## C8 Related party transactions continued

The following table provides the Company's transactions with subsidiary companies recorded in the profit for the financial year:

| (£m) | 53 weeks ended 1 January 2022 | 52 weeks ended 26 December 2020 |
|---|---|---|
| Amounts invoiced by subsidiaries | (7.1) | – |
| Dividend received from subsidiaries | 35.3 | – |
| | 28.2 | – |

Amounts invoiced to/by subsidiaries relate to general corporate purposes.

**Directors' remuneration**

The remuneration of the Directors of the Company is set out below. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration report on page 91.

| (£m) | 53 weeks ended 1 January 2022 | 52 weeks ended 26 December 2020 |
|---|---|---|
| Salaries and other short-term benefits* | 1.6 | – |
| Post-employment benefits* | 0.1 | – |
| Share-based payments* | 0.9 | – |
| | 2.6 | – |

* Emoluments and share-based payment charges for the Executive Directors are borne by a subsidiary company, Wickes Building Supplies Limited, and recharged to Wickes Group Plc. Please refer to note 28 of the Group consolidation statements.

**Directors' interests in share-based payment schemes**

Refer to note 28 to the Group financial statements for further details of the main features of the schemes relating to share options held by the Executive Directors and Senior Management Team.

**Other transactions**

During the financial year, the Company did not make any purchases in the ordinary course of business from an entity under common control.

## C9 Events after the reporting period

There have been no events to disclose after the reporting date.

# Shareholder information

### Managing your shares
The Company's share register is managed by our Registrar, Link. Shareholders can manage their shareholdings online through the Link shareholder portal at www.signalshares.com. The benefits of managing your shareholding online include the ability to:

| | |
|---|---|
| View your holding balance and get an indicative valuation | Update your address |
| View movements on your holding | Register and change bank mandate instructions for dividends to be paid |
| View the dividend payments you have received | Elect to receive shareholder communications electronically |
| Cast your proxy vote online | Access a wide range of shareholder information including the ability to download shareholder forms |

You will need your shareholder reference number to register. This can be found on your share certificate or dividend confirmation.

Alternatively you can contact our registrar at:

Link Group
10th Floor, Central Square
29 Wellington Street
Leeds LS1 4DL
Tel: +44 (0)371 664 0300*

**Email:** enquiries@linkgroup.co.uk

### Shareholder communications
We encourage our shareholders to view shareholder communications, including the Annual Report and Accounts, electronically in order to minimise our impact on the environment and reduce costs.

If you currently receive communications in paper form and would like to switch to electronic communications you can do this by visiting the Link Shareholder portal at www.signalshares.com or by contacting Link.

### Financial calendar
The key events in our financial year will be posted on our website at www.wickesplc.co.uk

### Annual General Meeting ("AGM")
The AGM is an important event that gives us an opportunity to engage with our shareholders. Our 2022 AGM is scheduled to be held on 26 May 2022 at 9.00am. However, given the current unpredictability due to the pandemic this may be subject to change. Details about the meeting and how to participate will be available in the Notice of Meeting which will be posted on our website at www.wickesplc.co.uk

### Dividends
An interim dividend of 2.1 pence per Ordinary share was paid on 1 November 2021. Shareholders will be asked to approve a final dividend for the financial year ended 1 January 2022 at the AGM. If approved a dividend of 8.8 pence per share will be paid on 8 June 2022 to shareholders on the register on the record date of 22 April 2022.

### Paperless dividends
In line with our ambition to reduce our environmental impact and in line with market practice, we are moving to payment of cash dividends through direct payment to shareholder bank accounts in 2022. This means that you will no longer be able to receive payment of dividends by cheque and a consolidated tax voucher for each tax year will be available electronically.

If you currently receive your dividends by cheque you will need to register your bank details with Link via the shareholder portal www.signalshares.com or by contacting Link (contact details under 'Managing your shares'). Further information about this change will be included with the final dividend notices for the year ended 1 January 2022.

### Dividend Reinvestment Plan
You can choose to have any cash dividends paid reinvested in further Wickes shares through the Dividend Reinvestment Plan. You can join the Dividend Reinvestment Plan via the Link shareholder portal www.signalshares.com or contact Link for details.

### ShareGift
ShareGift is a charity share donation scheme for shareholders who may wish to dispose of a small quantity of shares where the market value makes it uneconomic to sell on a commission basis. The scheme is administered by the Orr Mackintosh Foundation and further information can be obtained by contacting them:

**Telephone:** 020 7930 3737
**Email:** www.sharegift.org

### Shareholder security
If you receive any unsolicited phone calls or correspondence concerning investment matters you should get the name of the person and organisation and check that they are properly authorised by the FCA – visit https://register.fca.org.uk/s/

If you think something is not right, report it to the FCA by calling 0800 111 6768.

More detailed information can be found on the FCA website www.fca.org.uk/scamsmart

* Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9am-5:30pm, Monday to Friday excluding public holidays in England and Wales.

# Glossary

**Adjusted EBITDA** – Adjusted EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation and before adjusting items. Adjusting items are defined as those items of income and expenditure that are material in size or unusual in nature or incidence, and in the current year such items relate to separation and demerger costs and certain store impairments, as set out in more detail in Note 9. Removal of such adjusting items allows the reader to understand the impact of the separation and demerger project separately from the performance of the underlying business.

**AGM** – Annual General Meeting

**BRC** – British Retail Consortium

**CAGR** – Compound Annual Growth Rate

**CDP** – Carbon Disclosure Project

**CEO** – Chief Executive Officer

**CFO** – Chief Financial Officer

**CGU** – Cash generating unit

**DIFM** – Do-it-for-me

**DIY** – Do-it-yourself

**DRR** – Directors' Remuneration report

**DTR** – Disclosure Guidance and Transparency Rules

**EBT** – Employee Benefit Trust

**ECL** – Expected credit loss

**EMS** – Environmental Management System

**EPS** – Earnings Per Share

**ESG** – Environmental, Social, Governance

**EV** – Electric vehicle

**FCA** – Financial Conduct Authority

**FCF** – Free cash flow

**FPPP** – Financial Position and Prospects Procedures

**FRC** – Financial Reporting Council

**FTE** – Full-time equivalent

**GHG** – Greenhouse Gas

**H&S** – Health and safety

**HGV** – Heavy goods vehicle

**IFRS** – International Financial Reporting Standards

**KPI** – Key performance indicator

**LED** – Light-emitting diode

**LFL** – Like-for-like

**LIBOR** – London Interbank Offered Rate

**LR** – Listing Rules

**NED** – Non-executive Director

**PIE** – Public Interest Entity

**Plc** – Public limited company

**REACH** – Registration, Evaluation, Authorisation and Restriction of Chemicals

**RIDDOR** – Reporting of Injuries, Diseases and Dangerous Occurrences Regulations

**ROCE** – Return on Capital Employed

**RSB** – Responsible Business Strategy

**RPI** – Retail Prices Index

**SASB** – Sustainability Accounting Standards Board

**SAYE** – Save As You Earn

**SECR** – Streamlined Energy and Carbon Reporting

**SID** – Senior Independent Director

**SIP** – Share Incentive Plan

**SKU** – Stock Keeping Unit

**SVHC** – Substance of very high concern

**TCFD** – Task Force for Climate-related Financial Disclosures

**TSR** – Total Shareholder Return

**VOC** – Volatile organic compound

# Alternative Performance Measures

### Stock turn

Stock turn is defined as the cost of goods sold divided by the average of year start and year end inventory. It is a measure of how effective we are in converting our stock into sales.

Stock turn is calculated as follows:

Financial year ended 1 January 2022

| | | | | |
|---|---|---|---|---|
| Cost of goods sold | 829.1 | 706.1 | 672.9 | 636.8 |
| Opening stock | 138.3 | 150.4 | 147.8 | 150.7 |
| Closing stock | 188.2 | 138.3 | 150.4 | 147.8 |
| Average stock | 163.3 | 144.4 | 149.1 | 149.3 |
| **Cost of goods sold divided by average stock** | **5.1** | **4.9** | **4.5** | **4.3** |

### Adjusted EBITDA

53 weeks ended 1 January 2022

Adjusted EBITDA is calculated as follows:

| | |
|---|---|
| Adjusted operating profit | 116.3 |
| Add back depreciation of property, plant and equipment | 19.1 |
| Add back depreciation of right of use assets | 78.1 |
| Add back amortisation | 5.2 |
| **Adjusted EBITDA** | **218.7** |

| | |
|---|---|
| **Net debt/Adjusted EBITDA** | **2.8** |

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