

## **Section 172 statement – The Board’s approach**

### ***Policies and Practices***

The Board’s objectives continue to be to maximise the long-term value and revenue streams for the Group’s shareholders, to create secure and rewarding employment for its people and to deliver a high quality service to its customers. The Board considers its shareholders, customers and colleagues to be the Group’s key stakeholders.

The Connells Group aims to deliver sustainable and growing revenues from efficient operations supported by a lean management cost structure, which enables the Group to adapt to market opportunities. Connells recognises that the housing market is cyclical and can vary widely from one location to another. Across the Group, local entrepreneurship is actively encouraged and supported. This “grass roots” awareness of customer service and profit management has been at the core of Connells’ success and is a key component to its future strategy.

The Group aims to grow its operations through both new branch openings and via acquisitions. Where a good strategic fit exists, the Group proactively explores the acquisition of smaller regional players, who are often market leaders in their locality.

### ***Corporate Governance***

The Board is responsible for determining the Group’s strategy for managing risk and overseeing its systems of internal control. The ongoing effectiveness of these internal controls is reviewed by the Board’s Audit & Risk Committee on a regular basis. The Group maintains appropriate standards of corporate governance in order to conduct its business in a prudent and well organised manner. The Board’s approach is based on the principles and provisions of the UK Corporate Governance Code (the Code) published by the Financial Reporting Council. The Board’s philosophy is to comply with the Code where it applies to the Group, and its compliance is reviewed annually.

### ***Employee matters***

The Connells Group seeks to attract great people and make sure they are highly engaged in an environment where they can perform to high expectations and have the opportunity for a long, rewarding and fulfilling career.

In order to help achieve this, the Group seeks direct feedback from its workforce on areas such as leadership, reward, trust, respect, well-being and communication. In 2020 the Group carried out an externally facilitated employee engagement survey in which all colleagues were invited to participate. The analysis of the results will enable the Board to make well-informed decisions about where to focus attention to best effect. The Board will also involve groups of employees in such development activities. During 2020, despite colleagues being placed on furlough, the Group maintained regular communications with all its people and agreed, from March to July, to pay everyone 100% of their basic salary plus commissions earned; well above the Government’s minimum requirement under the CJRS scheme.

The Group has a number of policies and practices in place to help ensure that the working environment encourages trust, respect, recognition and good communication. These include, for example, structured career pathways, dignity at work, equal opportunities and a well embedded fire, health, safety and welfare policy. In addition, the Board aims to promote a diverse and inclusive culture, and provide training to support mental health awareness. Remuneration structures are designed to reward high performance. The Group’s modern slavery policy supports the objectives of the Modern Slavery Act 2015, further details of which can be found on the Group website. Group policies are reviewed and monitored regularly to ensure they remain appropriate and fit for purpose. Throughout the Covid-19 pandemic, the Group has sought to operate with the safety of its colleagues and customers being its priority. It has invested heavily in PPE, provided extensive training to all its people and implemented a number of Covid-secure standards across the business.

The Group is committed to ensuring that there are no instances of bribery or corruption throughout the business. Group policies exist, drafted in line with best practice, to prohibit the offering, giving, solicitation or the acceptance of any bribe to or from any person or company by any individual employee, agent or other person or body acting on behalf of the Group. The policies are readily available for employees to view on the internal intranet and employees are required to receive annual refresher training to ensure they can recognise and prevent the use of bribery.

### ***Social matters***

The Group is firmly committed to delivering good outcomes for all customers. This means ensuring that the range of products and services offered meet the needs of customers, that the ‘end to end’ processes for delivering these services are appropriate and effective, and that our people always have our customers’ best interests at heart. Management seek to develop and maintain this ethos within the culture of the business overall.

Our Connells Residential and Sequence estate agency businesses have enjoyed long-standing partnerships with the National Society for the Prevention of Cruelty to Children (NSPCC) and CLIC Sargent respectively, from 2001 until 2021. During this period, over £500,000 has been raised for both charities through a number of individual, company-wide and head office function fundraising efforts.

In January 2021, the Group launched a new charity partnership with Mind UK, which combines the efforts of Connells Residential and Sequence, together with supporting head office functions. Mind UK is the leading mental health charity in England and Wales (SAMH – Scottish Association for Mental Health – in Scotland), providing advice and support to empower anyone experiencing a mental health problem. The charity campaigns to improve services, raise awareness and promote understanding, and provide support directly to those who need it most. This is a cause that has really resonated with our workforce, particularly at this time, and the Group will provide support through a range of fundraising activities and campaigns across the network.

The Group also participates in supporting national charitable events such as Comic Relief, Children in Need, Jeans for Genes, Wear it Pink and Macmillan Coffee Morning, and on a local level, the head offices based in Leighton Buzzard work with various partners on local community initiatives. A number of subsidiaries also have their own charity partnerships.

### ***Environmental matters***

The Board recognises that, as a responsible business, it has an obligation to operate in a manner that minimises the Group's impact on the environment. We operate in a sector that has a relatively low carbon footprint, however we follow relevant environmental legislation in carrying out our business; and Group policy is to seek to minimise our contribution to environmental damage and maximise our contribution to safe recycling and reprocessing of waste materials.

The Group Environmental Policy outlines the ways in which the Group reduces the use of paper, utilises recycling options, reduces pollution and levels of energy use. Initiatives such as the progressive reduction in company car CO<sub>2</sub> emissions, the replacement of lighting with low energy units and the roll out of smart electricity and gas meters are examples of the Group's commitment to operating in an environmentally sustainable way.

### ***Business relationships***

The Group closely monitors all of its business relationships in order to allow it to provide its customers with excellent service across the range of services offered. It assesses, on an ongoing basis, the risks of adverse impact on its customers, people and the environment in which the Group operates as a result of these relationships, or as a result of its policies.

Relationships with key suppliers are closely monitored to ensure services are being provided in line with the terms of documented agreements. Performance of key suppliers, along with associated risks to the Group and the environment are regularly assessed with options for improvement considered where available. Regular reviews of adherence to key policies, such as Modern Slavery and GDPR, are undertaken.

Board members and Senior Managers are engaged when negotiating terms with key suppliers and will often attend strategic review meetings to guide the future approach with that supplier.

The Group's services are primarily delivered through its high street branch network, with support from centralised customer service teams who help ensure the delivery of positive customer outcomes. Customer interactions are underpinned by a range of proactive communications and online tools which support and inform customers by providing them with timely updates, useful guides and visibility of their transaction at each stage of the home buying, selling and renting journey.

The Group actively engages with its customers at key points during their transactions, through review platforms and customer care teams, to measure and maintain the quality of its service delivery. The Group continues to support industry initiatives that seek to improve and speed up the home buying process for the benefit of customers and other key stakeholder groups.

### ***Decision making***

The Board meets monthly and makes decisions which promote the success of the Group and its stakeholders. Proposals are discussed in detail, approved and documented by the Board which ensures key decisions are taken considering the Group's risk management framework detailed below. Examples of key decisions taken during 2020 include:

- The Board agreed the furloughing of colleagues during the Covid-19 pandemic and consequent use of the CJRS. The Board also agreed to top up furloughed colleagues pay to 100% of their basic salary plus commissions earned. These decisions were made to continue to provide employment for as many people as possible and maintain the strength of the Group during the crisis.
- As explained further in note 24, the Group acquired four small businesses during the year. The acquisitions support the strategy of acquiring good businesses either in new locations or that enhance our presence in existing postcodes. The acquisitions were made out of existing cash reserves.
- The annual corporate plan was approved following a robust and comprehensive review process. It was decided the plan would promote the success of the Group.
- Approved interim dividends – Meeting shareholder dividend expectations is a top priority to ensure the funds are able to benefit the wider Skipton Group. The corporate plan indicates the dividend level to be sustainable and still allow the Connells Group to invest in growth, and meet the needs of its pension scheme members.
- The Board also reviewed the draft pensions scheme triennial valuation during the year and has agreed to contribute a lump sum of £20m into the Scheme, by 31 March 2021, together with continuing ongoing deficit contributions in order to reduce the deficit; and has also agreed a 15 year journey plan with the Trustee aimed at restoring the Scheme to being fully funded. The decisions were made to reduce the Group's significant liability and ensure that pension promises to current and former colleagues continue to be met.
- In December 2020 the Board agreed to make an offer to purchase the entire share capital of Countrywide plc for a cash consideration of £134.1m. The Board also agreed, as part of this acquisition, to enter into a loan with its parent, Skipton Building Society, for £253.0m to fund the purchase and enable it to extinguish existing debt within Countrywide. The Board concluded that the returns available from this investment were attractive and would benefit all stakeholders.