

# CORPORATE GOVERNANCE REPORT

## Board leadership and Company purpose

The Group is controlled through the board of directors of Severfield plc. We believe that, consistent with Principle A of the Code, the board is effective and entrepreneurial. We have described in the strategic report how opportunities and risks to the future success of the business have been considered and addressed, together with the sustainability of the Group's business model. In this section we describe how our governance contributes to the delivery of our strategy and how the board monitors and drives culture and purpose.

## Structure of the board

The membership of the board is stated on pages 112 to 113. The board currently consists of the chair, four other non-executive directors and three executive directors.

Alan Dunsmore has board-level responsibility for health and safety matters, sustainability matters and employment matters.

## Independence

All the non-executive directors are considered by the board to be independent in character and judgement and no cross-directorships exist between any of the directors.

At no time during the year ended 30 March 2024 did any director hold a material interest, directly or indirectly, in any contract of significance with the Company or any subsidiary undertaking other than the executive directors in relation to their service agreements. The directors have put in place procedures to ensure the board collectively, and the

directors individually, comply with the disclosure requirements on conflicts of interest set out in the Companies Act 2006. The interests of the directors in the share capital of the Company and its subsidiary undertakings and their interests under the performance share plan and other share schemes are set out in the remuneration report commencing on page 138. Save as disclosed in the directors' remuneration report, none of the directors, or any person connected with them, has any interest in the share or loan capital of the Company or any of its subsidiaries.

## Directors to stand for election

The Company's articles of association require the directors to offer themselves for re-election at least once every three years. Notwithstanding this, and in accordance with the recommendations of the Code, the Group's policy is that all the directors retire at each AGM and may offer themselves for re-election by shareholders. Accordingly, all of the existing directors whose biographies are set out on pages 112 to 113 will be standing for re-election at the 2024 AGM, other than those who are retiring at the AGM.

The board is satisfied that the performance of all of the non-executive directors continues to be effective and that they continue to show commitment to their respective roles. Non-executive directors are not appointed for a fixed term. The terms and conditions of appointment of non-executive directors are available for inspection on request.

## Role of the chair, Chief Executive Officer and senior independent director

The board has agreed a clear division of responsibility between the chair and Chief Executive Officer and their roles and responsibilities are clearly established and set out in writing.

## Severfield board

The board is responsible for providing effective leadership to the Group to create and deliver long-term shareholder value. This includes setting the strategic direction of the Group, reviewing all significant aspects of the Group's activities, overseeing the executive management and reviewing the overall system of internal control and risk management. The board has a formal schedule of matters reserved for it. It is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks, including environmental and health and safety issues. It reviews the Group's strategic direction, codes of conduct, annual budgets, progress towards achievement of those budgets, significant capital expenditure programmes and the annual and half-year results.

The board also considers employee issues and key appointments. It also ensures that all directors receive appropriate training on appointment and then subsequently as appropriate. Other specific responsibilities are delegated to the board's committees described as follows.

MEMBER(S)/COMMITTEE	RESPONSIBILITIES
<b>Non-executive Chair Kevin Whiteman</b>	<p>The Chair, Kevin Whiteman, is mainly responsible for managing the business of the board, evaluating its performance and setting the agenda for board meetings to ensure that adequate time is allocated to the discussion of all agenda items, facilitating the effective contribution of all directors. The chair acts as an ambassador for the Company and provides effective communication between the board and its shareholders.</p> <p>The chair, together with the Company secretary, ensures that the directors receive clear information on all relevant matters in a timely manner. Board papers are circulated sufficiently in advance of meetings for them to be thoroughly digested to ensure clarity of informed debate. The board papers contain the Chief Executive Officer's and the Chief Financial Officer's written reports, high-level papers on each business area, key metrics and specific papers relating to agenda items. The board papers are accompanied by a management information pack containing detailed financial and other supporting information. The board receives occasional ad hoc papers on matters of particular relevance or importance. The board also receives presentations from various business units and senior managers, including members of the executive committee.</p>
<b>Chief Executive Officer Alan Dunsmore</b>	<p>As the senior executive of the Company, Alan Dunsmore is responsible to the chair and the board for directing and prioritising the profitable operation and development of the Group. The Chief Executive Officer is responsible for the day-to-day management of the operational activities of the Group, assessing and implementing strategy and implementing the board's decisions.</p> <p>The Chief Executive Officer chairs an executive committee consisting of the members indicated on pages 114 and 115. This committee assists the main board by focusing on strategic and operational performance matters relating to the business and meets formally on a monthly basis. He also, together with the Chief Financial Officer, holds quarterly meetings with each of the business unit boards to review all operational issues and meets with an executive risk committee comprising himself, the Chief Financial Officer and the Group legal director on a weekly basis to discuss any key issues affecting the business.</p> <p>In addition, he chairs a safety meeting once a month with other members of the executive management team and business unit managing directors, and meets regularly with the Group HR director. Alan is also chair of the sustainability committee, which meets every six weeks to oversee implementation of our sustainability strategy and review progress against our strategic objectives.</p>
<b>Senior independent director Alun Griffiths</b>	<p>The role of the senior independent non-executive director is to provide a sounding board for the chair and to serve as an alternative source of advice to the chair for the other non-executive directors. The senior independent director is available to shareholders if they request a meeting or have concerns, which contact through the normal channels has failed to resolve, or where such contact is inappropriate. He also leads the performance review of the chair and the board, taking into account the views of the executive directors.</p>
<b>Board committees</b>	<p>The board has established three standing committees, all of which operate within defined terms of reference, which are available from the Company secretary by request and published on the website.</p> <p>The committees established are the audit committee, the remuneration committee, and the nominations committee. Trading companies are managed by separate boards of directors. Any matters of a material nature concerning the trading companies are reported to the board on a monthly basis.</p> <p>Details of the work of the audit, nominations and remuneration committees are set out on pages 126 to 162.</p>

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## **Board meetings**

The directors' attendance record at the scheduled board meetings and board committee meetings for the year ended 30 March 2024 is shown on page 110.

Meetings were held at the Group's offices in Dalton and York, North Yorkshire and at the offices of the Group's other operating subsidiaries to provide non-executive directors the opportunity to increase their knowledge and understanding of the Group's operations. During the year, some of these meetings were held remotely by video conference, in the interests of sustainability and efficiency.

## **Board strategy review**

In addition to regular scheduled board and board committee meetings, the board undertakes an annual strategy away day each year in December. The agenda for the strategy away day is agreed in advance, including specific strategic issues that have been raised at previous board meetings or requested by the board.

## Board principal activities

During the financial year, the board discussed and implemented the following key actions:

STRATEGY	BUSINESS AND OPERATIONAL
<ul style="list-style-type: none"> <li>• Presentation to the board on our strategy for growth in India</li> <li>• Off-site strategy day</li> <li>• Presentation on capital markets from Jefferies, the Company's brokers</li> <li>• Presentation on the Modular Solutions division from the divisional managing director Jim Martindale</li> <li>• Regular updates of progress in delivering the Group's strategic objectives from the executive directors</li> </ul>	<ul style="list-style-type: none"> <li>• Regular updates on progress of our key contracts and projects and on the markets we serve, our order book and pipeline</li> <li>• Regular updates on health and safety, sustainability and people matters</li> <li>• More detailed briefings on key sustainability-related developments and monitoring and reporting requirements</li> </ul>
FINANCIAL	LEADERSHIP AND PEOPLE
<ul style="list-style-type: none"> <li>• Reviewed and approved annual report and accounts and results announcement for the year ended 25 March 2023</li> <li>• Reviewed and approved proposed payment of a final dividend for the year ended 25 March 2023</li> <li>• Assessed going concern and longer-term viability of the Group and reviewed the effectiveness of internal controls</li> <li>• Reviewed quarterly financial forecasts</li> <li>• Reviewed and approved a change in our agreed method of satisfying share scheme awards by buying forward the required shares via our EBT and satisfying out of market purchase rather than free issue shares</li> <li>• Reviewed and approved an on-market share buyback proposal</li> <li>• Reviewed and approved proposed auditor fees for the year ended 30 March 2024</li> <li>• Reviewed and approved the final budget for the year ended 30 March 2024</li> <li>• Reviewed and approved half-year results for the year ended 30 March 2024</li> <li>• Approved interim dividend for the year ended 30 March 2024</li> <li>• Approved Group tax strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Regular updates on health and safety, sustainability and people matters including updates from the MyVoice forum</li> <li>• Management briefing from the Group HR director including approval of gender pay gap report</li> <li>• Management briefing from the Group SHE director including new Group SHE strategy</li> <li>• Annual update on succession plan and talent review</li> <li>• Reviewed proposed pay review for the wider workforce</li> <li>• Approved the launch of a new savings plan under the rules of the Severfield Sharesave Scheme and the relevant share options that would be granted as a result</li> <li>• Search process for a new chair to succeed Kevin Whiteman at the end of his nine-year tenure</li> </ul>
RISK MANAGEMENT AND CONTROLS	GOVERNANCE AND STAKEHOLDERS
<ul style="list-style-type: none"> <li>• Assessed the effectiveness of our internal control and risk management systems</li> <li>• Approved changes to the Group Authorisation Policy</li> <li>• Reviewed and approved an update to the Company's conflicts of interest policy, received annual statements of compliance from directors and approved related parties list and conflicts of interest disclosed</li> <li>• Received an update on cyber risk from the Group IT director</li> <li>• Reviewed the Group's risk register</li> <li>• Briefing on the new failure to prevent fraud offence under the Economic Crime and Corporate Transparency Act</li> </ul>	<ul style="list-style-type: none"> <li>• Received feedback from the chair of the nominations committee on the results of the externally facilitated board effectiveness review and developed a board improvement plan</li> <li>• Reviewed and approved AGM notice</li> <li>• Reviewed investor feedback on year-end results for the year ended 25 March 2023 and interim results for the year ended 30 March 2024</li> <li>• Reviewed a paper summarising investor representatives' comments ahead of the AGM</li> <li>• Received an update on the Atlas Ward pension scheme valuation</li> <li>• Reviewed the register of directors' interests in shares</li> <li>• Reviewed the statement of compliance in accordance with the Modern Slavery Act</li> </ul>

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## S172 statement

Details as to how the board took account of stakeholder views and the matters set out in section 172 of the Companies Act 2006 in board discussions and decision making are set out on page 105. An example of this is set out below.

## Strategy day

At our annual off-site strategy day the directors undertook a comprehensive review of progress against the Group's four-year strategic plan and divisional strategic plans and priorities to ensure they remained fit for purpose. In doing so, they:

- reviewed market trends, including the macroeconomic environment, supported by comparative data and customer insight;
- considered the impact of the strategic plan on the retention and development of employees;
- reviewed the Group's long-term financial outlook; and
- assessed and prioritised growth opportunities.

In approving the strategy and business plans and purpose, the views of all our stakeholders were considered.

## Engagement with stakeholders

The board considers the needs and priorities of each of the Group's stakeholders during its discussions and as part of its decision-making process. Further details of stakeholder engagement are set out at page 105 (s. 172 statement) and at pages 36 to 38 (Engaging with our stakeholders).

With regard to our customers, supply chain and communities, these groups are recognised by the board as integral to our business model and, as such, are considered regularly by the board. In practice, however, our customers, supply chain and communities vary with each Group company and, therefore, the Group companies manage day-to-day engagement with these important stakeholder groups.

Our Group SHE director and our Group head of procurement assist in managing relationships with those subcontractors and suppliers who are common to more than one Group company. Further details of our engagement with communities can be found on page 38. The board engages directly with the Group's shareholders and colleagues as set out below.

## Shareholders

Providing sustainable returns to our shareholders is a key factor in the board's decision making. The chair and the non-executive directors are available to meet with shareholders to listen to their views.

The board recognises the importance of communicating with its shareholders to ensure that its strategy and performance is understood. The Group encourages two-way communication with both its institutional and private investors and attempts to respond quickly to all queries received verbally or in writing.

The executive directors undertake a programme of regular communication with institutional shareholders and with analysts covering the Group's activities, its performance and strategy, and issues regular trading updates to the market.

Alan Dunsmore and Adam Semple attended several meetings with institutional shareholders, private investors and analysts during the year, at the time of the announcements of the Group's annual and half-year results. Feedback from those meetings was reported to the board, including the non-executive directors, and was factored into the board's strategy review and its decision to declare a final dividend and after the year-end to implement a share buyback programme.

The board generally uses the AGM to communicate with private investors and encourages their participation. The notice of the AGM, detailing all proposed resolutions, is communicated to shareholders at least 20 working days before the meeting.

## Colleagues

Recognising the importance of input and feedback from all colleagues in helping us deliver on our strategic goals, we continued to make good progress with our Group-wide MyVoice forum during the year, facilitated by Louise Hardy, the Group's designated non-executive director responsible for workforce engagement. The forum provides a formal way for colleagues and management to connect, gain feedback and exchange information and views on any business-related topic. Louise, the Chief Executive Officer and the Group HR director, attend all MyVoice forum meetings. Louise provides verbal updates to the board following each forum meeting and written updates on what was heard and discussed at the forums and the actions the executive committee have taken to address these points are provided to the board by the Group HR director on a quarterly basis.

In addition, during the year, members of the board visited various sites across the Group and met with groups of employees, discussing with them their experiences and views.

In 2024 we continued to develop our intranet, 'Severfield Connect'. This has enabled us to communicate with colleagues who are away from work, to share updates and information with them and to engage in dialogue through the comments feature. Colleagues across the Group have raised issues and questions with management, and these have been discussed openly with our executive directors and have informed our approach in many areas. Throughout the year, our executive directors have kept our employees informed of our financial performance through newsletters, email notifications and briefing sessions, and made colleagues aware of any external factors and significant events that might have an impact on our business.

### Board's monitoring of culture

The Group's purpose and culture are closely aligned with our values, which are focused on driving the right behaviours for the Group to succeed. The Severfield Way gives each and every colleague clarity on our collective ways of working and expected behaviours so that we can continue to deliver effectively and focus on what's best for each other, our business, our clients and our communities.

Our culture provides an environment in which everyone understands that we are part of one team and that we are always looking for opportunities to improve. This way we can innovate, evolve and successfully deliver our strategic

objectives. We do not experience the typical indications of poor culture such as high staff turnover and absenteeism or a poor attitude to training.

Our executive directors promote our values throughout the Group. The board as a whole is responsible for ensuring that our culture is maintained.

It does this by meeting with employees and senior managers, undertaking regular site visits and reading regular reports and presentations from Group companies on how they are operating their businesses and taking into account internal audit reports on matters that are heavily influenced by culture and behaviour. The non-executive directors

also draw on their own experiences in other organisations in order to challenge and verify that the Group's values and behaviours remain effective, and we have continued to have regular board briefings on a wide range of topics from managers of the business at different tiers of the organisation.

We have continued to develop our intranet 'Severfield Connect' in 2024 to enable us to communicate better, develop a more integrated working culture and to track engagement.

The table below sets out how the board monitors our culture to ensure that behaviours remain aligned with our values.

WHAT WE MONITOR AND MEASURE	BOARD ACTION IN 2024
<b>Client focus</b>	
<p>The executive directors keep the board updated on key projects and customer relationships. The board reviews material issues arising on contracts that may impact a Group company or the Group as a whole.</p>	<p>Reviewed Group company board summaries, which included information on key clients and suppliers and the performance of contracts.</p> <p>Reviewed market information and tender feedback information, together with business development plans, which focus on key client relationships and new clients with whom we wish to have future business.</p> <p>Approved Group company strategic plans, which include information on key clients and client feedback.</p>
<b>Safety focus</b>	
<p>The executive reports include information on health and safety performance, including accident frequency rate, injury frequency rate, near misses and high potential incidents and absence days due to sickness/injury.</p> <p>The board regularly reviews information on the safety strategy, updates on personal injury claims, training records and performance, interaction with the HSE, occupational health initiatives and key developments in the market, which could impact on safety performance.</p>	<p>Regular monitoring of health and safety performance is a priority for the board and is the first agenda item for all board meetings.</p> <p>Board members attended site and factory safety visits during the year, encouraging employees to suggest improvements and share best practice and reported back to the board on the key messages taken away from these visits.</p> <p>Developed further our safety initiative 'Safer@Severfield', which has been designed to make sure that every individual's safety and wellbeing remains our top priority. By fostering a strong safety culture, we can create an environment where everyone feels confident to challenge unsafe behaviour, has respect for everyone's opinions when it comes to safety in their daily work, and feels secure in the workplace.</p>

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WHAT WE MONITOR AND MEASURE	BOARD ACTION IN 2024
<b>Doing the right thing</b>	
<p>The executive directors keep the board updated on the Group's ethical dealings with clients, suppliers and the workforce.</p> <p>We report on e-learning covering a range of ethical matters including supplier payment terms, gender pay and any issues of concern raised by employees whether by way of formal whistleblowing or otherwise.</p> <p>We have policies in place, including the Group's authorisation policy, ethics policy, competition law policy, anti-bribery policy and expenses policy and these are regularly reviewed.</p>	<p>Reviewed payment practices reporting submissions and prompt payment code disclosures.</p> <p>Reviewed and approved our modern slavery statement (see page 125).</p> <p>Reviewed statements of compliance from all directors and letters of assurance ('LoA') from the Group's managing directors.</p> <p>Asking colleagues, customers and suppliers on factory and site visits for feedback on our performance.</p> <p>Implemented a new fraud prevention plan.</p>
<b>Setting the bar high and finding better ways</b>	
<p>The executive directors keep the board updated on how the Group is meeting its contractual and commercial commitments to our customers, our suppliers and our workforce.</p>	<p>Challenging the executive directors on any relationship issues arising with any of our customers, suppliers or workforce.</p> <p>Asking colleagues, customers and suppliers on factory and site visits for feedback on our performance.</p>

## Board evaluation process

The board considers that the balance of relevant experience amongst the various board members enables the board to exercise effective leadership and control of the Group. It also ensures that the decision-making process cannot be dominated by any individual or small group of individuals.

The Code attaches importance to boards having processes for individual and collective performance evaluation. The performance of individual directors is evaluated annually in conjunction with the remuneration review. The chair meets with the non-executive directors at least annually to review their performance.

During the early part of the year ended 30 March 2024, we developed a board improvement plan to implement some practical changes to further enhance engagement and contribution following last year's externally facilitated board effectiveness review. This involved amending our board schedule to allow more time for the board to review key strategic matters and to spend less time discussing routine operational matters.

There have been several changes to the composition of the board in the last year, which have seen the board reduce in size from ten to eight members:

- In July 2023, Tony Osbaldiston retired as non-executive director and chair of the audit committee, having completed his nine-year term, and has been succeeded by Mark Pegler, who joined the board in October 2022.
- In September 2023, Ian Cochrane, COO, left the Company in order to pursue other interests, and his position has, deliberately, not been replaced, with the COO's former duties being re-assigned to other executive directors and the senior leadership team.
- In September 2023, Louise Hardy, non-executive director, replaced Alun Griffiths as Chair of the remuneration committee.
- Between November 2023 and May 2024 Alun Griffiths chaired the nominations committee in its search for a new chair to replace Kevin Whiteman.

- In February 2024 Rosie Toogood, non-executive director, stepped down from the board in order to avoid a conflict of interest with a new executive role she had taken up at Wates, a key client of the Group.
- More recently, since the year-end, a new chair has been appointed leading to the planned retirement of Kevin Whiteman as Chair and Alun Griffiths as SID, both of whom have completed their nine-year terms, at this year's AGM.

In the light of these changes, it was decided this year the board evaluation normally undertaken in March 2024 would be postponed until October 2024 once the new chair and the new board had been operating for a meaningful period of time.



## Professional development

Appropriate training and briefing is provided to all directors on appointment to the board, taking into account their individual qualifications and experience. This is supplemented with visits to the Group's operations and meetings with senior business unit management to develop each director's understanding of the business.

Training and updates in relation to the business of the Group and the legal and regulatory responsibilities of directors was provided throughout the year by a variety of means to board members, including presentations by executives, visits to business operations and circulation of briefing materials. Individual directors are also expected to take responsibility for identifying their training needs and to ensure they are adequately informed about the Group and their responsibilities as a director.

Non-executive directors are continually updated on the Group's business, its markets, social responsibility matters, changes to the legal and governance environment and other changes impacting the Group. During the year, the directors received updates on various best practice and regulatory and legislative developments.

All directors have access to the advice and services of the Group legal director and Company secretary who ensures that board processes are followed and good corporate governance standards are maintained. Any director who considers it necessary or appropriate may take independent professional advice in furtherance of their duties at the Company's expense. No directors sought such advice in the year.

The board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company.

## Audit, risk and internal control

### Financial and business reporting

The financial statements contain an explanation of the directors' responsibilities in preparing the annual report and the financial statements (page 163) and a statement by the auditor concerning their responsibilities (pages 166 to 173). The directors also report that the business is a going concern (page 180) and detail how the Group generates and preserves value over the longer term (the business model) and the Group's strategy for delivering its objectives in the strategic report (pages 22 to 106). The directors have also made a statement about the long-term viability of the Group, as required under the Code (page 52).

### Modern slavery

The board annually reviews and approves the Group's modern slavery statement. The 2024 statement is available on our website at [www.severfield.com](http://www.severfield.com) and explains the actions taken to ensure that we provide the appropriate level of training to members of our workforce, raise awareness of modern slavery amongst all members of staff, and do not undertake activities or engage suppliers or subcontractors who undertake activities that may be in breach of the Modern Slavery Act 2015. This year, we continued to focus on our supply chain, refreshed and added to our training of relevant staff in awareness of modern slavery and encouraged key suppliers to undertake training through the Supply Chain Sustainability School. We also sought and obtained suitable assurance from our newly acquired Europe division that they were complying with local best practice in this area (in the absence of any equivalent legislation) and from our joint venture in India.

## Annual report

The board is responsible for the preparation of the annual report and the financial statements to ensure that the annual report taken as a whole is fair, balanced and understandable.

The annual report is drafted by executive management with reviews undertaken by third-party advisers as required. Additional steps have been built into the reporting timetable to ensure that directors are given sufficient time to review, consider and comment on the annual report. Our external auditor reviews the narrative sections of the annual report to identify any material inconsistencies between their knowledge acquired during the audit and the directors' 'fair, balanced and understandable' statement and whether the annual report appropriately discloses those matters that they have communicated to the audit committee. A substantially final draft is reviewed by the audit committee prior to approval by the board.

### Remuneration

The directors' remuneration report is on pages 138 to 162. It sets out the activities of the committee, the levels and components of remuneration and refers to the development of the remuneration policy.