

# Homebase Corporate Governance Statement

## Corporate Governance Report

For the year ended 29 December 2019, Homebase (UK & I) Group Limited and its subsidiaries including HHGL Limited, Homebase Rooms Limited, Hampden Group Limited and HHGL (ROI) Limited (together “Homebase”) are subject to the Companies (Miscellaneous Reporting) Regulations 2018 and have applied the Wates Corporate Governance Principles for Large Private Companies.

### Principle 1 – Purpose and leadership

Homebase was founded in 1979 and is a home improvement and garden centre retailer with 166 stores across the United Kingdom and Republic of Ireland. Homebase’s purpose, as approved by the board in 2019, is to “inspire customers to create a home they love” with the key values of “inspiring, simple and together”. The board ensures that Homebase’s values and strategy are regularly communicated to team members through bi-annual roadshows, annual conferences and regular updates and team huddles.

Homebase is committed to corporate responsibility and ethically sourcing products it sells in its stores and publishes on its website policies on timber sourcing and sustainability, its supplier ethical code of conduct and its modern slavery statements. Homebase promotes community engagement and is proud to support Macmillan Cancer Support and Irish Cancer Society as its charity partners. Homebase promotes a wide ranging health and safety programme called “Homesafe” ensuring all customers and team safety requirements are the highest priority.

Homebase’s shareholder is actively engaged in the strategy of Homebase and encourages the promotion of its values and purpose.

### Principle 2 – Board Composition

The board is made up of the Chief Executive Officer and Chief Financial Officer and three representatives from the shareholder. The day-to-day operations of Homebase are controlled by the operating board made up of the Chief Executive Officer, Chief Financial Officer, Commercial Director, Finance Director, Operations Director and supported by an independent Chairman. The wider senior leadership team reflects a broad range of skills and experience with a good gender balance.

The board have equal voting rights and all directors have access to the general counsel and company secretary for advice. The board is fully involved in the running of Homebase and ensuring the delivery of its strategy.

Homebase has a separate Chairman and Chief Executive Officer to ensure there is a balance of experience and knowledge across the Homebase group. The Chairman brings experience of working with Homebase’s shareholder as well as other retailers which helps to create a good balance of skills and experience on the board.

### Principle 3 – Director Responsibilities

The board meets on a monthly basis to discuss a formal schedule of matters that include health & safety, risk, compliance, major investments, corporate governance, financial performance, strategy and operations. If there are any potential conflicts, these would be raised and appropriate safeguards put in place.

### Principle 4 – Opportunity and Risk

At regular intervals Homebase’s board identifies and assesses future opportunities which align with the group’s strategy.

The board has overall responsibility for Homebase’s approach to strategic decision making and the effective management of risk. The ‘Health & Safety and Risk’ committee meets regularly and considers

current and emerging risks and ensures they are monitored and/or mitigated in an appropriate and timely way. Risk is dealt with in each monthly board meeting with any areas of particular concern being discussed and appropriate actions agreed by the board.

### **Principle 5 – Remuneration**

Remuneration is regulated by Homebase's shareholder, including the level of any annual pay increases and design of employee incentives schemes. Any out of cycle pay increases are signed off by a board member.

Homebase regularly reviews the pay and remuneration of Team Members in comparable roles. Remuneration for senior executives is directly linked to performance both at an individual and Company level and is designed to incentivise the delivery of the Homebase strategy, drive the right long-term behaviours and attract and retain the right calibre of individuals.

### **Principle 6 – Stakeholder Relationships and Engagement**

Homebase has a good relationship with its stakeholders as can be seen in the s.172 statement below.

## **s172 statement**

The Group believe that stakeholder engagement is a key element of delivering a sustainable Homebase business. Through monthly meetings the board have identified several key stakeholders and their priorities, helping shape the strategic direction of Homebase.

Decisions and actions taken by the Group are with the best interest of the key stakeholders in mind. Set out below are actions and decisions taken by the board in respect of the key stakeholders: team members, customers, suppliers, communities and investors.

### **Team members - make it happen**

Team members are the window into Homebase for customers and are critically important in ensuring that customers understand and experience the Homebase brand, culture and values. Homebase employs over 5,600 team members across the UK and the Republic of Ireland, and they are key to success. Homebase invest heavily in team member training and upskilling to ensure they have the knowledge and skills to advise customers at every stage of their journey. In 2020 Homebase trained all team members in the 'You are the Difference' customer services programme, to support team members across all parts of Homebase to better serve customers. The Homebase performance is positively influenced by their commitment, diversity, engagement and open feedback to other team members and the board.

The pandemic has adapted the way Homebase communicate with team members, with virtual updates and conferences taking place as well as utilising tools that exist within Homebase such as the newly launched Hive intranet and communication forum.

### **Examples of engagement with team members**

- Weekly team huddles and conference calls lead by senior team leaders and board members;
- Monthly business updates;
- Bi-annual engagement surveys;
- Events to celebrate success such as personal messages from the board and senior Managers; and
- Annual Group conference and board roadshows to engage with team members in every store.

### **Team priorities**

From listening to team members, Homebase understand what is important to them. Some of the most

important priorities for team members are:

- Feeling valued and proud of how the Group conducts its business;
- Having access to training and career opportunities;
- Feeling safe and respected in the workplace;
- A good rewards and benefits package; and
- Knowing Homebase has a strong focus on environmental and social responsibility.

#### Board engagement

At the Store Support Centres, and now virtually, the board hold regular huddles to discuss the progress of Homebase and invite questions from the team members on anything they believe is important.

The board visit stores on a weekly basis with not all visits announced in advance. During visits board members hold a huddle to update store team members on Homebase's progress and invite the team to ask questions. In 2020 the frequency and format of visits evolved to adhere to the prevailing government guidance at the time, with some visits being held virtually to limit unnecessary and long-distance journeys.

The board work closely with team members across the Group to find ways to reduce complexity, making Homebase simpler and allowing all team members to focus on serving customers better.

#### **Customers - Inspiring customers to create a home they love**

Customers are at the heart of everything Homebase does, helping every customer to create a home they love. Homebase aims to inspire customers with new and continually expanded product ranges and deliver both an in store and digital experience that allows them to tap into the team member's expertise right across the store from smaller home improvements and garden projects, through to bigger makeovers such as kitchens and bathrooms. The aim is to bring all this together to make Homebase the go to place for the inspiration, expertise and products customers need to turn ideas into reality, taking their home and garden projects from start to finish.

As part of the planning for the refit of the Luton store customer listening groups took place to understand what they like about Homebase and what could be improved. This feedback shaped the planning of the store and the same group of customers reviewed the results just before the opening to see how their feedback and ideas had come to life. The feedback was extremely positive and provided direction for subsequent refits.

#### Engagement with customers

- Regular listening groups;
- Brand building and inspiration through advertising and sponsorship of carefully selected TV programmes which align to the Homebase home and garden ranges;
- Inspiring customers by providing creative product placement in key decorative, garden and lifestyle media;
- Project ideas and inspiration delivered creatively through the website, social media channels and emails; and
- In store team of helpful experts many of whom are City & Guilds accredited in gardening and Kitchen design.

#### Customer priorities

From listening to customers, Homebase understand what is important to them. Some of the most important priorities for customers are:

- Availability of trusted brands and product innovation;
- Convenient and timely multi-channel offer;
- Product quality;
- Range and value;
- Friendly shopping experience; and
- Knowledgeable team members and environmental commitment.

## Board engagement

Customer engagement is important, and feedback is discussed as a core part of regular board updates. In addition to this, senior managers regularly present to board members in relation to market trends and changing customer needs and trends.

## Suppliers - In partnership with suppliers

Homebase strongly believe in partnerships and work with a wide range of suppliers including goods for resale, logistics, landlords and operational services. Suppliers also play an important role in developing the product offer as well as training team members, to ensure team members are confident and well informed to advise customers on their products.

Homebase also work with a range of concession partners to complement the in-house range of home and garden products. Partnerships with leading brands play a key part in the Homebase vision to provide everything customers need for home and garden projects under one roof.

## Engagement with suppliers

- Bi-annual supplier conferences based around Group performance and future priorities. These have become virtual as a result of the pandemic;
- Continuous collaboration between suppliers and Homebase around products, design and store experience;
- Reviews with suppliers on sales performance and product suitability, supporting the mutual growth of Homebase and its suppliers. The pandemic has further strengthened these relationships, working with suppliers to adapt how Homebase trade their products safely and supporting with payment terms;
- Review and approval of supplier contracts with engagement from procurement and global sourcing teams; and
- Frequent Group performance updates shared across the year.

## Supplier Priorities

From listening to suppliers, Homebase understand what is important to them. Some of the most important priorities for suppliers are:

- Prompt and fair payments;
- Sales growth and increased product offering;
- Strong in store and online product execution with good availability;
- Homebase's brand strength; and
- Support and collaboration with access to senior management.

## Board engagement

The board receive updates on suppliers, when considering key priorities, business continuity plans and key partnerships. Within the year regular reports were received on how the Group's preparations were progressing for leaving the EU and how suppliers were supporting this transition. This hard work led to a relatively smooth exit from the EU with continuity of supply ensured. The board regularly engage with suppliers from as many territories as possible. In normal circumstances trips are also taken to buying shows to meet suppliers and understand their new products and innovations to allow the partnership to grow together.

## In the communities

Supporting the community is very important to all team members. Homebase are committed to building positive relationships and working with the community to give back and support where possible. This includes regular fundraisers for the Homebase charity partners Macmillan Cancer Support and the Irish Cancer Society, and working with local hospitals, schools and community groups to donate both products and team members' time. Homebase thinks carefully about sustainability and the impact it has on the environment. Homebase knows that this issue is close to many of the customers' and team

members hearts and works with all suppliers to review operational process with a focus on environmental friendliness and sustainability, as well as introducing a strong range of eco-friendly alternatives. A good example of this in 2020 is the launch of Britain's very first 'Green Aisle', showcasing energy efficient and eco-friendly home improvement products which will help make homes greener and winter-ready in one place.

#### Engagement with the communities

- Team member volunteering and involvement with local community project. This will increase again once social conditions return to a new normality;
- Partnership with Macmillan Cancer Support, the Irish Cancer Society, Greenfingers and Groundworks; and
- Publishing policies on modern slavery, ethical sourcing and sustainability.

#### Community priorities

From working in, and with, the community, Homebase understand what is important to them. Some of the main priorities for the communities Homebase work in are:

- Job prospects in support functions, existing stores and the new stores set to open in FY21;
- Helping provide long term employment opportunities for those that live in the area around the stores;
- Local and international operational impact on the environment;
- Working with suppliers to ensure Homebase can ethically and sustainably source products.

#### Board engagement

The board receive regular reports of fundraising efforts and actively supports and encourages team members in their efforts to support their chosen charity partner.

The board has regular reviews to maintain the safety of the Homebase operation and ensure the community is safe.

#### **Investors**

Access to both short-term and long-term capital is critical to Homebase's performance, supporting the strategic direction, stock builds and store investments. The board is committed to maintaining good two-way communications with investors to help plan for future business growth, contextualise business performance and maximise the value of their knowledge and experience in support of those plans.

The investor stakeholder group includes all parties that are interested in the financial success and sustainability of the Group as it embarks on its growth plans.

#### Examples of engagement with investors

- Formal weekly and monthly updates;
- Financial performance report;
- Review of strategic decisions;
- Annual presentation of strategic plans and budgets alongside quarterly reforecasts; and
- Ensuring Homebase performance and vision is clearly laid out for a financial and business audience.

#### Investor priorities

From listening to investors, Homebase understand what is important to them. Some of the main priorities to the investors are:

- Homebase's financial performance and cash generation in the short, medium and long-term;
- Confidence in the board's leadership, business plan and vision;
- Effective risk management;
- Delivery of Group strategy; and
- Having a collaborative and transparent communication process.

## Board engagement

The board receive regular updates from the Finance Director on the performance of the Group.

The board meet and engage with investors in formal monthly meetings to review performance and ensure the Group remains on course to meet its strategic goals.

The board provide regular updates to the banks in the form of formal financial reporting against agreed financial targets as well as regularly discussing the overall performance and strategic direction of the Group.

## Key decisions made in the year

### Principal decisions in 2020

#### Overview

The board define 'key decisions' as decisions and discussions, which are material or strategic to Homebase, and those that are significant to any of the stakeholder groups. The board consider the following to be examples of key decisions made during 2020.

#### Key Decisions

##### Response to Covid-19 pandemic

COVID-19 required the Group to remain agile and responsive to the risks and uncertainties that arose, adapting in real time. Team members and customers were at the heart of the decisions made, with stores temporarily closed in 2020 to allow appropriate safety measures and operating models to be put in place to protect both the Homebase teams and customers, despite the Government guidance stating that all full-service Homebase stores could remain open under 'essential retailer' status.

The pandemic also accelerated some of the changes under the Homebase turnaround plan, including the digital roadmap in response to the step change in customer shopping behaviours, along with further simplification within store and support functions.

##### Digital development

Homebase entered into a 10-year partnership with e-commerce specialist The Hut Group (THG) in September 2020 to transform the online shopping experience for customers. This partnership builds on the extensive investment already made in product range and inspirational shopping experiences over the last two years as part of the Homebase turnaround. It marks a bold new step that will accelerate Homebase to its vision of being the go-to place for the inspiration, expertise and products customers need for their home and garden projects from start to finish. The new website launched in March 2021.

##### Property

The Board embarked on expanding the store network with the first new Homebase store opening announced in the fourth quarter of 2020, with planning application submitted for a new store in Abingdon that opens in the second half of 2021. A new Homebase store in Cheltenham will open in the second quarter of 2021 and a multi-format row of three smaller retail units in Walton on Thames opened in March.

##### Partnerships

A three-year partnership with the leading premium content and experience business, Hearst UK was announced. As part of the partnership, Homebase will work with three of Hearst UK's magazine brands

House Beautiful, Country Living and Good Housekeeping to create a new range of on-trend household and lifestyle licensed products. Other notable range partnerships were formed with Stanley Black and Decker, Bosch and Neff.

#### CVA

Having delivered the turnaround ahead of plan the Group took the decision to conclude the CVA in June 2020 ahead of schedule, with the backing of 99.8 per cent of creditors voting in favour of this.