



Superdrug Store plc (the “Company”)

Companies Act 2006 Section 172 (1) Statement

Under section 172 (a) to (f) of the Companies Act 2006, directors of a company are required to act in a way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, having regard to a range of different matters as stated therein.

The duty emphasises that the board of directors must consider the wider impact of its decisions, rather than just the financial and strategic elements. The board should also create a culture whereby the long-term consequences of its actions and the long-term success of the company are given due consideration.

(i) The likely consequences of any decision in the long term

It is essential that the Board makes decisions which are best for the Company in the long term. These decisions are focussed on long-term success, not short-term gains, which will stand the Company in good stead for the future. This has been a major focus for a number of years, particularly in light of the pressure on the high street as a result of the struggling retail market.

The Company works closely with its shareholder and stakeholders to review, update and agree its five-year strategy each year. Consideration is given to the changing retail landscape and investments that may be needed to support future growth as well as financial projections. The strategy is formally signed off by the Board each year, which then forms the basis for the operating plans to deliver against the agreed targets.

The Investment Committee of the Company, chaired by the Chief Executive and supported by the Finance Director, holds regular meetings to ensure all significant spend decisions have a comprehensive review before decisions are taken and contracts are signed. This also ensures, to the extent possible, that commitments with sufficient flexibility or otherwise only minimum commitments will be entered into by the Company, so as to allow the Company to remain agile in an ever-changing environment at a time where the nature of the high street is changing rapidly across various town centres.

(ii) The interest of the employees of the Company

The relationship with the employees of the Company is paramount. The Company actively engages with its employees to ensure that their opinions and ideas are always considered, and that employees are kept up to date and informed. The Company holds an annual conference for Store Managers and Assistant Store Managers to provide an update on the current performance and future plans of the Company. Regular conferences are also held for Head Office employees, and equivalent ‘all hands’ meetings also take place at its Distribution Centres.

All employees have access to a social networking platform, which is used for Company communication, as well as sharing less formal messages with each other on store events, like charity fundraising. Access to this collaborative network helps to drive employee engagement. Throughout the year employees receive regular communication and updates from the Chief Executive and other members of the Executive team so that they are kept up to date and informed of business action, and of the impact of the situation on business performance.

The Company has a diversity and inclusion strategy, "Everyone Matters", which remains a key priority across the business. The Company also has an employee engagement survey which allows the business to gain feedback to improve the things that matter most to employees, launching new policies, toolkits, and benefits to enhance its wellbeing and inclusion offering.

Employee wellbeing is very important to the Company and it strives to create a positive environment that empowers and takes care of employees' overall wellbeing. Benefits are offered across financial, social, physical and mental wellbeing. During the year, mental health training and free period products were launched for all employees. The Company was ranked the 5th happiest retailer to work for in a survey by Retail Weekly. The Company also enhanced various employee benefits during the year including the introduction of a pregnancy loss scheme. Other benefits that have been enhanced include paternity leave and shared parental/adoption leave.

The Company is also a strong supporter of its defined benefit pension scheme, taking seriously its responsibilities to ensure the retirement obligations are funded and secured appropriately for its employees. The Finance Director and the Customer & People Director meet with the Trustees of the scheme on a quarterly basis to this end.

(iii) The need to foster the business relationships of the Company with suppliers, customers and others

In all instances the Company aims to create and maintain open and transparent business relationships, which are paramount to ensuring high quality products can be obtained on terms that can meet customer demand. The directors are also mindful of the need to maintain, and enhance, good supplier relationships in the strategy they deliver for the Company.

The Company participates in regular independent surveys across its key suppliers, seeking feedback on matters such as clarity of strategy, business practices and payment performance. The Chief Commercial Officer, Trading Director and Healthcare Director also hold regular "top to top" meetings with major suppliers to ensure that open communication channels and positive business relationships are maintained.

The Company acknowledges the importance of its customers to the continued and long-term success of the business, and places great emphasis on customer experience whilst shopping. Through the Company's loyalty scheme, store level surveys are undertaken on a weekly basis with customers to gain real-time feedback with a view to improving customer service.

(iv) The impact of the operations of the Company on the community and the environment

The Company has appointed a Head of ESG to drive its wider sustainability strategy which is headed by the Property Director and the People Director under the banner of "Doing Good Feels Super", which provides central oversight to all the ESG activities of the Company. Additionally, the Chief Executive represents the Company on the global AS Watson Group CSR Committee ensuring that the Company benefits from group-wide expertise and resources in this important area.

The Company has 3 strategic pillars for ESG which are Planet, People and Product along with a local Sustainability Roadmap. The Sustainability Roadmap includes qualitative targets up to 2030 including, but not limited to, energy and greenhouse gas emissions reductions. The Company is committed to being an ethical business and focussing on human rights. The Company has a Modern Slavery Task Force and publishes a modern slavery statement. The Company also partners with a UK modern slavery NGO (non-governmental organisation) to support in reducing the risk of modern slavery within the business.

During the year the Company won a gold and two bronze awards for its long-term charity partnership with Marie Curie at the Corporate Engagement Awards. The award is testament to the strength of the Superdrug and Marie Curie charity highlighting the strong employee engagement centred on fundraising.

(v) The desirability of the Company maintaining a reputation for high standards of business conduct

The Company expects the highest standard of business conduct from its employees. They receive regular regulatory and compliance updates, and the Company also has in place policies, procedures and processes in respect of modern slavery, anti-bribery and corruption, as well as tax strategy.

All employees sign up to the AS Watson Code of Conduct upon joining the Company, which sets out the minimum standards for all employees of the AS Watson Group of companies. The Code aims to promote honest and ethical conduct and encourage trust, fair dealing and integrity in all interactions with customers, suppliers, colleagues and stakeholders.

(vi) The need to act fairly as between members of the Company

The Company works closely with its shareholder; agreeing the strategic direction, reviewing financial performance and major investment decisions, and maintaining an open communication on matters of importance. Such approach drives benefits for both the Company and its shareholder.

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