

# A.S. Watson Group

## **Merchant Retail Group Limited (the “Company”)**

### **Companies Act 2006 Section 172(1) statement**

Under section 172 of the Companies Act 2006, directors of a company are required to act in a way which 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 create a culture whereby the long-term consequences of its actions and the long-term success of the company are given due consideration. In particular, the directors must consider:

- The likely consequences of any decision in the long term;
- The interests of the employees of the Company;
- The need to foster the business relationships of the Company with suppliers, customers and others;
- The impact of the operations of the Company on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the Company.

In discharging the duties under section 172, the Board has regard to the factors set out above. In addition, the directors also have due regard to other factors which they consider relevant to the decision being made. By considering the Company’s purpose, vision and values together with its strategic priorities and having a process in place for decision-making, the Board aims to ensure that its decisions are consistent and made in the best interests of the Company.

The Board delegates authority for day-to-day management of the Company to executives and engages management in setting, approving and overseeing execution of the business strategy and related policies. The Board considers and, if thought fit, approves the Company’s activities by way of board meetings or written resolutions. As part of the board approval process, directors receive supporting explanatory materials, additional verbal and/or written information from executives and independent professional advice, as and when required, to ensure that they have regard to section 172 matters when making relevant decisions. For example, each year the Board assesses the strength of the Company’s balance sheet and prospects relative to market uncertainties and makes decisions about the payment of dividends. In reaching decisions, the Board considers a range of factors. These include the long-term viability of the Company; its expected cash flow and financing requirements; the ongoing need for strategic investment in its business; and the interests, views and expectations of its members as the suppliers of long-term equity capital to the Company.

As the principal activity of the Company is to act as a holding company for other entities in its group of companies, the Company has no commercial business and no employees, no customers nor suppliers during the period and, as such, the breadth of stakeholder and other considerations that would often apply in operating or commercial trading companies have generally not applied to the decisions made by the directors.

**September 2021**