

Electrocomponents plc

Making amazing happen for a better world



Annual Report and Accounts for the year ended 31 March 2021



Financial highlights

Revenue	Like-for-like ¹ revenue growth
£2,003m	1.4%
Change: +2.5%	2019/20: 2.2%
2019/20: £1,954m	
Profit before tax	Adjusted ² profit before tax
£160.6m	£181.7m
Change: (19.5)%	Like-for-like ¹ change: (17.0)%
2019/20: £199.6m	2019/20: £215.0m
Earnings per share	Adjusted ² earnings per share
27.7p	31.3p
Change: (20.2)%	Like-for-like ¹ change: (18.4)%
2019/20: 34.7p	2019/20: 37.7p
Dividend per share	Adjusted ² operating profit margin
15.9p	9.4%
Change: +3.2%	2019/20: 11.3%
2019/20: 15.4p ³	
Return on capital employed	Adjusted ² free cash flow
19.4%	£145.4m
2019/20: 24.0%	Change: +79.7%
	2019/20: £80.9m



Read this report at electrocomponents.com/investors/annual-report-2021

1. Like-for-like change excludes the impact of acquisitions and the effects of changes in exchange rates on translation of overseas operating results, with 2019/20 converted at 2020/21 average exchange rates. Revenue is also adjusted to eliminate the impact of trading days year-on-year. Acquisitions are only included once they have been owned for a year, at which point they start to be included in both the current and comparative periods for the same number of months.

2. Adjusted excludes amortisation of intangible assets arising on acquisition of businesses, acquisition-related items, substantial reorganisation costs, substantial asset write-downs, one-off pension credits or costs, significant tax rate changes and associated income tax (see Note 3 on pages 131 to 135 for reconciliations).

3. An additional interim dividend for the year ended 31 March 2020 of 9.5p, to replace the deferred final dividend, was paid on 18 December 2020. This is included in the 2019/20 dividend per share.

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As a business, we are committed to accelerating the positive impact we have in society and on the environment which is why we have chosen to print this year's Annual Report and Accounts on paper containing 100% recycled fibres. This publication has been manufactured using 100% offshore wind electricity sourced from UK wind and 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy. This is one way we are 'making amazing happen for a better world.'

What do we do?

We are a global omni-channel provider of product and service solutions for designers, builders and maintainers of industrial equipment and operations.

Read more in the fold-out inside front cover (IFC)

Our purpose

Making amazing happen for a better world.

Read more on pages 6 to 15

Our vision

First choice for all our stakeholders:



How we make the world better

We are committed to inspiring a more sustainable world through education and innovative solutions that improve lives.

Read more on environmental, social and governance on page 52 to 67



How we add value for our stakeholders

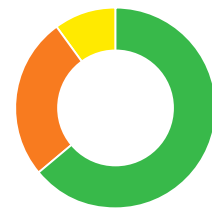
Building a business capable of delivering sustainable growth and superior returns for all our stakeholders.

Read more on our business model on pages 24 and 25

Our business at a glance

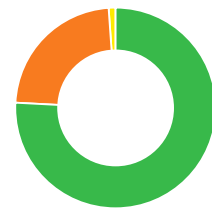
A global partner

Revenue split



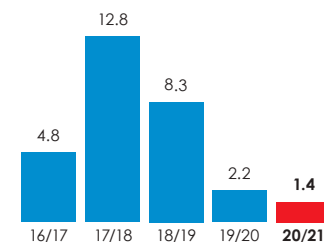
EMEA	64%
Americas	26%
Asia Pacific	10%

Profit split

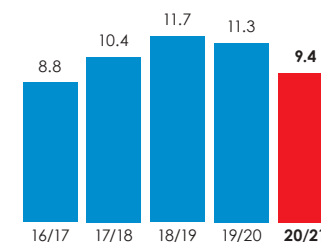


EMEA	76%
Americas	23%
Asia Pacific	1%

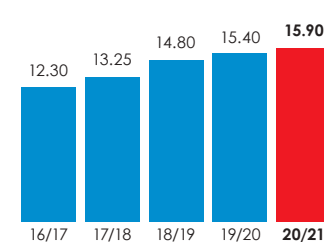
Like-for-like revenue growth (%)



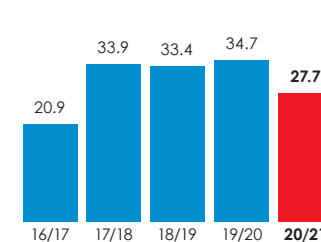
Adjusted operating profit margin (%)



Dividend per share (pence)



Earnings per share (pence)



Providing product and service solutions



Electrical	22%
Automation and control	22%
Mechanical and fluid power	5%
Electronics	20%
Single-board computing	5%
Facilities and maintenance	23%
Other	3%

Across a broad range of industries



Original equipment manufacturing	23%
Commercial and financial services	12%
Electronics	14%
Process manufacturing	9%
Public sector	3%
Transport and defence	5%
Utilities and energy	5%
Other	29%

Read more on our market and proposition on pages 26 and 27 ▶

Breadth of service

Read more on pages 24 and 25 ▶

Working with over
2,500
suppliers for our stocked product range

Circa
60,000
parcels shipped daily

Digital market leader
63%
revenue through digital channels

Over
650,000
stocked and 3 million unstocked high-quality industrial and electronic products

Operations in
32
countries

Over
1,200,000
customers

Committed to ESG

Read more on pages 52 to 67 ▶

Our environmental, social and governance (ESG) ambition is to inspire a more sustainable world through education and innovative solutions that improve lives. This is underpinned by strong governance, ethics and compliance practices to ensure we have high ethical and business standards.

We have four ESG pillars aligned to our Destination 2025 strategy:

Environment



Read more on pages 54 to 58 ▶

Customers and suppliers



Read more on pages 59 and 60 ▶

People and health & safety



Read more on pages 61 to 63 ▶

Community



Read more on pages 64 and 65 ▶

We operate under nine brands offering a variety of product and service solutions

Find out more at electrocomponents.com ▶

DESIGNSPARK

Community for design engineers and students offering projects, forums, design tools and resources.



A technology solutions business focused on single-board computing (SBC), Internet of Things (IoT) and education.



Omni-channel product and service solutions provider for customers who design, build, maintain and improve industrial equipment and operations mainly within EMEA and Asia Pacific.



Omni-channel product and service solutions provider for customers who design, build, maintain and improve industrial equipment and operations mainly within Americas.



Multi-specialist personal protective equipment (PPE) solutions providers that offer expertise and a wide range of products to food and industrial customers.



Own-brand range of industrial products combining quality, choice and price.

Five key reasons to invest

Read more on our investment proposition on page 5 ▶

1

Uniquely positioned within an attractive market

< 1% share

in c. £400bn global market

2

Market share gains driven by being first choice

c. 25% uplift

in spend when first choice

3

Leveraging our lean and scalable operating model

Mid-teen

adjusted operating profit margin target

4

Strong cash conversion and attractive returns

19.4%

return on capital employed

5

ESG integrated throughout, driving higher ESG ratings

62%

reduction in tonnes of CO₂ since 2014/15¹

1. Scope 1 and Scope 2 emissions due to premises' energy use, updated to reflect changes in reporting and emissions factors.

Well placed to outperform



It is both an honour and a pleasure to be serving as Electrocomponents' new Chair and to be working with such a strong, diverse Board with a can-do attitude, an impressive team of leaders and dedicated people right across the business.

After this extraordinarily challenging year, my heartfelt thanks goes to every one of our 7,592 people for their unstinting efforts and positivity. I am proud to be part of this team.

I also want to take this opportunity to thank my predecessor, Peter Johnson. During his impressive tenure, he recruited an excellent and visionary management team and oversaw a significant transformation. This put customer service at the heart of our Group and focused on looking after all our stakeholders and especially our people who are so fundamental to our Group's success. Peter has left a great base from which we can accelerate our growth strategy through product and service innovation.

We note with sadness the passing of Ian Mason in April 2021. Ian led the development of our Company as Chief Executive Officer for 13 years until 2014 and we still benefit from his successes.

Our vision and purpose

Our **vision** is to become first choice – first choice for all our stakeholders: our customers; our suppliers; our people; the communities around us; and our shareholders. We aim to become a one-stop shop for our customers in product and service solutions and for suppliers when they are looking for specialist distribution and service partners. We want to do this in a way that puts the welfare of our people first, protects and benefits our communities and generates superior returns for our investors. Ultimately, we are focused on all our stakeholders and their needs, ensuring we add value to every one of them.

This vision is underpinned by our **purpose** as a business, which is 'making amazing happen for a better world'. We have an ambitious, high-energy team, committed to operational excellence whether it be delivering specialist products or developing solutions to ease our customers' procurement and inventory needs, or designing and innovating for the future. We believe this will create sustainable value for all our stakeholders.

Resilient and well-positioned

Over this year we have proved we are resilient and that our offer is resonating; we have grown our share of the market and widened our customer base. We have robust financial discipline, a well-supported balance sheet and ambitious and inspirational leaders who have a focused strategic vision.

“On behalf of the Board, I would like to thank every one of the 7,592 people at Electrocomponents for their incredible work during difficult times and for helping us continue to grow our market share and improve our standards. Electrocomponents is pointing in the right direction and primed to take advantage of the exciting opportunities we see.”

Rona Fairhead
Chair

We have simplified our operating model allowing our teams across the world to be more globally connected but locally focused to give our customers and suppliers what they need, when they need it and how they want it. This is a cultural shift to match the business transformation we are pursuing to accelerate the delivery of our growth strategy called Destination 2025.

Although we have strong operational management, it is the passion throughout the organisation that is driving much of this change. This, we believe, is built on a safe, open and inclusive culture where we have asked our colleagues to bring their true self to work. We see ongoing benefits and opportunities from having an increasingly diverse workforce.

COVID-19 has changed customer demands and the pressures suppliers face. It has also made us more mindful of the environmental and social impact we have.

Electrocomponents stepped up to the challenge that the pandemic brought; the Group looked after its people and worked with its suppliers and customers to help them through this difficult time, going out of its way to improve the situation our communities faced. Our teams set up 3D printing farms for personal protective equipment (PPE), produced 'Kits for Kids' for home schooling, designed personal ventilators and many of our people have worked additional hours to ensure vital products are supplied to those that needed them in critical industries. It has been truly humbling to see just how much everyone has risen to the challenge and worked together. Something that reinforced the culture, values and spirit of Electrocomponents. This culture has also been reflected by our increasing educational support to the engineering and design communities, schools and colleges, as

well as our own people, which was instrumental in my decision to join the Board and become Chair.

Our ambition to grow

We are fortunate to have a plethora of opportunities to grow. We continue to expand our market share profitably through focusing on our strong differentiated offer: ongoing development of our broad and expert product and service solutions; evolving our omni-channel offer; improving our customer experience; harnessing our global footprint; and leveraging our operational capabilities.

Our primary focus remains organic growth. However, we can also see the opportunity to accelerate our growth through acquisitions where there are strong businesses which fit both strategically and culturally and add value. This approach was deployed with the three acquisitions we completed during 2020/21: Needlers Holdings Limited; Synovos, Inc.; and John Liscombe Limited. We are pleased to welcome them into our Group. Their strength in their respective service areas increases the expertise and depth we can deliver to customers. Importantly, they also allow us to expand our existing offer to a wider customer base and provide new channels to market while enabling increased sharing of innovation and ideas.

Environmental, social and governance (ESG) focus

We aim to be a leading socially and environmentally responsible organisation with high ethical standards and strong governance. We have increased our investment in ESG and are developing a clear approach with aspirational goals integrated within our Destination 2025 strategy. Our **ESG ambition** is to inspire a more sustainable world through education and innovative solutions that improve lives.

The health and safety of our people is our overriding priority and during the pandemic we supported them and their ongoing development despite the challenges being faced. We continue to work with our communities to make a better world. In partnership with Engineers Without Borders-International we aim to inspire the next generation of engineers to develop innovative and sustainable solutions. Our first global social commitment is The Washing Machine Project which provides a water-saving manual washing machine to those without access to an electric one, which is c. 70% of the world's population.

Our enlarged distribution centre (DC) in Germany will run on renewable electricity supplemented by onsite solar generation. We are progressively offering alternative sustainable products to our customers and addressing ways to reduce our carbon usage, including reorganising our supply chain. As well as running cleaner and greener operations ourselves, we are providing solutions that enable our customers and suppliers to be more sustainable.

The Board is committed to lead with entrepreneurship, respect and integrity and to meet the UK Corporate Governance Code in both letter and spirit. We continue to improve our already strong ESG credentials and are also focusing on the positive changes we can make to deliver a more sustainable future for all.

Our commitment to being a socially and environmentally responsible organisation



Environment

We are increasing renewable electricity usage across the Group, with 67% of electricity use in 2020/21. Our DCs in the UK, US, Germany and France are using electricity from renewable sources.

See pages 54 to 58 ▶



Customers and suppliers

We are reorganising our supply chain to reduce CO₂ emissions linked to moving our products from supplier to customer.

See pages 59 and 60 ▶



People and health & safety

We are building a safe, inclusive and dynamic culture, which empowers our people to thrive.

See pages 61 to 63 ▶



Community

We are supporting education and innovation that improve lives. Through our first global social commitment with The Washing Machine Project, we are helping to improve 100,000 lives over the next three years.

See pages 64 and 65 ▶



Governance

We are signatories of the United Nations Global Compact and are strengthening our governance with greater Board oversight and engagement in our ESG ambition.

See pages 66 and 67 ▶

Board changes

We have a strong Board and I would like to thank the Directors for their superb support and contribution over the last year. The thanks of our whole Board also goes to Karen Guerra, who stepped down from our Board during 2020/21, and Bertrand Bodson, who leaves at the end of May 2021. They have provided wise counsel in many areas, but the standouts have been Karen's contribution to employee engagement and Bertrand's advice and guidance on improving customer experience and driving our digital capabilities and innovations. We have appointed an external search firm to assist with the process of identifying successors (with more detail on pages 91 to 93).

Our investors

We continue to have valuable interactions with our investors and remain committed to creating long-term sustainable value for them. We are grateful for their support and trust and recognise the importance of a progressive dividend to them. As a result of the resilience the Group had shown during the pandemic with robust trading, good cash generation and strong balance sheet, we paid an additional interim dividend for 2019/20 to replace the final dividend that was deferred as a result of COVID-19. We have now resumed our progressive dividend policy for 2020/21 and paid an interim dividend and propose a final dividend as normal.

Looking to the future

Electrocomponents is well positioned; we have a strong business with a small share in a large and fragmented market and a multiplicity of growth options. We are mindful of the current uncertain external environment and the ongoing challenges that the COVID-19 pandemic and its variants brings, but we know that Electrocomponents is pointing in the right direction for this changing world and is primed to take advantage of the exciting opportunities we see.

The Board and I are very thankful to all our people, and their families, for their hard work, commitment and passion in driving our business forward.

This is an exciting stage of Electrocomponents' transformational journey. We are ready to be bolder and are confident that the next stage of transformation could be at least as significant as the last.

Rona Fairhead
Chair
24 May 2021

Our global employee engagement score was
74
in February 2021



Five key reasons to invest

We are committed to delivering a lean and sustainable business which is well positioned to grow ahead of the market and drive best-in-class margins and strong free cash flow.

1 Uniquely positioned within an attractive market

Global player in large fragmented marketplace

- Market valued at c. £400 billion
- Market growing at around GDP+
- Top 50 players account for c. 30% of market
- Market consolidation expected to accelerate
- We are one of few global players
- We have less than 1% of global market share

We target over two times market growth driven by our differentiated model

- Product and service solutions proposition
- Wide breadth and depth of product offer
- Industry-leading product availability
- Digital-led with a human touch
- Specialist and expert knowledge
- High customer satisfaction scores
- Strong own brand, RS PRO
- Providing a one-stop shop for customers

< 1% share
in c. £400bn global market

2 Market share gains driven by being first choice

The upside opportunity

- Average order value of only £191
- First choice customers spend c. 25% more
- Customers receiving a solutions-based service generate 30% higher growth rates

Sell more to our > 1.2 million customers

- Increase range depth and product verticals
- Cross-pollinate product and service solutions across the Group
- Deliver best-in-class customer experience

Grow customer count profitably

- Expand service solutions offer
- Broaden and deepen product expertise
- Widen industry exposure
- Drive greater website traffic and conversion
- Leverage digital data and knowledge
- Differentiate different customer needs and service levels

c. 25% uplift
in spend when first choice

3 Leveraging our lean and scalable operating model

A well invested operating model upon which to grow

- Gross margin underpinned by specialist service proposition
- Investment over last six years has built a strong operating model
- Simplifying business to accelerate strategic targets

Driving sustainability, scale and a lower cost to serve

- Increasing average order value
- Greater automation in distribution centres
- Re-engineering supply and transport routes
- Utilising digital assets to improve returns
- Sharing Group expertise and services
- Adding acquisition opportunities

Mid-teen
adjusted operating profit
margin target

4 Strong cash conversion and attractive returns

High cash conversion

- Tight working capital management and disciplined capital investment
- 100.3% adjusted operating cash flow conversion

Cash reinvestment driving faster share gains and margin growth

- 19.4% return on capital employed

Accelerate growth strategy via disciplined value-accretive acquisitions

- Expand product and service solutions offer
- Add new product extensions and adjacencies
- Drive market share gains

Progressive dividend policy

19.4%
return on
capital employed

5 ESG integrated throughout, driving higher ESG ratings

Improved ESG ratings and benchmarks

- MSCI rating: A
- CDP Climate Change leadership score: A-
- Sustainalytics rating: negligible risk (6.2); 10 / 13,494 companies; 3 / 540 in sector
- FTSE4Good Index score: 3.2 / 5
- EcoVadis: Gold medal rating

Progress measured against our four ESG strategic pillars with 2025 targets (see page 53)

Aligned with our purpose and Destination 2025 strategy

- ESG integrated into our five Destination 2025 priorities, Group targets and key initiatives


62%
reduction in tonnes of CO₂
since 2014/15¹

1. Scope 1 and Scope 2 emissions due to premises' energy use, updated to reflect changes in reporting and emissions factors.

We have a broader and deeper product offering than our major competitors

We are the only distributor with the product range, supplier depth and service capability to deliver end-to-end product and service solutions across the design, build, maintain, improve and protect life cycle, bringing customers innovation and efficiencies.

Broader and wider product offer versus major competitors

			Unnamed major competitors						
			1	2	3	4	5	6	7
Industrial products	Automation and control	●	◐	◐	◐		●		●
	Electrical	●	◐		◐		●		●
	Mechanical	●				●		●	
	Fluid power	●			◐	●		●	
	Tools	●			◐	●	◐	●	◐
	Personal protective equipment	●				●		●	
Electronic products	Semiconductors and passives	◐	●	●	●				◐
	Electromechanical and interconnect	●	●	●	●				●
	Single-board computing	●	●	●	●				

● Full product offer

◐ Part range

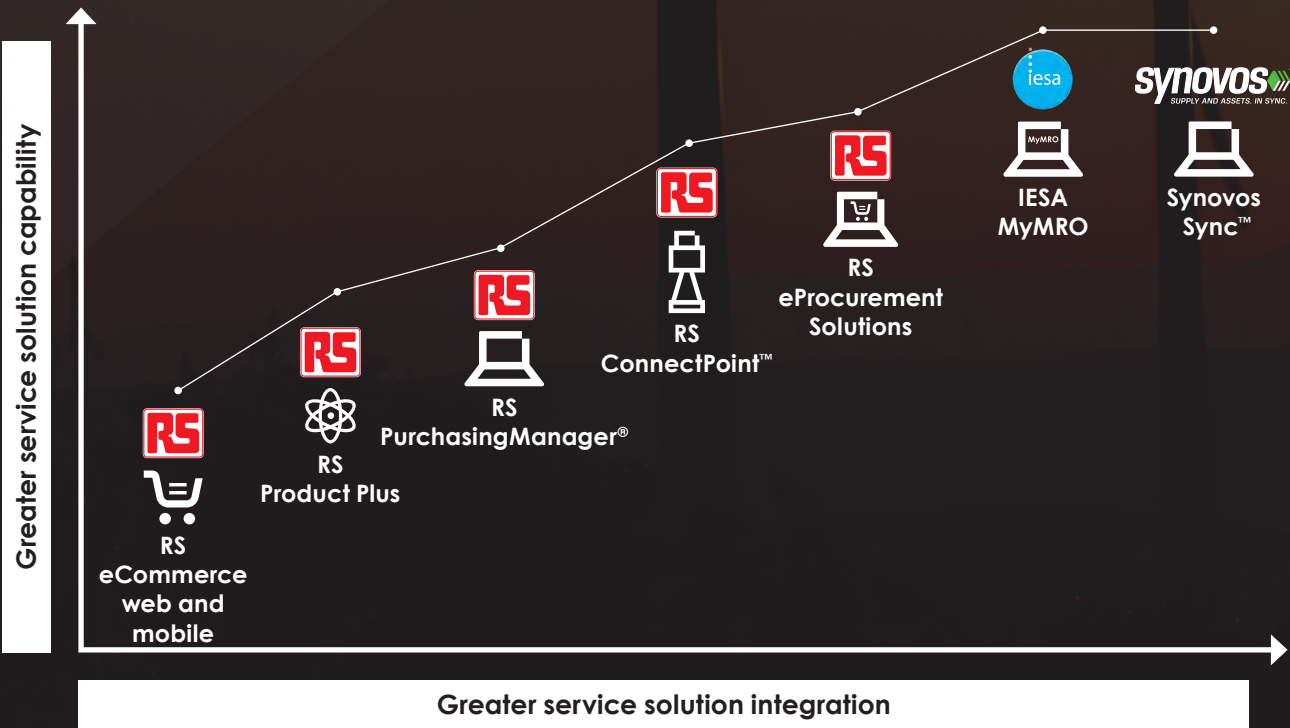
Over
650,000
stocked and
3 million
unstocked high-quality industrial and electronic products

Customers increasingly want a one-stop shop for their supply needs. We offer an unrivalled choice of products so customers can simplify procurement, manage supply chains more efficiently and consolidate their supplier base to drive sustainable growth.

We solve customer problems and unlock new opportunities

We listen to our customers which drives the development of our product and service solutions within the specialist areas of product, design, procurement, inventory and maintenance. We understand the needs of each decision maker with different and specific requirements across a broad range of customers.

An example of the range of procurement solutions we offer depending on our customer needs



c. 20%
of Group revenue
attributed to service
solutions

Our product and service solutions drive stronger customer relationships and deliver sustainable cost efficiencies. Our offer varies according to our customers' needs and how integrated a proposition they want, with the ultimate being an integrated supply solution.

We deliver a technology-enabled experience with a human touch

We are pioneers and leaders in the digital space supported by heritage and deep expertise. We are intuitive but also personal and our omni-channel approach means we deliver a joined-up customer experience.



14m
website visits
per month

18%
growth in
customer numbers
in 2020/21

c. 4%
of Group revenue
spent on digital
per annum

63%
of revenue through
digital channels

Our omni-channel model delivers a seamless end-to-end customer experience through digital, physical or a combination of both. Combining a digitally-enabled offer with bespoke specialist support differentiates us from our competition.

We are working towards a more sustainable and inclusive future

We aim to source products in an ethical way, building sustainable and efficient supply chain solutions with our customers and suppliers. We also inspire our people and broader communities through education and innovation.

62%

reduction in tonnes of CO₂ since 2014/15¹ and our CDP score improved to A- in 2021



22%

reduction in packaging intensity since 2014/15²



76%

of waste is recycled with many of our key sites sending no waste to landfill



We have introduced

2

paid corporate volunteering days per year for all employees worldwide



Solar panels installed at Bad Hersfeld, Germany, distribution centre capable of generating 750kW of green photovoltaic (PV) electricity



We have agreed our first global social commitment to help improve

100,000

lives with The Washing Machine Project



44%

of our Board members are female including our Chair



Our ESG approach is aligned with our purpose and integrated into our five strategic priorities of Destination 2025, Group targets and key initiatives. Our Chief Executive Officer oversees ESG progress with our President Global Supply Chain driving plans and action.

1. Scope 1 and Scope 2 emissions due to premises' energy use, updated to reflect changes in reporting and emissions factors.
2. At constant exchange rates and updated to reflect changes in reporting methodology.



All our brands deliver making amazing happen for a better world



RS Components (RS) is a leading omni-channel industrial and electronic product and service solutions provider to customers who design, build, maintain and improve industrial equipment and operations mostly within EMEA and Asia Pacific. RS has an unrivalled choice of high-quality, leading-brand product and service solutions which are tailored to meet our customers' needs and are central to our aim of solving problems with innovative solutions and delivering a world-class customer experience. RS is increasing its inventory availability for customers and providing enhanced supply chain reliability with an extended distribution centre (DC) in Bad Hersfeld, Germany, opening in early autumn 2021. The site will make use of green electricity produced by solar panels on the roof of the extended DC, with surplus power exported to the grid.



ALLIED
ELECTRONICS & AUTOMATION

Allied Electronics & Automation (Allied) is a leading omni-channel provider of industrial and electronic product and service solutions to customers throughout Americas who are involved in the design, build, maintenance and improvement of operational equipment and facilities. Allied has a broad product offering with a focus on industrial automation and control. A newly-expanded, more sustainable DC enables us to expand our product and service solutions offer further. Allied provides specialised omni-channel support through multiple channels, including online self service, local sales offices, application engineers and technical support teams. Allied partners with customers to source products, find supply solutions and advise on efficient and environmentally sustainable operations. Allied procured critical lifesaving products during the COVID-19 pandemic.



synovos
SUPPLY AND ASSETS. IN SYNC.

IESA and Synovos provide integrated global supply solutions for maintenance, repair and operations (MRO). Together they are global leaders in indirect inventory management service solutions for MRO supply chains, driving increased profitability, improved productivity and sustained reliability with a more efficient and streamlined operations which can help improve environmental impacts.

IESA is based in the UK, largely servicing the UK and Europe, utilising cloud-enabled technology that delivers the most cost-effective solutions to meet the challenges of complex manufacturing, assembly and processing operations. IESA works in partnership with a wide range of major corporate clients to reduce time, resource, waste and production downtime within their manufacturing operations.

Synovos is based in the US, providing outsourcing service solutions to industrial customers across the US, Canada, Mexico and Singapore. Synovos offers a cohesive, end-to-end MRO supply chain management programme and platform that enables clients to turn complicated and extensive MRO processes into a simpler, less time-consuming and more cost-efficient system thus providing clients with greater control as well as improving operational and environmental efficiency.



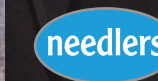
OKdo is a technology solutions business focused on single-board computing (SBC), Internet of Things (IoT) and education. OKdo brings the latest products, innovations and service solutions to makers, entrepreneurs, professional engineers, educators and reseller partners to inspire and enable them to generate new innovations and ground-breaking technology. OKdo has a world-class product portfolio featuring a wide range of global partnerships including Raspberry Pi, Arduino, Micro:bit Educational Foundation, Nvidia, Google and an extensive range of accessories and kitted solutions. OKdo offers service solutions including rapid prototyping, design and manufacturing and has pioneered the OKdo Academy providing free live digital sessions covering in classroom learning to teachers, students, parents and educational partners.

DESIGNSPARK

DesignSpark is a community for engineers and students offering projects, forums, design tools and resources. It provides members with a comprehensive range of free and paid-for software design tools, a database of design resources including computer-aided design libraries, technical data and development resources. DesignSpark is a large community in which to share projects and opinions and connect with other engineers from the largest businesses to start-ups through to students. DesignSpark has over one million members and offers tools and resources to support their work whether for a professional purpose, personal hobbies and interests, or their charitable work in developing innovative solutions. DesignSpark also works with start-up businesses developing sustainable applications using new technology.



RS PRO is the Group's main own-brand product range of more than 65,000 high-quality, competitively priced industrial products and electronic components, audited against international quality standards. RS PRO uses proprietary data to identify, source and bring to market products our customers require and need. The customer-led merchandise offer across multiple categories includes designing personal protective equipment (PPE) kits in supporting businesses reopening after COVID-19. Our product offering continually evolves and we launched over 6,000 new products during the year, including sensors used within connected factories to reduce production time lost to repairs. We are focusing on embedding ESG strategies and initiatives into our offer, including providing a sustainable product range.



Needlers and Liscombe are multi-specialists for PPE based in the UK and the Netherlands. The two businesses provide a full range offer and expertise across various industry sectors within safety and PPE, stocking key brands and own-brand products. Needlers ensures product production is safe within lighter industry verticals, such as the food industry, and was one of the first PPE distributors to be awarded the British Retail Consortium Global Standard for food safety. Liscombe protects employees within higher risk environments more common in heavy industry sectors and has a bespoke design service. Both businesses have extensive product sourcing capabilities. The two brands offer specialist consultancy, alongside their product offering, to advise customers on how to ensure safety and compliance.

Well positioned to accelerate growth



This has been a difficult year for us all. The COVID-19 pandemic has brought many tough challenges for everyone, both personally and professionally. We responded early and flexibly which allowed us to adapt our working practices quickly to a new normal. Our number one priority is always the health, safety and wellbeing of our people, none more so than during the pandemic. Everyone has worked together to ensure this, allowing us to keep our distribution centres (DCs) open to provide ongoing premium customer service, while those that could work from home have transitioned smoothly as a result of our technological capabilities. The result has been increased cohesion across the Group with everyone supporting each other and a greater understanding of how important a role we play in delivering critical products and services especially within our communities. I am immensely proud of our amazing people and all they have achieved. Thank you.

We have also navigated the ending of the transition period following the UK's exit from the EU (Brexit). We prepared well to ensure as smooth a process as possible, from increasing inventory going into the end of the transition period, updating our technology, working closer with our customers, suppliers and logistic partners and increasing flexibility within our supply chain. This meant that all areas within our control ran fairly smoothly. However, there were a number of issues that all operators faced, such as longer customs controls, increased paperwork and transport carriers stuck at borders, which made it more of a challenge but which we have worked to mitigate. We look forward to improving our service to Europe further when the extension to our German DC opens in the early autumn of 2021.

The challenges encountered during 2020/21 have stress-tested the business materially, but the growth we delivered in market share and customer numbers has demonstrated our resilience and strength. We are building a strong foundation to accelerate future growth, with our proposition well-positioned for this changing world. We have an offer that is resonating and gaining traction with existing and new customers but still have less than a 1% market share globally, highlighting the opportunities we have.

Our journey

Much has changed over the last six years since I arrived at Electrocomponents as Chief Executive Officer. The business has been transformed as we have re-engineered our operating model, improved our financial strength and focused on our customer and supplier needs and our people development. However we have also seen a significant change in our external environment. The pandemic has fast-tracked customer and supplier needs in line with our evolving proposition and we are well positioned.

“The response of our people to the challenges faced this year has been exceptional and our outperformance continues to demonstrate the strength of our differentiated proposition which is resonating with both our customers and suppliers, delivering market share gains and stronger relationships.”

Lindsley Ruth
Chief Executive Officer

We have a stronger base from which to accelerate our growth strategy. Our performance during 2020/21 saw resilience in the first half as we navigated the outbreak of COVID-19 and the resulting trading shortfall for many of our customers, with no benefit from health and safety and personal protective equipment (PPE) products which accounted for less than 3% of our total revenue at that time. We continued to invest in our business model and growth opportunities to ensure our long-term strategic plans did not falter. This approach was vindicated as we returned to low double-digit like-for-like revenue growth in the second half.

Throughout the year we demonstrated strong market share growth with improving momentum across all three regions. Like-for-like revenue grew by 1.4% for the year. We believe our outperformance is a testament to the hard work of our people and our differentiated proposition. Being omni-channel marries digital capability with expert advice from our salesforce while our extensive product offer and industry-leading availability mean our customers rely on us to ensure continuity of their businesses. Our solutions offer solves our customers' procurement problems and our own-brand product range is developed in response to customer demands.

Profit performance has been impacted by costs relating to COVID-19, Brexit and from a higher cost to serve. Our gross margin declined 1.0 percentage points due to higher inbound freight costs and increased inventory provisions from large selling price declines in certain of our PPE products. Operating cost pressures were due to significant outbound freight inflation and increased social distancing costs as well as additional charges resulting from Brexit. Adjusted operating profit fell by 16.2% like-for-like.

We are a strongly cash generative business delivering £231.1 million of cash from operations resulting in a 100.3% adjusted operating cash flow conversion, allowing us to continue investing in our growth opportunities. Our return on capital employed was 19.4%. We also resumed our dividend payments, starting with paying the deferred final dividend from 2019/20, and made an additional £12.5 million payment into our UK pension scheme. We are financially strong.

We are a socially and environmentally responsible organisation with high ethical and governance standards, which I am fully responsible for implementing and maintaining and to which I am wholly committed. Our President Global Supply Chain leads our planning, execution and governing of our environmental, social and governance (ESG) work and this is a core target within our strategic roadmap, Destination 2025. We are driving changes throughout the Group, from sourcing more sustainable products and building more energy-efficient operations and facilities, to educating and training both our own people and broader communities. Additionally, we support non-profit organisations that share our passions such as Engineers Without Borders-International and The Washing Machine Project. I am proud that our ESG work has gained external recognition including a MSCI ESG A rating, a CDP Climate Change leadership score of A-, 10 / 13,494 companies with Sustainalytics and a Gold medal rating by EcoVadis.

We have strengthened our Senior Management Team by adding expertise and experience where we see the opportunity to deliver a step change in our proposition, such as a Chief Transformation Officer, a Chief Digital Officer and a Chief Marketing Officer. We have made significant changes to our senior managers and salesforce within Americas and Asia Pacific, appointed new

country heads in EMEA and welcomed new management expertise with our three acquisitions. Additionally, we appointed a VP Social Responsibility and Sustainability who is responsible for developing our ESG journey further, setting challenging targets to improve our environment rather than just repair it.

We added three bolt-on acquisitions to our Group during the year: Needlers Holdings Limited (Needlers), Synovos, Inc. (Synovos) and John Liscombe Limited (Liscombe). Synovos is a leading player in integrated supply solutions, based in Americas, and is very similar to our IESA business. The combination of Synovos and IESA provides an integrated supply proposition across a wider industry and customer base. This presents revenue synergy opportunities through offering Allied Electronics & Automation (Allied) and RS PRO products to Synovos's customers and offering Synovos's solutions to Allied's customers. Needlers and Liscombe expand our product and service solutions offer in safety, hygiene and PPE through their specialist product ranges, supply base and expertise. We see opportunity from capturing a greater share of spend with existing customers in a category expected to deliver underlying growth. The integration of all three businesses is on track and they are performing in line with expectations.

Accelerating Destination 2025

Our Destination 2025 strategy, outlined over two years ago, sets out five strategic priorities to deliver value for all our stakeholders. There is no change to the overall plan, but we believe we can accelerate delivery of these ambitions.

During 2020/21 we initiated RISE, our programme to streamline our Group to build a leaner and more scalable business capable

We continue to balance the needs of all our stakeholders in response to COVID-19



Ongoing service to our customers

- Providing a reliable, digitally-enabled service.
- Delivering specialist sales advice to solve changing supply needs.
- Keeping our DCs operational and supporting critical industries.
- Launching RS Product Plus so customers can streamline orders.
- Ongoing investment to drive best-in-class customer experience.



Supporting our suppliers

- Providing a reliable service to suppliers.
- Working with suppliers to ensure ongoing product flow.
- Committed to paying our suppliers to agreed terms.
- Investing further to drive best-in-class supplier experience.



Delivering value for our shareholders

- Tactical actions to protect our cash, profit and balance sheet.
- Commitment to accelerate Destination 2025.
- Simplifying the Group further to drive efficiencies and sustainability.
- Accelerating action to take advantage of short-term opportunities.



Ensuring our people remain safe and healthy

- Changing operating practices in DCs to allow social distancing and safety of people working on site: split shifts, hand sanitising, PPE and more frequent cleaning.
- Setting up lateral flow test centres in our DCs in the UK to test up to 500 employees per week.
- Ensuring our office-based employees have access to correct equipment to continue to work safely from home.
- Providing online support and wellbeing resources, including keepconnectedec.com website for employees and their families.
- Continued to roll out mental health training: over 120 mental health first aiders trained, training 300 people managers.



Supporting our communities

- Establishing 3D print farms in our UK and US offices that have produced and donated over 20,000 visor frames globally.
- Launch of OKdo Academy delivering free online content aimed at teachers, students and parents.
- Providing an online platform for student competitions such as DesignSpark's Extraordinary Engineering Challenge and Connect the Community Challenge.
- Joining the working group under the UK's Office for Product Safety & Standards for additive manufacturing (3D printing) PPE.

Chief Executive Officer's review continued

of accelerating growth and driving higher sustainable returns. This included flattening the regional management structure and expanding the shared business services team to spread knowledge, expertise and best practice across marketing, digital, innovation and product and supplier management. This simpler operating model will enable Electrocomponents to go faster, improve margins and operate more efficiently.

We are also moving towards becoming a more environmentally sustainable business. We are working with our supplier base to reduce unnecessary transportation routes through restructuring the network, both inbound as we receive product from suppliers, and outbound as we distribute to our customers. This will result in more deliveries direct from the manufacturing location, via sea rather than air freight, growing the level of inventory held locally and increasing regional sourcing options. This will streamline our in-country operations, reduce costs and lead to significantly lower carbon emissions from our supplier base and third-party delivery network. Moving products closer to the customer will improve product availability, delivery times, consistency and customer service levels. This is a large project as we restructure decades of historic working, but one we are passionate about delivering.

Driving sustainable growth through our differentiated offer

We have over 1.2 million customers and are delivering c. 60,000 parcels daily from over 2,500 suppliers of our stocked products. The average order value is £191, with many being fast, just-in-time purchases, illustrating that product availability, security of supply and speed of delivery are crucial to our customers' needs. Given our proposition and reach, there is an enormous opportunity to become more connected with our customers, increasing their average basket size through growing the amount of products and services we offer, developing service solutions for their procurement problems and generating growth through new customers. Extending our depth with existing customers and widening our breadth through new customers will deliver operational leverage, profitability and environmental benefits for our customers, our suppliers and the Group.

We believe that focusing on our key strengths will have the greatest potential to accelerate delivery of Destination 2025 and sustainable profitable market share growth. These areas of differential are:

- **Customer experience and our omni-channel model:** Customers are increasingly expecting a fast, personal, efficient and frictionless experience. Our digitally-enabled model allows us to service customers whichever way is easiest for them and we continue to invest in this area, adding a responsive web platform at RS during 2020/21. Our digital channel participation at 63% of revenue reflects how our customers are increasingly purchasing. However, we also provide specialist technical support and advice through our expert sales team which, when combined with our digital capabilities, gives us a significant competitive advantage.
- **Product and service solutions offer:** Our customers are looking at ways to ease their procurement requirements. We provide a portfolio of product and service solutions relating to design, procurement, inventory, supply chain, engineering and maintenance. Part of this offer is within the core RS and Allied brands and part within our brands such as DesignSpark and our integrated supply businesses, IESA and Synovos. The opportunity to personalise supply solutions with ranges of associated products relevant to specific customer uses is significant. Delivering this leads to stronger customer relationships, improved loyalty and greater lifetime value as we become increasingly more integrated with our customers.



INNOVATION DRIVING THE DIGITAL INDUSTRIAL REVOLUTION

The world is rapidly evolving and we are passionate about developing innovative solutions that make our customers' lives easier. One such service we offer allows our customers to connect their manufacturing assets simply and rapidly to a cloud-based reporting and condition monitoring system, generating insights into the causes of production losses and component failure.

This new service enables our customers to join the digital industrial revolution with ease and affordability, gaining insight into the reliability and energy efficiency of their productive assets. Digital tools such as condition-monitoring alerts, automatic anomaly detection and predictive failure analysis will guide our customers in improving their production uptime through focused, pre-emptive maintenance.

Meanwhile, this allows us to understand better our customers' maintenance needs and to supply the relevant parts, components and consumables proactively in good time. In addition, by offering specialist services such as planning, analysis and reliability consulting, we will further improve our customers' production resilience and strengthen our commercial relationship to that of a valued and trusted business partner.

We believe that we are at the forefront of developing technology, working with a small number of early-adopter customers in different industry sectors to deliver an innovative procurement solution.

- **Specialist product breadth, depth and expertise:** The breadth and depth of our product offering, underpinned by the strength of our supplier relationships, continues to set us apart from our competition. We are expanding our range of new and innovative products further and growing our expertise in an increasing number of product categories while our electronics offer drives differentiation from industrial peers. The extensive digital and customer data we have allows us to make informed decisions about our range depending on customer demand. Where we already have the supplier relationships and in-house expertise and experience, we are extending specialist product ranges that our customers require. Where there are opportunities to develop this faster in areas where we are less

well known, we are looking at acquisitions.

- **Own-brand proposition:** Our main own-brand, RS PRO, continues to outperform the Group. We have a strong quality offering, sourced from tier one level suppliers, that delivers value for money to our customers and a more targeted category offer based on utilising our data. Being able to identify new product opportunities and offer full solutions such as test and measurement kits has been very successful. We see significant opportunity to develop this further, especially in Americas where penetration is low, increasing the contribution and strengthening overall margins.

Driving operational efficiency

During the year, we have focused on continued investment in our proposition, ensuring that we retain a strong service to drive future profitable market share gains. Many of the fundamentals are in place and, although we are obsessive about ongoing continued investment to stay relevant, our model is now shaped for delivering operational efficiency.

We have completed the doubling of our DC capacity in Fort Worth, US, and are close to finishing a similar expansion at our DC in Bad Hersfeld, Germany. These DCs are more sustainable, automated and environmentally efficient with decreased waste output and improved packaging systems with Bad Hersfeld also having solar panels. The two extensions will allow us to increase substantially the breadth of our product offering and also expand our sales of RS PRO. Additionally, our German DC will drive economic and environmental efficiencies in helping supply Europe now that Brexit is complete.

We continue to spend c. 4% of Group revenue per annum on our digital and technology offer to remain industry leading. We are utilising our data better for the benefit of our customers, suppliers and our own-brand RS PRO offering. This has resulted in a greater understanding of customer lifetime values and improved returns from more targeted marketing spend.

Our RISE initiative will drive further operational efficiencies. We have already seen the benefits of leveraging our central expertise further and being able to focus on the higher return areas within our business model.

We continue to target organic growth in the key areas outlined above. However, we see ways we can accelerate this inorganically through acquisitions that fit strategically, culturally and generate value. Delivering market share growth and operating leverage will underpin our progress towards our goal of a mid-teen adjusted operating profit margin.

In summary

Key to the strength of Electrocomponents is our people. I am incredibly proud of how strong our team is, both in the dedication and care our people have shown each other, our customers, suppliers and communities, and in how they have responded to this difficult year. I thank everyone for their hard work, collaboration, fortitude, positive attitude and humour, which continues to make Electrocomponents the amazing business I am honoured to lead.

Lindsley Ruth

Chief Executive Officer
24 May 2021



DRIVING OPERATIONAL EFFICIENCY

As part of our strategy to build a more scalable, sustainable and customer-centric supply chain, the DC in Bad Hersfeld, Germany, is being enlarged to double its capacity and automated to improve operational and environmental efficiencies. The extended state-of-the-art DC will total 37,600m² and accommodate a product range of over 450,000 products, three times greater than historic levels.

The extended DC will serve customers in Germany and other markets globally, maximising opportunities for further growth. It will enhance the customer and supplier experience by improving speed and service. Additionally, Bad Hersfeld will allow us to mitigate some of the extra costs and processes of crossing the UK border post Brexit. Many of our strategic suppliers are located in Germany and they will be able to showcase their product lines in the facility.

The DC has best-in-class automation and technology to increase efficiency and decrease waste, particularly in packaging and shipping costs. Solar panels have been fitted to part-power the DC and automatic storage, retrieval and packaging systems are being installed to help improve our environmental performance. The newly expanded Bad Hersfeld DC is due to open early autumn 2021.

Destination 2025: becoming first choice

We have a clear vision and a plan of how we become first choice. Destination 2025 is focused around our five key strategic priorities to deliver sustainable growth and superior returns for all our stakeholders.



RISE accelerates Destination 2025

We have seen many changes over the last year in how consumers behave, how suppliers react and how our people adapt. Never before has it been so important to ensure that we are best aligned to the new normal, capturing new opportunities, ensuring we remain relevant, agile and innovative and being able to RISE to the future and become first choice for all our stakeholders. We are well positioned but to remain so we need to accelerate implementing our strategy, Destination 2025.

The RISE programme focuses the Group further by streamlining and simplifying our model to build a lean and scalable operation. This should accelerate growth and drive higher returns through leveraging Group expertise to improve local processes and reduce the unit cost to serve. One output of these initiatives is the delivery of cost savings, at c. £25 million of net benefit over a two-year period, with an implementation cost of c. £16 million.

Our medium-term goal remains to generate a mid-teen adjusted operating profit margin and drive an adjusted operating profit conversion of 30%.

Expected to result in

c. £25m
of operational savings

Destination 2025 becoming first choice

We have continued to make strong progress rolling out initiatives across our five strategic priorities during 2020/21 despite the external pressures faced. We remain confident in our ability to transform our offer and build the right capabilities and infrastructure to enable us to scale our business more efficiently.

1 Best customer and supplier experience

What this means

By excelling at the basics and providing differentiated solutions, we are putting our customers and suppliers at the heart of our business and making their lives easier.

Our progress in 2020/21

We are focused on driving a seamless mobile-first omni-channel experience for our customers. This year we rolled out an improved purchase experience on mobile devices and continued to develop our data-driven personalisation through machine-learning algorithms.

Under our product & content excellence (PACE) programme we launched our product management solution (PMS) which is the first step in migrating our product catalogue into an extensible data model. This will unlock improved accuracy, swifter time to market, better interactive content and broader product ranges. We are reconfiguring our non-stock product offer to simplify the customer journey and improve our internal processes for fulfilling fuller baskets to our customers.

We continue to work with our suppliers to improve the sustainability of our value chain and to source and deliver innovative and sustainable solutions for our customers. Internet of Things (IoT), carbon and water testing equipment, variable speed drives and high efficiency motors are all examples of our expanding sustainable product range.

RS PRO remains a key growth driver for the business, with 9.7% like-for-like revenue growth for the year (up from 8.9% in 2019/20) and adding over 6,000 new products to its range – offering customers high-quality products at competitive prices. Our acquisitions also extend our offer.

Future initiatives

We continue to invest in building a truly differentiated and personalised offer with unrivalled product choice, specialist technical support and solutions that make our customers' lives easier. We are also expanding our sustainable product range and profile online.

2 High-performance team

What this means

Investing in talented leaders to build a results-orientated, customer-focused and diverse global talent base.

Our progress in 2020/21

Despite a difficult year, our people engagement score was 74 (2019/20: 72) but we are mindful of the ongoing impact of COVID-19 on wellbeing, mental health and work-life balance.

We accelerated efforts to raise awareness and support for mental health as part of our overall diversity and inclusion strategy (see pages 61 to 63) and we are especially proud to be in the 2020/21 Inclusive Top 50 UK Employers List.

We delivered over 22,000 hours of online training this year. Our people accessed some of the highest quality virtual learning through partners such as LinkedIn Learning, Mind Gym and MHFA England. Much of this came through our digital development programme 'Management Matters'.

This year, our global Future Shapers talent programme took place online and we continued our focus on apprenticeships. The Data Academy concluded two cohorts of 58 people and new academies were set up to support and upskill staff on (Company-funded) furlough in the UK. We have retained 100% of all graduating new apprentices and were ranked 27th in the Top 100 Apprenticeship Employers and doubled the 5% Club target with 10% of our UK employee population now in or completed 'earn and learn' roles. We have also created a new framework for our leadership called Amazing Leaders and now have a global model, designed with our people.

Future initiatives

We will invest further through the deployment of a world-class learning ecosystem, the creation of an integrated talent marketplace, enhanced inclusion training for all and training to embed Amazing Leaders across our business. Above all, we are committed to building a safe, inclusive and dynamic culture which enables our people to bring their true self to work and thrive.

3 Operational excellence

What this means

Continuously improving service and efficiency to build a sustainable business.

Our progress in 2020/21

We have continued to focus on providing best-in-class customer service while driving operational efficiencies. The implementation of RISE is accelerating the delivery of Destination 2025 by streamlining the operating base from which we can build a more scalable and sustainable business.

During 2020/21, we built upon the services and activities performed in our centres of expertise (COEs) with the launch of the 'power of one' initiative designed to drive consistency and standardisation of processes across our COEs and increase efficiency and scalability of our services. This global approach has been vital to our ability to deliver premium service levels throughout the pandemic.

We also continue to drive efficiency and operational excellence through our automation programme that is now reaching maturity with over 50 processes automated via robotic process automation technology (bots). Meanwhile our data and analytics teams continue to build upon our capability to provide greater insights for the Group to sustainably drive stronger revenue growth and improved customer experience.

This year we relaunched our data and insight initiative, which is designed to embed a data and insight led decision-making culture further across the Group. We expect this to start to deliver benefits in how we operate during 2021/22.

Future initiatives

We will continue to invest in technology and automation to simplify processes, drive efficiencies and improve service where we can across our business.

4 Innovation

What this means

Introducing new products and solutions to harness our digital expertise, data and insight. Taking advantage of new technologies and changing market dynamics to create new opportunities for growth and efficiency.

Our progress in 2020/21

Throughout the year we have continued to drive innovation to support our customers, suppliers and community.

Across our businesses, new solutions continue to be developed: RS added new onsite services in France to support customer site development and layout configuration, Allied expanded their technical support capability to provide customers with access to a virtual technical lab with real-time support, OKdo launched a new printed circuit board prototyping service and IESA expanded its digital platform support for clients through its MyMRO procurement solution.

Our strategic response to COVID-19 has had innovation at its core. From the establishment of 3D print farms in our UK and US offices that have produced and donated over 20,000 visor frames globally, to the rollout of community initiatives supporting education through competitions and partnerships on DesignSpark and the launch of the OKdo Academy, we have supported people and communities around the world. Our strength in design solutions has been evident this year through DesignSpark, which reached one million members worldwide and saw a c. 20% increase in visits as people adjusted to different ways of working during the pandemic.

Future initiatives

We continue to drive more innovation focusing our global effort on service solutions, in turn driving product purchases, to differentiate ourselves and future-proof our business.

5 Reinvestment to accelerate growth

What this means

Being disciplined in our allocation of cash between organic investment to drive faster growth, inorganic opportunities and attractive sustainable shareholder returns.

Our progress in 2020/21

During the year, we have maintained operating expenditure and capital expenditure to support our strategic initiatives which we believe will be key to driving future growth, market share gains and efficiency and a lower-carbon future.

Our key capital expenditure investments have been across our technology and DC infrastructure and automation. We invested in product, content and technology so we can scale our product range and offer our customers and suppliers the full solution they require.

We are building a scalable, highly automated and sustainable

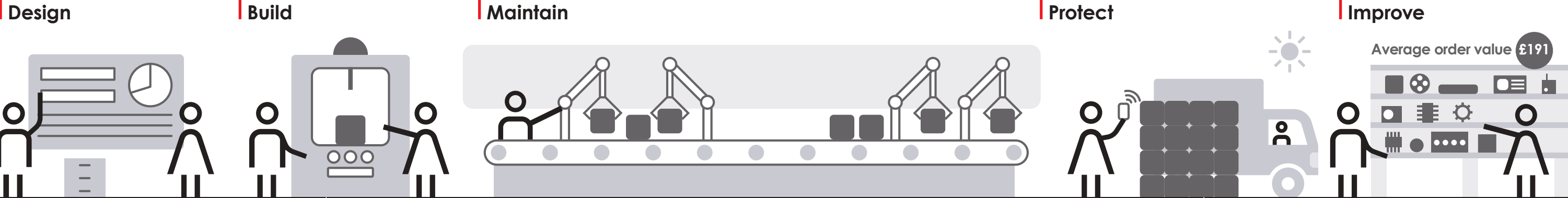
supply chain to support growth at lower cost. The expanded DC in Fort Worth, US, opened last summer and is now fully operational. The expanded DC in Bad Hersfeld, Germany, is due for completion by early autumn 2021 and is part powered by solar electricity generated on site. Both DCs will be highly automated and provide significant room to increase throughput, future-proofing our business for the long term. We have automated packaging systems at our DCs in the UK and US and will do in Germany, optimising packaging size and weight, and increasing the use of sustainable materials and recyclable packaging.

Future initiatives

We recognise the importance of investing in our people, processes and systems and will continue to prioritise the right investments to achieve the optimum balance between short- and long-term value creation. We will continue to invest in a sustainable way with a focus on limiting our environmental impacts.

Our competitive advantage comes from our customer-centric approach

We provide the product and service solutions that help businesses grow



What differentiates us

- Providing product choice**
We offer a broad and extensive product range across both industrial and electronics categories including our own-brand, RS PRO.
> 650,000 stocked and 3 million unstocked high-quality industrial and electronic products
- Being problem solvers**
Our service solutions proposition supports customers with innovative services to improve efficiencies and sustainability.
c. 20% of Group revenue from service solutions
- Easy to do business with**
Our omni-channel proposition means we provide a frictionless specialist experience however our customers want to engage.
63% of Group revenue through digital channels
- Improving lives and the planet**
We are inspiring engineers of the future and building sustainable, ethically sourced supply solutions to reduce the impact on the environment.
62% reduction in tonnes of CO₂ since 2014/15¹

1. Scope 1 and Scope 2 emissions due to premises' energy use, updated to reflect changes in reporting and emissions factors.

Our customer-centric focus

We have a broad range of customers, all with different specific needs we satisfy

Industrial product life cycle:

Design	Build	Maintain / Improve
Protect		

We work with our customers across the industrial product life cycle to deliver product and service solutions to design, build, maintain, improve and protect their businesses, saving them time and money and making their operations more sustainable.

How we will evolve

- First choice**
We want to become first choice for all our stakeholders: becoming the go-to partner for our customers, suppliers, our people, communities and shareholders.
 - Develop our competitive advantage within:**
 - Product and service solutions, including RS PRO
 - Design solutions
 - Procurement solutions
 - Inventory and supply chain solutions
 - Maintenance and engineering solutions
 - Omni-channel customer service
 - Increase our £191 average order value and leverage scale through:**
 - Expanding our product and service solutions offer
 - Enlarging our product range and expertise
 - Developing our RS PRO own-brand
 - Leveraging our specialist knowledge base
 - Improving our customer experience
 - Utilising our significant data ecosystem
 - Driving advantage from our digitally-led offer
 - Generating operational efficiencies
 - Deliver our Destination 2025 strategic priorities focusing on:**
 - Best customer and supplier experience
 - High-performance team
 - Operational excellence
 - Innovation
 - Reinvestment to accelerate growth
- Read more on pages 20 to 23**

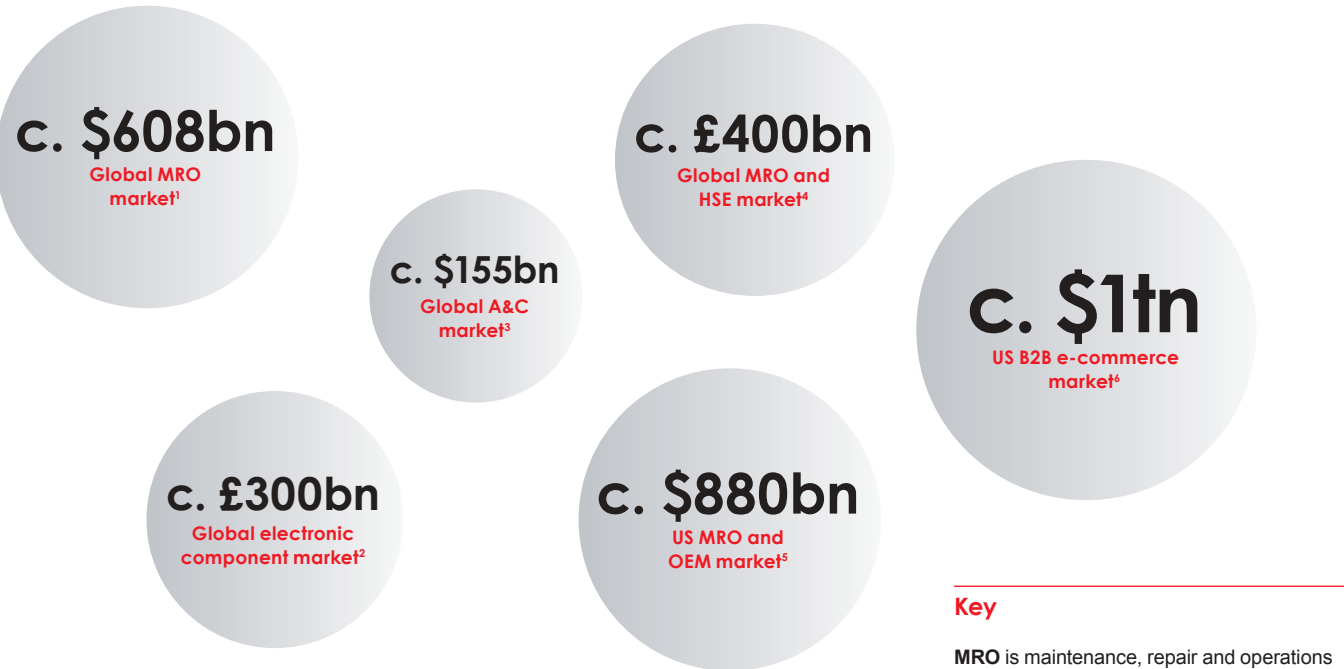
Value to stakeholders

 Customers 54.4 Net Promoter Score Read more on page 59	 Suppliers 2,500+ suppliers for our stocked product range Read more on page 60
 Our people 74 employee engagement score Read more on page 62	 Communities 2 paid corporate volunteering days per annum for all employees worldwide Read more on pages 64 and 65
 Shareholders > £2bn total shareholder return Read more on page 29	

Well positioned for growth in a large and fragmented market

Our market

We serve a large, fragmented and digitally immature global market. We estimate the global MRO and HSE market is valued at c. £400 billion and typically grows at GDP+. Our competition is mainly small, regional players with a niche product focus with limited digital presence.



Source:
1. W.W. Grainger 2. DiscoverIE 3. Business Wire 4. Electrocomponents 5. WESCO 6. Forrester Research

Key trends driving our market

Digitalisation <ul style="list-style-type: none">Customer ease and convenienceIncreasingly connected businesses (Internet of Things)Data analysis to tailor service to customer needs	Solutions-driven offer <ul style="list-style-type: none">Differentiates the proposition from a high-volume distributorIncreases customer loyalty and transaction spendDrives product purchases
Consolidation <ul style="list-style-type: none">Scale improves back-office efficienciesVolume-related buying benefitsDeeper supply chain partnerships	Increasing focus on sustainability <ul style="list-style-type: none">Increasing consideration of environmental impactRestructuring of supply chain modelsGreater focus on traceability and accountability

Our growth ambition

We see opportunities to continue to take market share across all our operating areas. Our aim is to grow at over two times the rate of the market, despite macroeconomic conditions, through selling more product and service solutions to existing and new customers, growing our own-brand product range and leveraging our digital and data capabilities to strengthen our brand penetration and improve our customer experience.

We will accelerate organic growth by adding strategic acquisitions within:

Product and service solutions <ul style="list-style-type: none">Making customers' lives easierProviding innovative solutionsReinforcing our differentiated offerEnhancing customer loyaltyIntegrating products and services	Product extensions and adjacencies <ul style="list-style-type: none">Delivering a one-stop shopOffering a deeper and broader rangeProviding greater product expertiseIncreasing share of customers' spendBeing an end-to-end specialist	Geographic opportunities <ul style="list-style-type: none">Adding scale in key marketsGrowing under-represented countriesBeing a global omni-channel providerOffering integrated supply globallyUtilising existing capacity
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Strategic acquisitions during 2020/21



SYNOVOS: Accelerating our global integrated supply proposition

With a strong position in North America, Synovos's integrated supply solutions model is similar to our existing IESA business in the UK and Europe. This acquisition allows us to offer a comparable integrated supply model to our customers for their operations in Americas and deliver service solutions to customers with global operations. Synovos will generate revenue synergies in Americas by expanding our Allied product offer using Synovos's suppliers, introducing Synovos to our Allied customers and offering RS PRO to Synovos's customers.



NEEDLERS AND LISCOMBE: Expanding our product and service solutions proposition

Needlers and Liscombe significantly expand our personal protective equipment (PPE) expertise given their strong sourcing capabilities and differentiated service propositions. Both acquisitions will broaden our PPE offer across more customer verticals to create a platform to accelerate growth across the Group. The combination will also enable the Group to capture a greater share of spend with existing customers and establish a meaningful presence in a product category in which we anticipate attractive underlying growth over the long term.

Listening and responding to our stakeholders



On these pages we have identified who our key stakeholders are, why it is important for us to engage with them and the outcomes of our engagement.

We value our stakeholders and their views are fundamental to us becoming first choice and driving a long-term sustainable business. While most of our stakeholder engagement takes place on an operational level, our Board also actively considers these stakeholders and the long-term impact our decision making has on them. This is set out on pages 76 to 78. Our section 172 statement can be found on page 69.

Customers



It is crucial to understand our customers' needs in order to create value, solve problems and unlock opportunities with them.

What matters to them

- Innovative and sustainable solutions to solve their problems and unlock new opportunities
- An omni-channel approach to make their lives easier
- A partner to build a more sustainable and socially responsible future
- An unrivalled choice of products and availability

How we engage

- Dedicated customer service
- Omni-channel communication for customer ease
- Trade fairs (customer and supplier interaction) and at customer sites
- Voice of the Customer survey, Trustpilot, Google customer feedback
- Customer performance reviews

Outcomes of our engagement

- Strengthened customer relationships
- Responsive and flexible proposition
- Ease of business with our customers

Suppliers



We work in partnership with our suppliers to deliver an unrivalled choice and innovative solutions for our customers.

What matters to them

- Data-driven product management
- Knowledge of customer needs and trends
- Ease of working
- Offering full product ranges, services and solutions to our customers
- Positive environmental and social impact and operating to high ethical standards

How we engage

- Dedicated account managers
- Regional supplier events
- Supplier scorecards with defined targets
- Voice of Supplier survey every two years
- RS Connect – partnering with suppliers to connect with customers

Outcomes of our engagement

- Stronger supplier partnerships
- Specialist product offering
- Developing a programme to source, store and deliver products closer to the customer

Our people



Our people are fundamental to the success of our business and we continue to invest in our ability to attract, develop and keep the best talent.

What matters to them

- Diversity and inclusion
- Wellbeing and mental health
- Training and career development
- A purpose-led culture

How we engage

- We encourage employee-led networks and communities
- Regular employee engagement surveys and Non-Executive Director initiatives
- Training courses for all employees and managers
- Provision of online onboarding tool and revised processes
- Health and wellbeing resources including our keepconnectedec.com website

Outcomes of our engagement

- Increase in employee engagement score to 74
- 170 people in our apprenticeship programmes
- 27th in Top 100 Apprenticeship Employers 2020
- Inclusive Top 50 UK employers 2020/21
- Shortlisted in National Diversity Awards 2020

Communities



Across our communities worldwide, we are implementing educational initiatives to improve lives and inspire the next generation of engineers.

What matters to them

- Supporting local communities
- Providing educational initiatives to young people
- Educational resources for children to use at school and at home
- Limiting environmental impact in operations

How we engage

- Launching our first global social commitment with The Washing Machine Project
- Employee volunteering programme
- Partnering with Engineers Without Borders-International
- OKdo Academy and DesignSpark online challenges
- REfect 2020 and other community events

Outcomes of our engagement

- Won Education Support Award for the fourth consecutive year at Elektra Awards 2020
- 350 students benefited from our skills training
- DesignSpark reached over one million members

Shareholders



Our shareholders include individual and institutional investors who provide the capital for our business to grow.

What matters to them

- Sustainable growth and superior returns
- Understanding the business and our strategy
- Strong corporate governance
- Environmental, social and governance (ESG)

How we engage

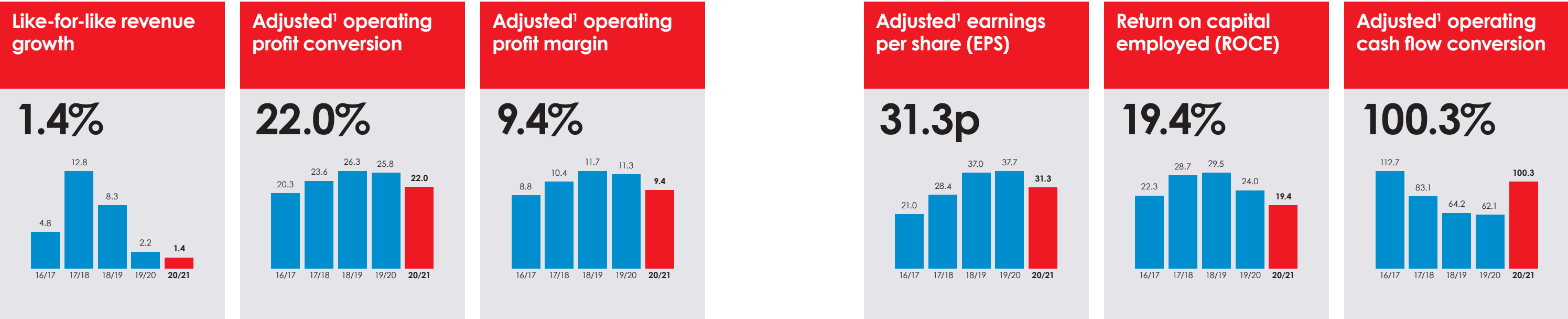
- Annual General Meetings
- Investor roadshows, personal meetings and conferences
- Stock exchange announcements, press releases and results briefings
- Ongoing dialogue with analysts and investors

Outcomes of our engagement

- Share price reflective of business opportunities
- Progressive dividend policy
- Strong support from new and existing shareholders with £180 million equity placing
- More time allocated to discuss ESG-related matters
- Shortlisted in the Company of the Year category of the plc awards in 2021

Financial key performance indicators

We use six financial key performance indicators (KPIs) to measure our progress in delivering the successful implementation of our strategy and monitor and drive our performance. Our financial KPIs reflect our strategic priorities as described on pages 20 to 23.



Why this is important					
By driving a differentiated customer experience and providing innovative solutions, we aim to drive market share gains and higher revenue growth, which in turn drives profit growth. Like-for-like revenue growth is adjusted for trading days, currency movements and to exclude the impact of acquisitions until they have been owned for a year.	We are constantly striving to make our operating model as lean and efficient as possible so we can convert a higher percentage of gross profit into adjusted operating profit. Our aim is that each region, each market and each individual takes responsibility for our performance and constantly questions whether we can do things more efficiently to drive greater returns.	Adjusted operating profit expressed as a percentage of revenue. A great customer experience, high-performance team and operational excellence should all drive improvement in operating profit margin. A higher adjusted operating profit margin should drive higher returns for our shareholders.	Adjusted EPS is a measure of growth and profitability of the Company that also reflects management performance. It is also a measure used by investors in deciding whether to invest in the Company.	ROCE is now measured as adjusted operating profit expressed as a percentage of the monthly average of (rather than closing) net assets excluding net debt and retirement benefit obligations. Prior years have been updated. ROCE is a measure used by investors in deciding whether to invest in the Company as a tight focus on working capital control and more disciplined capital investment, coupled with increased profitability, will drive improved returns for our shareholders.	Adjusted operating cash flow conversion is defined as adjusted free cash flow before income tax and net interest paid, as a percentage of adjusted operating profit. By tight working capital management and disciplined capital investment, we aim to convert a high percentage of our operating profit into operating cash flow. The higher the conversion the more cash we have available to invest in our business to drive future growth and returns for our shareholders.
Link to strategic priorities					
<ul style="list-style-type: none">• Best customer and supplier experience• High-performance team• Innovation• Reinvestment to accelerate growth	<ul style="list-style-type: none">• High-performance team• Operational excellence• Innovation• Reinvestment to accelerate growth	<ul style="list-style-type: none">• Best customer and supplier experience• High-performance team• Operational excellence• Reinvestment to accelerate growth	<ul style="list-style-type: none">• Best customer and supplier experience• High-performance team• Operational excellence• Innovation• Reinvestment to accelerate growth	<ul style="list-style-type: none">• High-performance team• Operational excellence• Innovation• Reinvestment to accelerate growth	<ul style="list-style-type: none">• High-performance team• Operational excellence• Reinvestment to accelerate growth
Link to principal risks					
<div>12346</div> <div>7910</div>	<div>123456</div> <div>7910</div>	<div>123456</div> <div>7910</div>	<div>123456</div> <div>7910</div>	<div>123456</div> <div>7910</div>	<div>1234567</div> <div>8</div>

1. Adjusted excludes amortisation of intangible assets arising on acquisition of businesses, acquisition-related items, substantial reorganisation costs, substantial asset write-downs, one-off pension credits or costs, significant tax rate changes and associated income tax (see Note 3 on pages 131 to 135 for reconciliations).

Key to our principal risks (see pages 47 to 49)

- 1

Prolonged effects of the ongoing COVID-19 pandemic
- 2

Prolonged effects of the UK's exit from the EU
- 3

Failure to respond to strategic market shifts e.g. changes in customer demands / competitor activity and related stakeholder requirements
- 4

The Group's revenue and profit growth initiatives are not successfully implemented
- 5

Failure to comply with international and local legal / regulatory requirements
- 6

Failure in the business's critical infrastructure
- 7

Cyber security breach / information loss
- 8

UK defined benefit pension scheme cash requirements are in excess of the cash available
- 9

People resources unable to support the existing and future growth of the business
- 10

Impact on the business if the macroeconomic environment deteriorates

Non-financial key performance indicators

We have seven non-financial KPIs to help measure progress against our strategy. These KPIs are focused on areas of key importance to our stakeholders and include our people and the environment alongside our safety and customer-related non-financial KPIs.

Environment



Why this is important

We recognise the role and responsibilities we have as a business to address our environmental impacts and help tackle climate change. We are extending our use of low-carbon energy while maintaining focus on energy reduction programmes and efficiency investments.	Our focus is to provide the best customer experience in the most sustainable way. We will work across our network of distribution centres to reduce packaging use, increasing recycled content and recyclability.	Ensuring we are able to grow and scale the business in a sustainable way is key. We will implement further waste reduction initiatives internally and by working with suppliers.	We strive to have zero waste to landfill but during 2020/21 a number of recycling facilities closed due to COVID-19 restrictions and waste was diverted from recycling to landfill resulting in the increase in the year. Looking ahead, we will maximise recycling opportunities through waste segregation by working with suppliers and employee awareness and training.
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Link to strategic priorities

<ul style="list-style-type: none">High-performance teamOperational excellenceInnovation	<ul style="list-style-type: none">Best customer and supplier experienceHigh-performance teamOperational excellenceInnovation	<ul style="list-style-type: none">Best customer and supplier experienceHigh-performance teamOperational excellenceInnovation	<ul style="list-style-type: none">High-performance teamOperational excellenceInnovation
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Link to principal risks

2 3 4 5 6 Plus climate change as emerging principal risk.	2 3 4 5 6	1 3 4 5 6	1 3 4 5 6
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Key to our principal risks (see pages 47 to 49)

- 1 Prolonged effects of the ongoing COVID-19 pandemic

2 Prolonged effects of the UK's exit from the EU

3 Failure to respond to strategic market shifts e.g. changes in customer demands / competitor activity and related stakeholder requirements
- 4 The Group's revenue and profit growth initiatives are not successfully implemented

5 Failure to comply with international and local legal / regulatory requirements

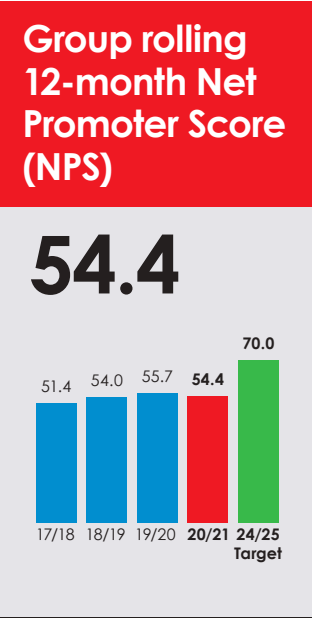
6 Failure in the business's critical infrastructure

7 Cyber security breach / information loss
- 8 UK defined benefit pension scheme cash requirements are in excess of the cash available

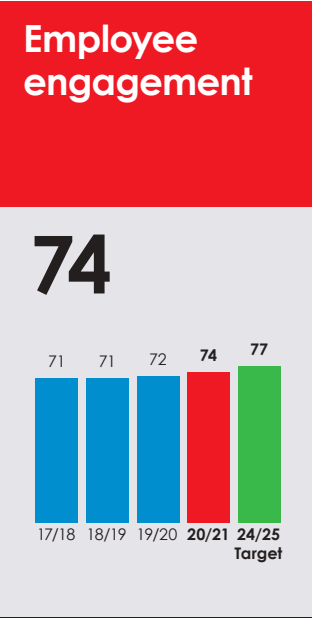
9 People resources unable to support the existing and future growth of the business

10 Impact on the business if the macroeconomic environment deteriorates

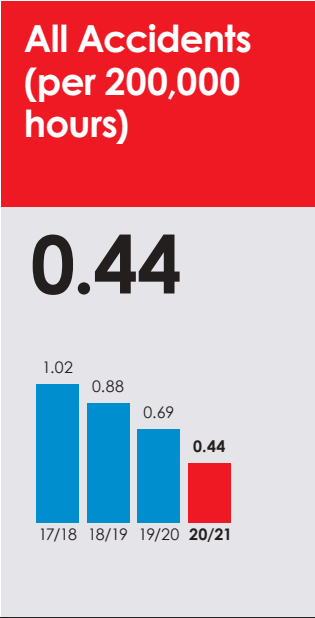
Customer



People



Health and safety



ESG ratings and standards



Gold medal rating



Climate change leadership score: A-



Rating: Negligible risk (6.2)
10 / 13,494 companies;
3 / 540 in sector



ESG rating A



FTSE4Good

Index score: 3.2 / 5

Regional performance



Overall results				
	2021	2020	Change	Like-for-like ¹ change
Revenue	£2,002.7m	£1,953.8m	2.5%	1.4%
Gross margin	42.7%	43.7%	(1.0) pts	(1.1) pts
Operating profit	£167.2m	£205.3m	(18.6)%	(19.4)%
Adjusted ² operating profit	£188.3m	£220.7m	(14.7)%	(16.2)%
Adjusted ² operating profit margin	9.4%	11.3%	(1.9) pts	(2.0) pts
Adjusted ² operating profit conversion	22.0%	25.8%	(3.8) pts	(4.0) pts

1. Like-for-like adjusted for currency and to exclude the impact of acquisitions; revenue also adjusted for trading days.
2. Adjusted excludes amortisation of intangible assets arising on acquisition of businesses, acquisition-related items, substantial reorganisation costs, substantial asset write-downs and one-off pension credits or costs (see Note 3 on pages 131 to 135 for reconciliations).

The strength of our proposition was demonstrated by the resilience of the revenue performance across all regions during 2020/21 despite the challenges that COVID-19 and the UK’s exit from the EU (Brexit) presented. We responded early and flexibly to the pandemic and were able to adapt our working practices and business model quickly. Our teams within our distribution centres (DCs) operated with elevated controls and discipline, safely ensuring our DCs remained open and our supply chains operated effectively. Meanwhile, our technology capabilities meant those people that could work from home were able to adapt and had the right tools and technology to continue collaborating virtually. It is a testament to the strength of our people that product, geographic and vertical teams work so successfully together.

We continued to grow ahead of the industrials market regionally, as we grew market share, with particularly strong performance in Americas, UK, France and smaller markets in Asia Pacific and EMEA. All regions were able to react quickly to support changing customer needs and priorities, deepening our relationship as a trusted partner. The security of our strong product availability, as well as our position as an omni-channel provider of product and service solutions, has driven strong growth in our customer numbers across 2020/21.

We have increased collaboration across the Group to drive best practice within our regions. This allows us to leverage resources such as sales tools, supplier engagement, product and service solutions and marketing materials across the Group to improve service, accelerate performance, reduce duplication and increase efficiency. Our regional heads adapt global expertise and best practice to suit local needs. The investments we continually make into areas such as product and service solutions, digital, inventory and our DC infrastructure enabled us to successfully navigate the

“My focus is on enhancing the customer experience and deepening our supplier relationships as we share resources, expertise, synergies and innovation globally while acting locally in our markets. We continue to use our customer and data insights to drive profitable growth while building a more sustainable business model.”

Mike England
Chief Operating Officer

COVID-19 challenges. The RISE programme streamlines the operational structure of our business further, speeding up management decisions and operational efficiencies in pursuit of our Destination 2025 strategic ambitions. We continue to automate, consolidate and simplify how we do business to improve operating leverage further as we accelerate our market share growth and take advantage of strategic opportunities.

Our product and service solutions offer provides a real differentiation to our peers, driving stronger client relationships. IESA won an increased number of new contracts over the past year and, with the acquisition of Synovos based in Americas, offers a global integrated supply solution to service our customers’ procurement, inventory and maintenance needs. The acquisitions of Needlers and Liscombe expanded our product and service solutions into personal protective equipment (PPE), safety and hygiene. DesignSpark, our free online engineering community, grew members by 14% to over one million.

Customer experience remains a core focus for the business. Our Group rolling 12-month Net Promoter Score (NPS), a measure of customer satisfaction, was 54.4 for 2020/21, down 2.3% over the year (2019/20: 55.7). While we worked closely with our suppliers to minimise service disruption from global supply chain constraints, we were not able to fully mitigate the impact of product shortages and longer lead times from the pandemic, the impact from Brexit and customs delays in EMEA and extreme weather in Texas, US. Our teams are working closely with suppliers and customers to address these issues and this is a key metric within our performance targets. Our online satisfaction score, CSAT, was in line with prior year at 71 (2019/20: 71).

EMEA

We are excited by the progress made on our new highly automated and environmentally sustainable DC in Germany which is due to come online in early autumn. We expect the DC to drive significant environmental and operational opportunities for our European business.

Pete Malpas Elaine Pointon Debbie Bowring
President EMEA, CFO EMEA, President,
RS Components RS Components IESA



EMEA accounts for 64% of Group revenue and is managed across the key markets of: UK and Ireland; France; Italy; Iberia; Germany, Austria and Switzerland; and rest of EMEA which includes Benelux, Eastern Europe, Scandinavia, South Africa and our export business (covering 32 international distribution partners servicing 82 countries). RS, RS PRO, IESA, Needlers and Liscombe are our key trading brands in EMEA. A broad range of products, high inventory availability and specialist expert service are key priorities for our customers. We differentiate our offering from our competition by providing a best-in-class online experience, supported by a knowledgeable salesforce, technical expertise, 24/7 customer support and product and service solutions. Delivering on these drives stronger customer relationships, higher average order values and operational leverage.

	2021	2020	Change	Like-for-like ¹ change
Revenue	£1,277.4m	£1,239.8m	3.0%	1.0%
Operating profit ²	£172.6m	£197.0m	(12.4)%	(14.5)%
Operating profit margin	13.5%	15.9%	(2.4) pts	(2.4) pts

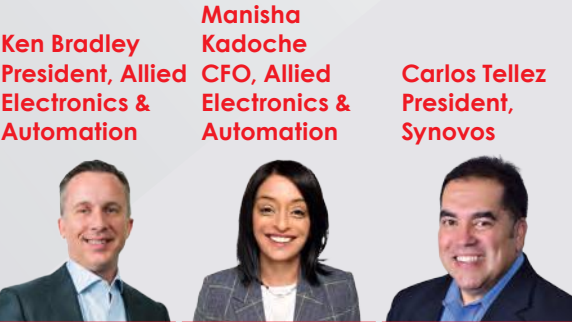
1. Like-for-like adjusted for currency and to exclude the impact of acquisitions; revenue also adjusted for trading days.
2. See Note 2 on pages 130 and 131 for reconciliations to Group operating profit.

- We saw a resilient performance across EMEA during a difficult year with many challenges. Industrial production data shows that we gained share in our core markets during the period as, especially with the uncertainty presented by COVID-19, the security of our offer, in terms of product availability and financial strength, resonated with customers. We have provided ongoing service to our customers and limited as much of the disruption from the pandemic and Brexit that we can.
- We prepared well for Brexit, testing our capabilities, adding additional supply chain and technology resource, working closely with our suppliers and bringing forward our inventory requirements so we were well stocked prior to 31 December 2020. However, increased and varied customs controls, greater paperwork and transport operators stuck at borders were all issues out of our control, leading to a slower service into Europe than we target. We are mitigating as much of this as we can with increased air freight, rerouting of transport, changes to our ordering patterns and greater local sourcing.
- The extension of our German DC is on track to be completed by early autumn of 2021. This will allow us to broaden our product range, offer service solutions and increase automation to

- improve sustainability and efficiency. Additionally, it provides the Group with a more substantial distribution platform for Europe post Brexit.
- Overall, EMEA revenue grew 3.0%, 1.0% on a like-for-like basis, to £1,277.4 million (2019/20: £1,239.8 million). Revenue fell 8.0% on a like-for-like basis in the first half due to the pandemic, but we saw an improvement in the second half with growth of 9.6% as conditions improved with COVID-19 restrictions easing somewhat.
- Digital, accounting for 73% of the region’s revenue, outperformed with 2.0% like-for-like revenue growth as greater focus was placed on driving organic growth through search engine optimisation (SEO) marketing, improving content and introducing a mobile-responsive website. We saw lower contribution from eProcurement business due to smaller participation from larger customers.
- RS PRO, which accounts for 19% of the region’s revenue, strongly outperformed with 9.5% like-for-like revenue growth due to new product launches targeted to customer needs, more product-specific marketing campaigns increasing brand equity and sales incentives.
- IESA has a large proportion of customers within the automotive and aerospace sectors which suffered significant trading pressure from COVID-19 affecting IESA’s revenue. Costs were managed accordingly, although we invested in developing capabilities in new territories as a result of several international contract wins. We have a strong pipeline of new business wins which are being rolled out and implemented as local lockdowns ease.
- The UK was most impacted by government-imposed lockdown restrictions in the first quarter but its diverse customer base meant it was relatively resilient and saw an improvement in momentum across the year as industries returned to work.
- We saw a quicker recovery in performance in France, Iberia and Italy, aided by our ongoing investment in talent, more focused salesforce, value-led selling and improved sales effectiveness. This has led to a growth in RS PRO participation and gross margin enhancement in those markets.
- Our German business is heavily focused on original equipment manufacturer (OEM), automotive and electronic subcontractor segments, industries that were hugely impacted by reduced capital budgets this year. We have a new country head and a refocused salesforce, with signs of improvement seen in the fourth quarter.
- EMEA saw gross margin decline year on year largely relating to inventory provisions on certain PPE products which were bought at the start of the pandemic at inflated prices. Excluding the PPE impact, the gross margin was more robust as our continued focus on improving the product margin meant we were able to take actions to mitigate the impact of higher inbound freight costs due to both COVID-19 and Brexit.
- Operating profit decreased 12.4%, down 14.5% on a like-for-like basis, to £172.6 million (2019/20: £197.0 million).
- Operating profit margin declined 2.4 percentage points to 13.5% (2019/20: 15.9%), from a lower gross margin and c. £13 million of extra costs relating to COVID-19 and Brexit from higher outbound freight costs and a greater cost to serve.
- EMEA’s rolling 12-month NPS was 55.5 (2019/20: 56.6). Although our teams worked hard to mitigate any delays from COVID-19 and Brexit, there were unavoidable impacts on delivery lead times and inventory availability.
- The acquisitions of Needlers and Liscombe expand our products and solutions in the safety, hygiene and PPE product category. Integration into the Group is going well and trading is in line with expectations. Revenue and operating profit contribution since acquisition were £15.9 million and £1.6 million respectively.

Americas

Investments in our people, sales and marketing capabilities, energy efficient DC and expanded offer are driving our market outperformance. We see opportunities to accelerate our growth further as we embrace our stronger product and service solution proposition.



Americas accounts for 26% of Group revenue, with Allied, Synovos and RS PRO our trading brands. We have operations in the US, together with smaller operations in Canada, Mexico and Chile. Americas has seen a significant amount of transformation over the last two years, with the majority of the leadership team changing, including the President and CFO, and more than doubling the capacity of the DC to widen our product offering further into the maintenance, repair and operations (MRO) market. The acquisition of Synovos provides a significant opportunity to deliver revenue-generating opportunities from cross-selling Synovos and Allied products and expanding our RS PRO participation. We have also implemented a field sales transformation programme, utilised shared expertise across the Group and made a step change investment in digital which is driving greater customer engagement and marketing returns.

Overall results

	2021	2020	Change	Like-for-like ¹ change
Revenue	£517.0m	£515.7m	0.3%	1.4%
Operating profit ²	£51.9m	£57.8m	(10.2)%	(8.4)%
Operating profit margin	10.0%	11.2%	(1.2) pts	(1.0) pts

1. Like-for-like adjusted for currency and to exclude the impact of acquisitions; revenue also adjusted for trading days.
2. See Note 2 on pages 130 and 131 for reconciliations to Group operating profit.

- Americas delivered a strong result with improving momentum throughout the year, despite the severe weather in February 2021 significantly disrupting our DC. We continued to invest in our salesforce and management and our teams are now better aligned to revenue and margin growth as they form part of their incentive plans. Field teams are now focused on customer acquisition and retention as well as expanding our product proposition and RS PRO participation, with a central customer service team providing specialist support.
- Americas revenue grew 0.3%, 1.4% on a like-for-like basis, to £517.0 million (2019/20: £515.7 million). The impact of COVID-19 led to like-for-like revenue falling 7.8% in the first half before improving to deliver strong growth in the second half of 11.1%. Entertainment as well as oil and gas remained significantly down across the year, compensated by growth in industries less impacted by COVID-19.
- In February extreme cold weather conditions in Texas, US, led to state-wide power grid failures. Our DC, based in Fort Worth, US, was affected temporarily but we had the site back up and running within a few days.

- Digital revenue accounted for 39% of the region's revenue, growing 0.2% like-for-like and underperforming Americas' overall growth due to a smaller contribution from eProcurement orders from corporate clients heavily affected by the pandemic. However, pure web revenue participation was broadly flat, driven by stronger growth in the second half which benefited from investment in our digital platform to improve site speed and SEO.
- RS PRO accounts for under 1% of the region's revenue but has grown significantly and is expected to be a key beneficiary of the extended DC, new sales incentive programme and the acquisition of Synovos. This will drive revenue and gross margin enhancement.
- Gross margin grew with higher inbound freight costs offset by continued focus on improving our product margin through reducing the level of sales discounting and price optimisation.
- Operating profit declined 10.2%, down 8.4% on a like-for-like basis, to £51.9 million (2019/20: £57.8 million) driven by higher costs predominantly in the supply chain and a higher level of depreciation reflecting the DC capital investment.
- Operating profit margin declined 1.2 percentage points, down 1.0 percentage points on a like-for-like basis, to 10.0% (2019/20: 11.2%).
- Americas' NPS score was strong across the year as it continued to focus on driving improvements in both offline and online customer experience. The rolling 12-month NPS remained the highest of all the regions at 71.9 although longer delivery lead times due to February's extreme weather conditions meant it was down 0.4% year on year (2019/20: 72.2).
- Synovos contributed £13.0 million to revenue and £0.5 million to operating profit since its acquisition in January 2021. The integration of Synovos into the Group is going well and trading is in line with expectations. IESA and Synovos present a transatlantic integrated supply solution offer and are working together on new business opportunities. We see further revenue-generating synergies from an enhanced Americas customer proposition of RS PRO, Allied and Synovos.



EXPANDING OUR DIGITALLY-ENABLED CAPACITY

The DC expansion in Americas was completed in July 2020, adding more than 18,900 m² of space to double capacity with the latest digital order fulfilment centre technology. The new facility expands the depth and breadth of our ready-to-ship inventory, ensuring orders are filled quickly and accurately, and gives capacity for more than 800,000 products. Our suppliers will benefit from increased inventory and throughput with the very latest in supply chain technology. Adding high-density storage, advanced packaging solutions and automated retrieval machines reduces waste and lowers energy usage. During 2020/21, Allied added more than 37,000 new products and debuted more than 50 new suppliers.

Asia Pacific

We see many opportunities to drive scale within Asia Pacific to leverage our operating model. Additionally, we are working hard to adapt our supply chain to enable us to source more locally and reduce the transport miles of our products, so improving our environmental impacts.

Sean Fredericks President, Asia Pacific RS Components
Ellen Li CFO, Asia Pacific RS Components



Asia Pacific accounts for 10% of Group revenue and consists of Australia and New Zealand (ANZ), Greater China, Japan and South East Asia. RS and RS PRO are our main trading brands in Asia Pacific. Our broadening product offer, strong technical expertise, omni-channel service and a growing range of service solutions underpin our market share growth. This allows us to become increasingly a one-stop-shop partner of choice for our customers.

Overall results

	2021	2020	Change	Like-for-like ¹ change
Revenue	£208.3m	£198.3m	5.0%	4.6%
Operating profit ²	£1.4m	£3.7m	(62.2)%	(64.1)%
Operating profit margin	0.7%	1.9%	(1.2) pts	(1.3) pts

1. Like-for-like adjusted for currency; revenue also adjusted for trading days.
2. See Note 2 on pages 130 and 131 for reconciliations to Group operating profit.

- Asia Pacific revenue increased 5.0%, 4.6% on a like-for-like basis to £208.3 million (2019/20: £198.3 million) with our performance in the first quarter hit by COVID-19. The team quickly adapted to the adverse environment and moved into growth as we entered the second half with double-digit growth by the third quarter which continued into the fourth quarter.
- Performance has been mixed and varies by country depending on the various COVID-19 related lockdown measures. Industry data suggests strong market share gains in our industrial markets, particularly ANZ, Greater China and most of South East Asia. Greater China, excluding OKdo revenue, has seen growth every month, even during the height of COVID-19, as it benefited from last year's leadership change and a refocused salesforce. Meanwhile, Japan struggled due to its electronics exposure and low brand recognition, although a stronger performance of the electronics market at the end of the year moved the country into positive growth by the fourth quarter. South East Asia's performance has fluctuated throughout the year reflecting various enforced lockdowns in the sub-region but returned to mid-single digit growth in the second half.
- Digital, which accounts for 57% of the region's revenue, grew 4.4% like-for-like, mainly due to better performance within web and purchasing manager functions. We have been adjusting our model to focus on improving the efficiency of marketing spend which is driving more traffic from similar costs.
- RS PRO, which accounts for 13% of the region's revenue, saw strong like-for-like revenue growth of 9.4%, outperforming the region. This increase was driven by work to grow the brand's

- penetration through distribution agreements with local resellers in ANZ and strong and successful marketing campaigns (especially in Thailand and Japan) driving higher margin product which saw an overall increase in the RS PRO margin itself.
- Gross margin declined year on year due to product and geographic mix, with slower growth from higher gross margin products such as interconnect and electromechanical, and increased sales of lower gross margin products such as OKdo and PPE. Inbound freight costs, additional customs and duties and negative exchange rate movements also adversely impacted gross margin.
 - Operating profit declined 62.2%, down 64.1% on a like-for-like basis, to £1.4 million (2019/20: £3.7 million), due to higher outbound freight costs and customs duties relating to COVID-19 on a small profit base which more than offset revenue growth.
 - Operating profit margin declined 1.2 percentage points, down 1.3 percentage points on a like-for-like basis, to 0.7% (2019/20: 1.9%).
 - Asia Pacific's rolling 12-month NPS of 37.4 (2019/20: 38.3) was impacted by longer supply lead times during the pandemic lockdowns and our decision to implement delivery charges for some small value orders which have low levels of profitability. We remain committed to improving customer satisfaction and have implemented a more focused salesforce across the region, especially in Greater China.

Central costs

Central costs relate to Group head office costs and include the Board, Group Finance and Group Professional Services and People that cannot be attributed to region-specific activity.

	2021	2020	Change	Like-for-like ¹ change
Central costs	£(37.6)m	£(37.8)m	(0.5)%	(0.5)%

1. Like-for-like adjusted for currency.

- Central costs decreased by 0.5% to £37.6 million (2019/20: £37.8 million) with higher performance-related incentives and share-based payments more than offset by tighter cost control of overheads and no recurrence of the OKdo launch costs incurred last year.

RS PRO DRIVES STRONG GROWTH

Our main own-brand product offering, RS PRO, continues to outperform the Group, delivering 9.7% like-for-like revenue growth in 2020/21. RS PRO offers quality-certified products at good value which are designed and developed in response to customer needs. During 2020/21, we launched over 6,000 new products, increased brand awareness with product specific marketing campaigns, expanded our accessories offer and increased the number of new customers. Looking ahead we are focused on building a sustainable range of products, growing our brand equity further through improved digital marketing and working with our suppliers to address key social and environmental issues.

Resilient performance with ongoing investment



“The strength of our revenue performance during 2020/21 given the challenges that COVID-19 and Brexit presented is a testament to the hard work of our teams, demonstrating the resilience of our business model. Despite the external pressures, we continued to invest in our operational capabilities and added three strategic acquisitions which will accelerate our growth towards our Destination 2025 strategic target.”

David Egan
Chief Financial Officer

Revenue

£2,003m

Change: +2.5%

2019/20: £1,954m

Operating profit

£167.2m

(18.6)%

2019/20: £205.3m

Like-for-like¹ revenue growth

1.4%

2019/20: 2.2%

Adjusted² operating profit

£188.3m

(16.2)% like-for-like¹

2019/20: £220.7m

Net debt

£122.0m

2019/20: £189.8m

Adjusted² operating profit margin

9.4%

2019/20: 11.3%

Overall results

	2021	2020	Change	Like-for-like ¹ change
Revenue	£2,002.7m	£1,953.8m	2.5%	1.4%
Gross margin	42.7%	43.7%	(1.0) pts	(1.1) pts
Operating profit	£167.2m	£205.3m	(18.6)%	(19.4)%
Adjusted ² operating profit	£188.3m	£220.7m	(14.7)%	(16.2)%
Adjusted ² operating profit margin	9.4%	11.3%	(1.9) pts	(2.0) pts
Adjusted ² operating profit conversion	22.0%	25.8%	(3.8) pts	(4.0) pts
Profit before tax	£160.6m	£199.6m	(19.5)%	(20.4)%
Adjusted ² profit before tax	£181.7m	£215.0m	(15.5)%	(17.0)%
Earnings per share	27.7p	34.7p	(20.2)%	(21.1)%
Adjusted ² earnings per share	31.3p	37.7p	(17.0)%	(18.4)%
Cash generated from operations	£231.1m	£203.2m	13.7%	
Adjusted ² free cash flow	£145.4m	£80.9m	79.7%	
Adjusted ² operating cash flow conversion	100.3%	62.1%	38.2%	
Net debt	£122.0m	£189.8m		
Net debt to adjusted ² EBITDA	0.5x	0.7x		
Return on capital employed ³	19.4%	24.0%		
Dividend per share	15.9p	15.4p	3.2%	

1. Like-for-like change excludes the impact of acquisitions and the effects of changes in exchange rates on translation of overseas operating results, with 2019/20 converted at 2020/21 average exchange rates. Revenue is also adjusted to eliminate the impact of trading days year on year. Acquisitions are only included once they have been owned for a year, at which point they start to be included in both the current and comparative periods for the same number of months.

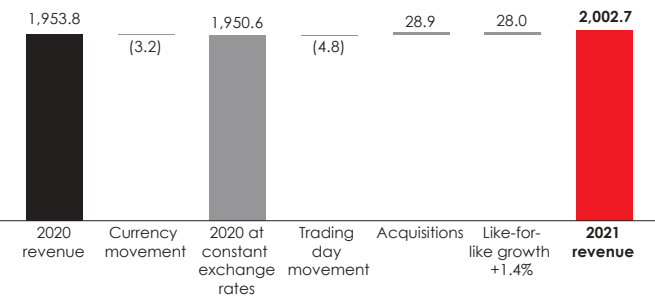
2. Adjusted excludes amortisation of intangible assets arising on acquisition of businesses, acquisition-related items, substantial reorganisation costs, substantial asset write-downs, one-off pension credits or costs, significant tax rate changes and associated income tax (see Note 3 on pages 131 to 135 for reconciliations).

3. Return on capital employed is now based on monthly average capital employed and so the prior year has been updated (see Note 3 on page 134).

Revenue

Group revenue increased by 2.5% to £2,002.7 million (2019/20: £1,953.8 million). Adjusting for the year-on-year impact of acquisitions (1.5%), fewer trading days and foreign exchange movements, like-for-like revenue growth was 1.4%. The first half was significantly impacted by the COVID-19 pandemic, with like-for-like revenue falling by 7.3%. Trading momentum improved going into the second half as restrictions eased, delivering 10.2% like-for-like revenue growth, helped by weaker comparatives over the last two weeks of the year. Industrial production data indicates we gained market share as we widened our customer base. RS PRO, our main own-brand range, which accounts for 14% of Group revenue, continued to outperform the Group with like-for-like revenue growth of 9.7%. Digital, which accounts for 63% of Group revenue, recorded like-for-like revenue growth of 0.9%, slightly behind the overall Group due to lower eProcurement revenue from some larger corporate customers. Web sales grew by 2.4%. OKdo, which represents 5% of Group revenue, saw like-for-like revenue growth of 5.2%.

Like-for-like revenue development (£m)



Gross margin

Group gross margin decreased by 1.0 percentage points to 42.7% (2019/20: 43.7%). Excluding a negative impact of 0.1 percentage points from acquisitions and a 0.2 percentage points favourable impact from foreign exchange, the like-for-like decline was 1.1 percentage points. This includes a 0.6 percentage points impact from inventory provisions relating to the decline in the price of certain personal protective equipment (PPE) products bought at the start of the pandemic. Higher inbound freight costs and an adverse geographic and product mix were offset partially by a higher contribution from our own-brand RS PRO products and our continued focus on improving our product margin.

Operating costs

Total operating costs, which include regional costs and central costs, increased by 6.1%. Excluding substantial reorganisation costs, amortisation of acquired intangibles, acquisition-related items and 2019/20's substantial asset write-downs, total adjusted operating costs increased by 5.3%, 4.1% on a like-for-like basis, to £667.7 million (2019/20: £634.0 million).

Costs relating to COVID-19 were c. £17 million, significantly above the £1 million COVID-19 related costs in 2019/20. These costs included an additional £12 million of outbound freight, £3 million labour operating costs and £2 million technology and overhead costs. Although we have taken actions to mitigate these where possible and have seen some improvements in the fourth quarter, freight rates remain high and some costs will continue into 2021/22.

DELIVERING SIMPLE AND SCALABLE SOLUTIONS

During the past three years the Group has been on a journey to make our business more simple, streamlined and scalable. This started with the formation of the global shared business service function which brings together expertise within commercial processes to create greater value across the Group.

We have built centres of expertise that support each of the main business regions to leverage our experience and best practice across core commercial functions. This is leading to improved delivery of our main corporate processes as we standardise and leverage our knowledge across the Group, driving efficiency opportunities as we expand our footprint.

Another stream of activity has been to introduce process automation into the business with the aim of taking manual tasks away from our people allowing greater focus on our customers' and suppliers' needs. This journey has started with robotic process automation and we have successfully automated over 50 processes to date. Our focus is now on rolling this capability out further into our teams to democratise this skill and drive additional benefits from this technology.

Finally, via our Destination 2025 insight initiative we are moving the Group towards being more data and insight-led in our decision making. We have built a strong technical foundation and will harness the existing skills and capabilities across our teams in this area. We are adding additional skills and tools where required to facilitate the utilisation of data to create the insights needed to enhance both our operational and commercial decision making.

The UK's exit from the EU (Brexit) added c. £2 million of costs in 2020/21 as we incurred increased brokerage and air freight costs, the latter as we tried to minimise the impact on our customer service from the disruption at the border. Some of these costs will continue into 2021/22 but will reduce as the new distribution centre (DC) in Bad Hersfeld, Germany, comes onstream.

The post-acquisition adjusted operating costs incurred by the acquisitions were £8.2 million. Stripping out these costs and those relating to COVID-19 and Brexit, leaves a remaining increase of about 1% in adjusted operating costs year on year. This increase was due to higher digital advertising spend to deliver revenue improvements with a better return, depreciation starting to increase following the completion of the expansion of our DC in Fort Worth, US, and higher costs for performance-related incentives and share-based payments due to our resilient performance.

Our focus remains on working to simplify our organisation and drive a lean and scalable model through our RISE programme. We have sought to streamline and flatten our operating model to serve customers and suppliers better, delivering £7.0 million of savings in 2020/21.

Adjusted operating costs as a percentage of revenue increased to 33.3% (2019/20: 32.4%). Adjusted operating profit conversion ratio fell by 3.8 percentage points to 22.0% (2019/20: 25.8%) as a result of both the lower gross margin and higher operating costs.

Items excluded from adjusted profit

To improve the comparability of information between reporting periods and between businesses with similar assets that were internally generated, we exclude certain items from adjusted profit measures. The items excluded from 2020/21 are described below. In 2019/20 we also excluded substantial asset write-downs of £7.3 million related to British Steel Limited’s receivables. See Note 3 on pages 131 to 135 for definitions and reconciliations of adjusted measures.

Substantial reorganisation costs

The Group incurred substantial reorganisation costs of £11.2 million during the year, primarily labour-related restructuring costs to implement RISE. This cost is less than the cost booked in the first half of £16.0 million due to stopping some plans due to Brexit, more people with lower pay and less service than expected leaving and redeploying a number of people from redundant roles into vacant roles. The benefits were £7 million in 2020/21, with a further £15 million expected in 2021/22 and another £3 million in 2022/23. We expect the total implementation cost to be around £16 million.

Amortisation of acquired intangibles

Amortisation of acquired intangibles was £7.0 million (2019/20: £5.4 million) and relates to the intangibles assets arising from acquisitions.

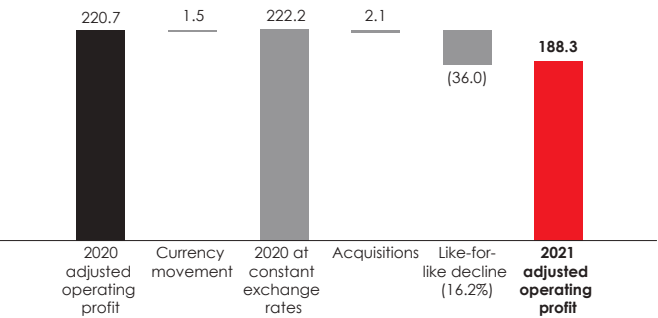
Acquisition-related items

Acquisition-related items of £2.9 million relate to transaction costs directly attributable to the acquisition of businesses.

Operating profit

Operating profit was down 18.6% to £167.2 million (2019/20: £205.3 million). Adjusted operating profit saw a decline of 14.7% to £188.3 million. Excluding acquisitions and the positive benefits of currency movements, adjusted operating profit saw a like-for-like decline of 16.2%. Adjusted operating profit margin fell by 1.9 percentage points, 2.0 percentage points on a like-for-like basis, to 9.4% (2019/20: 11.3%).

Like-for-like adjusted operating profit movement (£m)



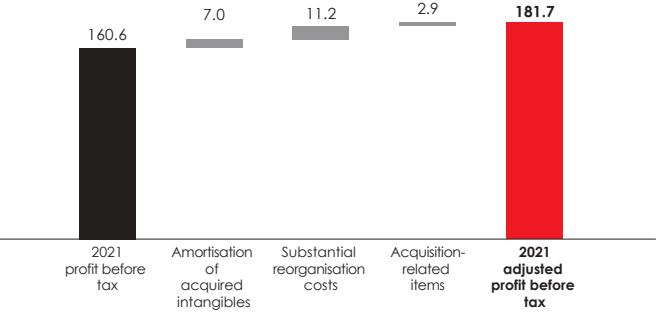
Net finance costs

Net finance costs increased to £6.8 million (2019/20: £5.9 million) with lower finance income on our cash and short-term deposits as interest rates have fallen compared to last year. Finance costs have not fallen as much as a high proportion of our debt is at fixed interest rates and included £0.9 million of costs relating to refinancing our revolving credit facility and our COVID-19 liquidity buffer bank facility.

Profit before tax

Profit before tax was down 19.5% to £160.6 million (2019/20: £199.6 million). Adjusted profit before tax was down 15.5% to £181.7 million (2019/20: £215.0 million), down 17.0% on a like-for-like basis.

Adjusted profit before tax reconciliation (£m)



Taxation

The Group’s income tax charge was £35.1 million (2019/20: £44.9 million). The adjusted income tax charge, which excludes the impact of tax relief on items excluded from adjusted profit, was £39.6 million (2019/20: £46.9 million), resulting in an effective tax rate of 21.8% on adjusted profit before tax (2019/20: 21.8%). The effective tax rates for both 2020/21 and 2019/20 were favourably impacted by c. one percentage points by one-off tax credits which are not expected to recur. We expect the 2021/22 effective tax rate to increase due to corporate income tax rate increases in the UK and US.

Earnings per share

Earnings per share was down 20.2% to 27.7p (2019/20: 34.7p). Adjusting for items excluded from adjusted profit and associated income tax effects, adjusted earnings per share of 31.3p (2019/20: 37.7p) was down 18.4% on a like-for-like basis.

Cash flow

We continued to demonstrate our strength as a robust cash generative business despite the challenges our customers, suppliers and teams have faced while keeping safe. During the year we took actions to conserve cash due to the uncertainties caused by COVID-19. As a result, cash generated from operations increased to £231.1 million (2019/20: £203.2 million) with movements in working capital being significantly less negative than last year and only partially offset by lower EBITDA.

Net interest paid increased to £8.3 million (2019/20: £6.2 million) due to the higher net finance costs and the prepaid fees for the refinancing of our revolving credit facility.

Income tax paid fell to £35.2 million (2019/20: £49.9 million) with utilisation of some overpayments from 2019/20 and taxable profit being lower than 2019/20. In 2019/20 the changes in timing of UK tax payments resulted in an increase in tax payments in the first half offset by lower tax payments in the second half partly due to the write off of the receivables from British Steel Limited.

Net capital expenditure decreased to £54.7 million (2019/20: £74.7 million) as we focused our investments on those key to delivering Destination 2025, including our technology platforms such as our new RS mobile-first responsive website and other enhancements to our systems. Our expanded Fort Worth, US, DC was completed in the first half and we continued to invest in expanding our Bad Hersfeld, Germany, DC. Capital expenditure decreased to 1.7 times depreciation (2019/20: 2.6 times), moving more in line with our typical maintenance capital expenditure levels of closer to 1.0 - 1.5 times depreciation. We anticipate capital expenditure in 2021/22 to be c. £65 million.

Given our focus on conserving cash, free cash flow increased to £132.9 million (2019/20: £72.4 million) and is after an additional £12.5 million deficit contribution paid into our UK pension scheme during the year. Excluding cash outflows of £12.5 million (2019/20: £8.5 million) related to substantial reorganisation costs and acquisition-related items, adjusted free cash flow was £145.4 million (2019/20: £80.9 million).

Summary cash flow

£m	2021	2020
Operating profit	167.2	205.3
Add back depreciation and amortisation	56.5	50.9
EBITDA	223.7	256.2
Add back impairments and (profit) / loss on disposal of non-current assets	0.3	0.1
Movement in working capital	(1.5)	(51.2)
Movement in provisions	1.6	(5.3)
Other	7.0	3.4
Cash generated from operations	231.1	203.2
Net interest paid	(8.3)	(6.2)
Income tax paid	(35.2)	(49.9)
Net cash from operating activities	187.6	147.1
Net capital expenditure	(54.7)	(74.7)
Free cash flow	132.9	72.4
Add back cash effect of adjustments¹	12.5	8.5
Adjusted¹ free cash flow	145.4	80.9

1. Adjusted excludes the impact of substantial reorganisation and acquisition-related items cash flows.

Working capital

We have actively managed our working capital and, as a result, working capital as a percentage of revenue decreased by 2.1 percentage points to 21.8% (2019/20: 23.9%).

We have had a particular focus on receivables collection, which remains our greatest short-term liquidity sensitivity. We took action to limit our exposure by tightening our credit policies, including short payment terms and low credit limits for new customers and seeking payment commitments for overdue balances before releasing new orders to existing customers. So far, we have seen limited adverse impact from the COVID-19 pandemic on our receivables collection, however, we continue to monitor closely collection metrics.

The acquisitions increased trade and other receivables by £64.7 million and this, together with the significant increase in March’s revenue year on year, led to trade and other receivables ending the year at £492.4 million (2019/20: £406.6 million). Gross trade receivables increased to £435.2 million from £355.5 million at 31 March 2020. The great work our accounts receivables teams have done in collecting overdue balances has meant the ageing profile of our trade receivables has improved, with only 17% overdue compared with 25% at 31 March 2020. Our trade receivables impairment allowance increased to £7.4 million (2019/20: £6.9 million) as the acquisitions brought impairment allowances of £0.7 million.

Gross inventories increased by £13.8 million to £460.4 million (2019/20: £446.6 million) with £10.9 million due to the acquisitions and we also added some inventory into our newly operational expanded DC in Fort Worth, US. Our inventory levels were lower than we would have liked due to delays in receiving inventory into the UK due to Brexit and the Suez Canal blockage. As a result, annualised inventory turn was 2.7 times (2019/20: 2.6 times). Inventory provisions increased to £40.6 million (2019/20: £27.6 million) due to the lower net realisable value of certain personal PPE products bought at the start of the pandemic as a result of significant falls in their selling prices.

Overall trade and other payables increased to £475.3 million from £358.7 million at 31 March 2020 with the acquisitions accounting for £67.5 million of this increase, mainly in trade payables. Trade payables increased to £319.4 million (2019/20: £241.1 million), while other payables have increased mainly in accruals due to timing of invoicing for other costs and the pickup in business during March.

Looking forward to 2021/22, we will continue to manage actively our working capital position and remain focused on receivables collection. We continue to manage actively our inventory position to reduce excess wherever possible, while at the same time investing in the right inventory to ensure we are well positioned to maintain service levels and focus on opportunities as our markets recover and we grow. We continue to pay our suppliers to terms and have worked with some of our larger suppliers to improve terms where possible.

Summary balance sheet

£m	31 March 2021			31 March 2020		
	Assets	Liabilities	Net assets	Assets	Liabilities	Net assets
Intangible assets	468.9	–	468.9	329.6	–	329.6
Property, plant and equipment	170.2	–	170.2	167.5	–	167.5
Right-of-use assets	58.6	–	58.6	54.4	–	54.4
Investment in joint venture	1.1	–	1.1	1.0	–	1.0
Other non-current assets and liabilities	12.8	(68.8)	(56.0)	18.0	(66.6)	(48.6)
Current assets and liabilities	935.7	(501.4)	434.3	843.5	(381.9)	461.6
Capital employed	1,647.3	(570.2)	1,077.1	1,414.0	(448.5)	965.5
Retirement benefit net assets / obligations	0.8	(56.5)	(55.7)	1.9	(57.7)	(55.8)
Net cash / debt (including lease liabilities)	199.0	(321.0)	(122.0)	201.8	(391.6)	(189.8)
Assets / (liabilities)	1,847.1	(947.7)	899.4	1,617.7	(897.8)	719.9

Return on capital employed (ROCE)

We have updated the calculation of ROCE to be adjusted operating profit for the 12 months ended 31 March 2021 expressed as a percentage of the monthly average capital employed (net assets excluding net debt and retirement benefit obligations) rather than closing capital employed to prevent distortion due to the fact our acquisitions were all completed towards the end of the year. ROCE remained strong at 19.4%, although down 4.6 percentage points year on year (2019/20 updated: 24.0%). Of this decline, 0.4 percentage points was due to the acquisitions, 3.5 percentage points due to lower adjusted operating profit and 0.7 percentage points due to higher average capital employed year on year.

Net debt

During the last year of uncertainty, our cash generative business model has enabled us to maintain a strong financial position.

At 31 March 2021, net debt was £122.0 million, £67.8 million lower than at 31 March 2020 when it was £189.8 million. Net debt comprised gross borrowings of £321.0 million (2019/20: £391.6 million), including lease liabilities of £61.5 million (2019/20: £56.3 million) offset by cash and short-term deposits of £197.9 million (2019/20: £200.8 million) and interest rate swaps with a fair value of £1.1 million (2019/20: £1.0 million).

In December 2020, we successfully completed a £180 million equity placing of ordinary shares to fund acquisitions and retain financial flexibility. We were pleased with the strong support we received from new and existing shareholders, including a number of private shareholders via the retail offer. A total of 21,518,181 new ordinary shares were placed with institutional investors, while private investors subscribed for a total of 300,000 new ordinary shares. Together, the placing and retail offer comprised 21,818,181 new ordinary shares, approximately 5% of the existing issued ordinary share capital, prior to the placing.

The equity placing raised £176.1 million, net of costs, and free cash flow was £132.9 million, while acquisitions increased net debt by £159.3 million and dividend payments were £71.2 million.

In November 2020, we completed the refinancing of our bank facilities with a group of eight existing and new relationship banks. The new increased facilities comprise a three-year revolving credit facility of £300 million, with an accordion of up to a further £100 million. The maturity of this facility may be extended at the option of the Group for up to two further one-year terms subject to individual lender approval. This refinancing provides the Group with additional flexibility and reinforces Electrocomponents' strong financial position.

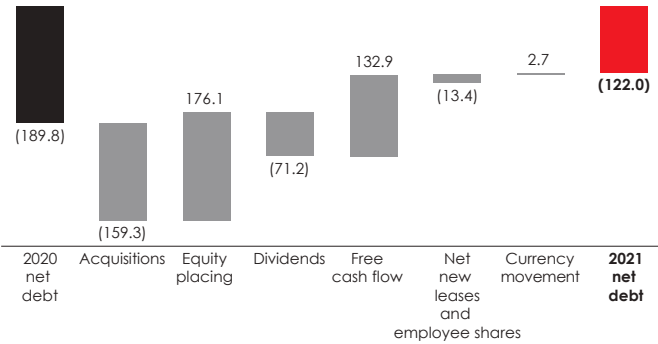
These facilities were undrawn at 31 March 2021 and, together with £147.3 million of private placement loan notes, form our committed debt facilities of £447.3 million.

We cancelled our COVID-19 liquidity buffer bank facility at the same time as we completed the refinancing of our bank facilities and let lapse our eligibility to participate in the Bank of England Covid Corporate Financing Facility (CCFF). Both were there for an emergency and we did not use them.

The Group's financial metrics remain strong, with net debt to adjusted EBITDA of 0.5x and EBITA to interest of 26.7x, leaving significant headroom for the Group's banking covenants of net debt to adjusted EBITDA less than 3.25 times and EBITA to interest greater than 3 times.

We are emerging from this challenging year stronger and ready to take advantage of, and accelerate, our growth ambitions.

Movement in net debt (£m)



Retirement benefit obligations

The Group has defined benefit pension schemes in the UK and Europe, with the UK scheme being by far the largest. All these schemes are closed to new entrants and in Germany and Ireland the pension schemes are closed to accrual for future service.

Overall, the accounting deficit of the Group's defined benefit schemes at 31 March 2021 was £55.7 million compared to £60.5 million at 30 September 2020 and £55.8 million at 31 March 2020.

The UK defined benefit scheme had an accounting deficit of £41.2 million. At 31 March 2020, it had a small accounting deficit of £2.1 million plus an additional liability of £41.2 million as the present value of the agreed future contributions under the recovery plan was greater than the funded status. The increase in the UK scheme's deficit was principally due to an increase in liabilities caused by a decrease in the discount rate falling by 0.3 percentage points and an increase of 0.7 percentage points in inflation-linked assumptions, partly offset by an increase in the value of the assets.

The triennial funding valuation of the UK scheme at 31 March 2019 showed a deficit of £44.7 million on a statutory technical provisions basis. A new recovery plan was agreed with the trustee of the UK scheme with deficit contributions paid with the aim that the scheme is fully funded on a technical provisions basis by March 2022. These deficit contributions started in 2019/20 and consist of an annual contribution of at least £10 million, increased each 1 April by the increase in the Retail Prices Index (RPI) for the year to the preceding December, plus an additional contribution of £25 million. This additional contribution can be paid in instalments and paid as and when we deem appropriate, provided the total additional contribution has been paid no later than 31 March 2022. Given our financial strength in 2020/21, we paid the first £12.5 million of this additional contribution.

Dividend

As highlighted in the Annual Report and Accounts for the year ended 31 March 2020, the Board deferred the decision on the final dividend for that year until the impact of COVID-19 on activity levels and cash generation in the Group's key markets had become clearer. We stated that the Board recognised the importance of its progressive dividend policy to its shareholders and would therefore review making an additional interim dividend payment related to the year ended 31 March 2020 at the Group's half-year results in November 2020.

In November 2020, as a result of the resilience the Group had demonstrated, our robust trading position and strong balance sheet, and after due care and consideration, the Board decided to pay a final dividend for the year ended 31 March 2020 at the same level as the March 2019 final dividend of 9.5p per share. As it was no longer possible for this dividend to be approved by shareholders at the Annual General Meeting, it was paid as an additional interim dividend for the year ended 31 March 2020 in December 2020. An interim dividend for the year ended 31 March 2021 of 6.1p per share was paid in January 2021, equivalent to approximately 40% of the prior year full-year dividend.

The Board proposes to increase the final dividend to 9.8p per share. This will be paid on 23 July 2021 to shareholders on the register on 18 June 2021. As a result, the proposed full-year dividend for 2020/21 will be 15.9p per share (2019/20: 15.4p), representing an increase of 3.2% over the 2019/20 full-year dividend. Adjusted earnings dividend cover for 2020/21 was 2.0 times.

The Board intends to pursue a progressive dividend policy while remaining committed to a healthy dividend cover over time by driving improved results and stronger cash flow. In the normal course, the interim dividend will be equivalent to approximately 40% of the full-year dividend of the previous year.

Foreign exchange risk

The Group does not hedge translation exposure on the income statements of overseas subsidiaries. Based on the mix of non-sterling denominated revenue and adjusted operating profit, a one cent movement in the euro would impact annual adjusted profit before tax by £1.5 million and a one cent movement in the US dollar would impact annual adjusted profit before tax by £0.4 million.

The Group is also exposed to foreign currency transactional risk because most operating companies have some level of payables in currencies other than their functional currency. Some operating companies also have receivables in currencies other than their functional currency. Group Treasury maintains three to seven months' hedging against freely tradable currencies to smooth the impact of fluctuations in currency. The Group's largest exposures related to euros and US dollars.

Retirement benefit obligations

£m	31 March 2021			31 March 2020		
	UK	Other	Total	UK	Other	Total
Fair value of scheme assets	572.8	8.1	580.9	534.4	8.0	542.4
Defined benefit obligations	(614.0)	(7.3)	(621.3)	(536.5)	(6.1)	(542.6)
Effect of asset ceiling / onerous liability	–	–	–	(41.2)	–	(41.2)
Status of funded schemes	(41.2)	0.8	(40.4)	(43.3)	1.9	(41.4)
Unfunded schemes	–	(15.3)	(15.3)	–	(14.4)	(14.4)
Total net liabilities	(41.2)	(14.5)	(55.7)	(43.3)	(12.5)	(55.8)

Managing our risks effectively

The Group has risk management and internal control processes to identify, assess and manage the risks likely to affect the achievement of its strategic priorities and business performance.

The risk management process

The Board has overall accountability for the Group’s risk management, which is managed by the Senior Management Team (SMT) and co-ordinated by the Group’s risk team. The principal elements of the process are:

Identification

Risks are identified through a variety of sources, both external, to ensure that developing risk themes (emerging risks) are considered, and from within the Group, including the Board, senior, regional and country management teams. The sharing of identified risks is a two-way process: both from the local country teams to more senior management and from the Board to the broader management. The focus of the risk identification is on those risks which, if they occurred, and became issues, would have a material quantitative or reputational impact on the Group.

Before and during 2020/21, the COVID-19 pandemic demonstrated the wide scope of risks that all organisations face and the speed with which risks can develop. The business’s mitigation actions were and continue to be effective. We have implemented improvements to the risk identification process with an increased focus on more global trends and assessments on the possible impacts on the business.

Assessment

Management identifies the controls for each risk and assesses the impact and likelihood of the risk occurring (using generally consistent measures). These assessments consider the effects of the existing controls (the resulting net or residual risk). This assessment is compared with the Group’s risk appetite to determine the appropriate risk treatment. This process is supplemented by an annual risk and controls assessment completed by operating locations and

Group-wide functions, which is then reviewed by the Group’s risk team.

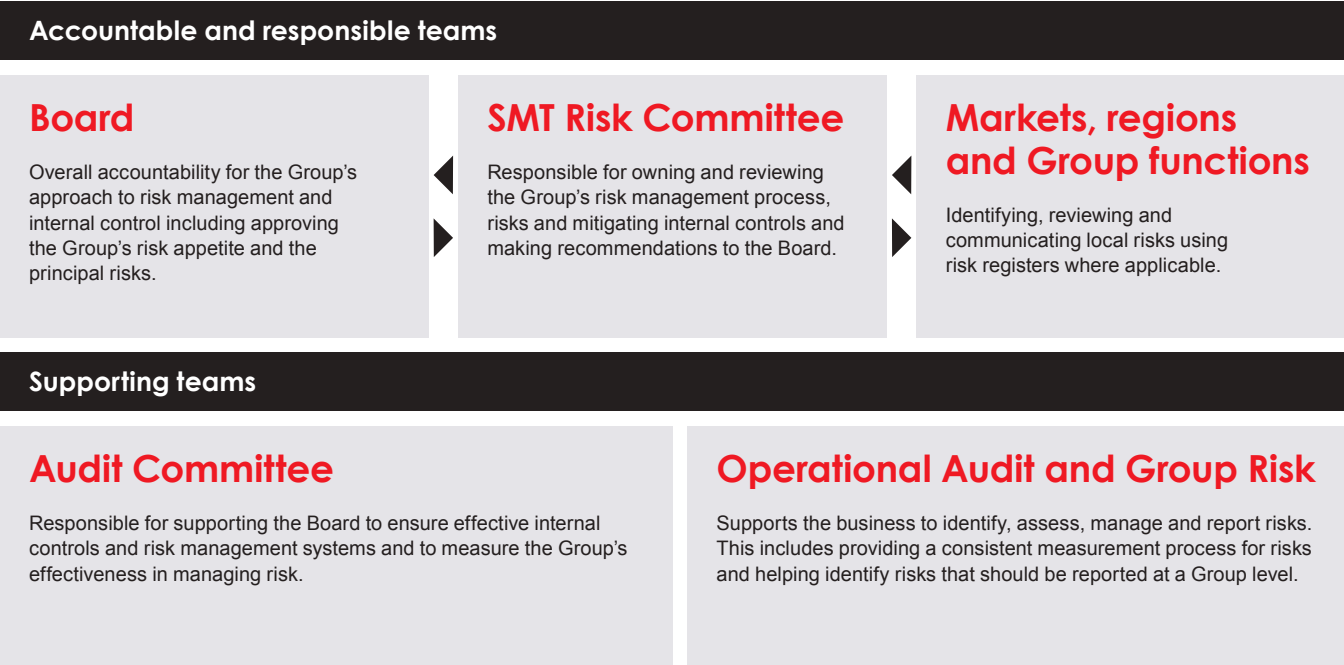
Ownership

The Group’s principal risks are owned by the SMT with specific mitigation actions / controls owned by individual members of the team. The SMT collectively reviews the risk register, the controls and mitigating actions at specific Group risk review meetings.

The Board

The Board confirms it has undertaken a robust review of the Group’s principal and emerging risks (including those that could threaten its business model, future performance, solvency or liquidity) and assessed them against the Group’s risk appetite. For several principal risks, members of the SMT will, as part of their ongoing activities, update the Board on these risks and their mitigation. This allows the Board to determine whether the actions being taken by management are sufficient.

How the process works



Our risk appetite

In accordance with the UK Corporate Governance Code, the Board has defined its risk appetite. This spans three risk categories: strategic; regulatory / compliance; and operational. These three categories use both quantitative and qualitative criteria. Owing to the types of risks and the associated reputational, financial and other possible

consequences, the business’s risk appetite is lowest for regulatory risks and greater for operational and strategic risks. During the year ended 31 March 2021, the Board reviewed its risk appetite across the three categories and made no significant changes.

Principal risks and uncertainties

The Group has identified 10 principal risks, reduced from 11 disclosed last year, with the combining of two operational risks related to failure in the business’s critical infrastructure (key locations and technology infrastructure) together with other minor changes.

Principal risks

Categories	Risks	Characteristics
Strategic	<div>1 Prolonged effects of the ongoing COVID-19 pandemic</div> <div>2 Prolonged effects of the UK’s exit from the EU</div> <div>3 Failure to respond to strategic market shifts e.g. changes in customer demands / competitor activity and related stakeholder requirements</div> <div>4 The Group’s revenue and profit growth initiative are not successfully implemented</div>	These risks are often caused by external developments. Mitigation is generally directed at a strategic level supported by local activities.
Regulatory / compliance	<div>5 Failure to comply with international and local legal / regulatory requirements</div>	External regulations and requirements can be very localised. Risk mitigations are often specific actions to ensure compliance.
Operational	<div>6 Failure in the business’s critical infrastructure</div> <div>7 Cyber security breach / information loss</div> <div>8 UK defined benefit pension scheme cash requirements are in excess of the cash available</div> <div>9 People resources unable to support the existing and future growth of the business</div> <div>10 Impact on the business if the macroeconomic environment deteriorates</div>	These risks are generally related to internal factors e.g. the business’s infrastructure, ways of working and people. Mitigating actions are often processes and direct controls.

Emerging risks

Climate change	Effects of climate change (both physical and transition risks) on the business’s operations and its customers and supply chain
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Principal risks in focus

Two of the Group's principal risks require further explanation: the more prolonged effects of the ongoing COVID-19 pandemic and the UK's exit from the EU.

1. COVID-19 pandemic

The Group is maintaining its operations and at present all our distribution centres (DCs) around the world are open and operating effectively. Our online business model continues to differentiate us and is helping us to continue to serve our customers.

The pandemic continues to affect some of our other, already identified, principal risks; these are explained in the relevant principal risk narratives.

Uncertainties related to this risk

Since the pandemic has its own specific uncertainties we continue to disclose it as a separate principal risk. These include:

- Changes in demand across our diverse customer base and possible changed behaviours following the pandemic.
- Potential impacts on cash flow, specifically the recoverability of trade receivables which is a key liquidity sensitivity.
- Changes to sourcing inventory as suppliers' production capabilities are affected by the pandemic and demand levels change in any recovery phase.
- Significant transport constraints and increased costs and how quickly these will recover following the pandemic.
- Uncertainty about the duration and later frequency of future disease control activities.
- The difficulties managing the business's return to partial office-based working as respective governments' restrictions on people movement are eased.
- When the pandemic passes, the speed and extent to which industries can recover from the effects is unclear.
- The longer-term effects of the pandemic on business activity, government finances and related levels of public expenditure.

Mitigating actions

The business has several structural factors, including the diverse nature of its customer base and strong online capabilities, that have helped protect it from some effects of the pandemic. These have enabled the business to continue to support customers during the pandemic.

During the year the business took several mitigating actions, many of which are still in place, including:

- The majority of our office-based staff working from home and enhanced personal protective equipment for our DC employees.
- Appropriate cost actions taken to protect profit and focus on maintaining cash flow.
- Improving the Group's balance sheet flexibility including securing additional funding facilities (see page 42).
- Supporting employees' physical safety in our DCs and mental wellbeing for those during extended periods of home working.
- Maintained cyber monitoring and training reflecting the changing business working environment and increased external threats.

The effectiveness of the business's operational controls during the COVID-19 pandemic have been reviewed by the Group's internal audit team on a risk-based approach. These were initially focused on COVID-19 effects whereas now these have been embedded within the team's ongoing market and functional audits.

2. The UK's exit from the EU

The UK formally left the EU and the agreed transition period ended on 31 December 2020 and the principal risk that the Group was working to mitigate has now crystallised. Our planning activities leading up to this date meant that the business was largely able, where possible, to mitigate the associated risks. Nonetheless, the business is monitoring the risk of further unforeseen consequences following the UK's exit from the EU (Brexit). There is now a hard border between the UK and the EU and this has led to more transactional friction when moving goods across this border. As expected, the business is experiencing more customs administration, tax, duty and brokerage fees when moving products across this border. Further, customs clearance processes continue to evolve in some areas, for example between Northern Ireland and Great Britain. For this reason, we continue to track and monitor the effects of Brexit on the operational activities of the business as a principal risk, albeit that this risk is lower than the prior year.

Emerging risks

As part of the Board's Group risk reviews of developing risk themes, climate change is identified as an important emerging risk.

Climate change

An important emerging risk for the Group is climate change, with ongoing work to investigate the potential implications of an increase in global temperatures upon the Group. This includes the impact on the Group's operations, customers and supply chain, and span physical, regulatory, market, technology and reputation risks.

The countries that signed the 2015 Paris Agreement committed to aim to keep increases in global average temperature to 'well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C'.

Accordingly, governments in several countries where the Group has operations have committed to net-zero carbon emissions, including the UK, France and Japan. Other countries and regions are considering adopting net zero targets, including the EU.

In this context, there are several specific risks, and opportunities, that the Group, as a global distributor, faces due to climate change. These include physical risks with increased likelihood of more extreme events such as storms, significant rainfall episodes, droughts and heatwaves which could affect the business's physical sites or its distribution process. Other risks are more transition oriented, including regulatory change, often by governments, designed to reduce greenhouse gas (GHG) emissions. These may render certain products obsolete while increasing demand for others. Other potential impacts include increases, for example, in the costs of air transport of inventory to meet customer demands. There is also reputation risk if the business is not seen to be taking deliberate and tangible actions to reduce its GHG emissions.

Summary of the Group's principal risks

The Group's principal risks are categorised under one of three categories: strategic (see the Group's strategic priorities on pages 20 to 23); regulatory / compliance (see the business model on pages 24 and 25); and operational risks. These categories mirror those used by the Group to assess its risk appetite.

Risks direction definition

- ▲ The risk is likely to increase within the next 12 months
- ▬ The risk is likely to remain stable within the next 12 months
- ▼ The risk is likely to reduce within the next 12 months

What is the risk and how could it affect our business?	Risk direction	What are we doing to manage the risk?
Strategic risk category		
<div>1</div> <div>Prolonged effects of the ongoing COVID-19 pandemic</div> <div>This includes the uncertainties associated with the pandemic including: changing customer demand, volatility in the recovery of receivables and associated liquidity risk, and delays and difficulties sourcing inventory and associated cost volatility. This extends to the uncertainty about the recovery phase and the speed and extent to which confidence recovers from its effects. Looking further ahead there is the risk associated with further outbreaks.</div> <div>COVID-19 may also affect other already identified principal risks; these are explained in more detail below.</div>	▼ <div>The scale, duration and extent of the effects of the pandemic are better understood and being managed hence the risk is reducing.</div>	<div>Mitigating actions include:</div> <ul style="list-style-type: none">• Supporting employees' health, safety and wellbeing.• Cost controls to protect profit.• A focus on maintaining cash flow.• Actions to improve balance sheet flexibility. <div>Other actions include planning for opportunities following the passing of the pandemic.</div>
<div>2</div> <div>Prolonged effects of the UK's exit from the EU</div> <div>This risk includes the possible unforeseen consequences following the UK's exit from the EU. These include risks to the Group's supply chain activities across the UK and the EU.</div> <div>Other related risks include migration of employees and potential impacts due to changes to existing legislation.</div>	▼ <div>The UK / EU trade negotiations completed prior to the UK's exit from the EU and the end of the transition period on 31 December 2020. However, the operational consequences may not have been completely understood for a further year, nonetheless, this risk is reducing as the date from the UK's exit extends.</div>	<ul style="list-style-type: none">• A Brexit Steering Group and related support teams meet frequently to assess current issues associated with the UK's exit from the EU. Mitigating actions are identified and project managed with regular feedback on progress.
<div>3</div> <div>Failure to respond to strategic market shifts e.g. changes in customer demands / competitor activity and related stakeholder requirements</div> <div>Unforeseen changes to customer and market assumptions upon which the Group performance plans are based. Such market changes have been accelerated by the ongoing COVID-19 pandemic.</div>	▼ <div>Accelerating market developments.</div>	<ul style="list-style-type: none">• Monitoring of market developments, including the competitive environment.• Ongoing strategic and market reviews by the Board and the SMT.• Investment in digital platforms.• Annual strategic planning process including the assessment of external market changes.• Mergers and acquisitions (M&A) governance structure with internal and external capability and support.• Specific planning for the business environment post the COVID-19 pandemic.

Risks direction definition

- ▲ The risk is likely to increase within the next 12 months
- ▬ The risk is likely to remain stable within the next 12 months
- ▼ The risk is likely to reduce within the next 12 months

What is the risk and how could it affect our business?	Risk direction	What are we doing to manage the risk?
Strategic risk category continued		
<p>4</p> <p>The Group's revenue and profit growth initiatives are not successfully implemented</p> <p>This risk could lead to lower than forecast financial performance in terms of revenue growth, cost savings and operating profit with changes required to Group plans and any post-acquisition integration activities. These plans may be delayed by business decisions in light of the COVID-19 pandemic.</p>	<p>▲</p> <p>The Destination 2025 strategy uses similar Group and regional governance processes as were successfully used in previous recent strategic change processes. However, the business actions to manage the effects of the COVID-19 pandemic have affected the implementation of some growth initiatives. This, together with the accelerating market developments, means that this risk is increasing.</p>	<ul style="list-style-type: none">• Prioritised set of proposals and projects, including revenue growth initiatives and supporting activities across shared business services and supply chain infrastructure, focused on getting the basics right for customers.• Governance structure with accountabilities designed to support delivery on time and to cost, within resources and capabilities.• Identification, assessment and management of the consequences of changes arising from plan initiatives.• Specific and tailored post-acquisition integration plans.
Regulatory / compliance risk category		
<p>5</p> <p>Failure to comply with international and local legal / regulatory requirements</p> <p>Failure to manage these collective risks adequately could lead to:</p> <ul style="list-style-type: none">• Death or serious injury of an employee or third party;• Penalties for non-compliance in health and safety or other compliance areas; and / or• Penalties for failure to adhere to relevant trading related regulations, for example, trade, product and transport compliance and local statutory legislation.	<p>▬</p> <p>No significant changes to the risk.</p>	<ul style="list-style-type: none">• Specific COVID-19 health and safety initiatives.• Employment of internal specialist expertise, supported, where needed, by suitably qualified / experienced external partners, for example to provide relevant EU General Data Protection Regulation (GDPR) guidance.• Ongoing reviews of relevant national and international compliance requirements.• Training and awareness programmes focusing on anti-bribery, competition and data protection legislation with increased modern slavery awareness supported by training planned for the coming year.• Code of conduct for all employees and ethical sourcing policy for suppliers.• Global whistleblowing hotline managed by an independent third party providing employees with a process to raise non-compliance issues.• Global health and safety policy, Target Zero accidents initiative.• Local health and safety forums in place with the VP Global Environment, Health and Safety.• Real-time monitoring of customer orders to ensure compliance with international trade control regulations.
Operational risk category		
<p>6</p> <p>Failure in the business's critical infrastructure</p> <p>An unplanned event disrupting the Group's critical infrastructure, including key locations, core transactional systems and third-party suppliers resulting in the business being unable to serve customers.</p>	<p>▬</p> <p>No significant changes to the risk.</p>	<ul style="list-style-type: none">• Business continuity plans at operating locations.• Regular tests at key DCs, sales and back office locations.• Plant switching process whereby the activity of a DC unable to operate can be switched to another to meet a proportion of its customer demand.• Ongoing assessments of critical third-party suppliers.• Resilient IT systems infrastructure featuring operating redundancies and offsite disaster recovery.• Core transaction systems managed from a data centre.• Periodic testing of the IT disaster recovery plans across the Group.• Strict control over upgrades to core transaction systems and other applications.

What is the risk and how could it affect our business?	Risk direction	What are we doing to manage the risk?
Operational risk category continued		
<p>7</p> <p>Cyber security breach / information loss</p> <p>An attack on the Group's systems, sites or data could lead to potential loss of confidential information and / or disruptions to the Group's transactions with customers (including the transactional website) and transactions with suppliers (including the DCs). Accidental data loss could also occur because of employee or partner action (or inaction).</p>	<p>▲</p> <p>Increasing frequency and sophistication of cyber attacks on businesses. This has been noted during the current COVID-19 pandemic with increased and well-publicised malicious cyber activity aimed at individuals and companies.</p>	<ul style="list-style-type: none">• The Group Information Security and Compliance team manages the Group's information security requirements.• Employee training and messaging on cyber risk awareness continues to be prioritised during the COVID-19 pandemic.• Anti-virus software to protect business PCs and laptops.• Procedures to update supplier security patches to servers and clients.• External emails identified to all business recipients.• Software scanning of incoming emails for known viruses.• Firewalls to protect against malicious attempts to penetrate the business IT environment.• IT control reviews to consider the security implications of IT changes.• Security reviews with selected third-party suppliers.• Computer emergency readiness team (CERT) to track software vulnerabilities and respond to security incidents.• Cyber monitoring reflecting the business home working environment and increased external threats.
<p>8</p> <p>UK defined benefit pension scheme cash requirements are in excess of the cash available</p> <p>The Company is required to contribute increased cash sums to the UK defined benefit pensions scheme due to the trustee exercising its power to close the scheme if in a deficit, as it is currently (the trustee has confirmed that it has no current intention to exercise this power to wind up the scheme).</p>	<p>▬</p> <p>No significant changes to related financial and other assumptions anticipated.</p>	<ul style="list-style-type: none">• Quarterly reviews of the pension scheme funding position.• Company representatives regularly attend trustee meetings to update on business performance and risk management.• The pension scheme has a de-risked cash flow driven strategy.• Joint trustee / Company working group to review investment performance and strategy.• Company and trustee have a funding agreement to eliminate the deficit over time.• Company covenant and ability to support the scheme regularly reviewed by trustee.
<p>9</p> <p>People resources unable to support the existing and future growth of the business</p> <p>The business is not able to attract and retain the necessary high-performing employees to ensure that the business achieves its targeted performance.</p>	<p>▬</p> <p>No significant changes to the supply and retention of quality employees.</p>	<ul style="list-style-type: none">• Development of existing employee competencies and the introduction of external expertise where appropriate.• Continuous employee performance conversations to align personal objectives with the Group's strategy.• COVID-19 people-related support activities across the regions.• Regular employee talent reviews and succession planning for the business's more senior / critical roles.• Developing the business brand to attract high potential talent.
<p>10</p> <p>Impact on the business if the macroeconomic environment deteriorates</p> <p>The Group's revenue, and hence profit are adversely affected by a decline in the global macroeconomic environment with other associated effects such as foreign exchange volatility.</p>	<p>▬</p> <p>No significant changes to the outlook for the macroeconomic environment.</p>	<ul style="list-style-type: none">• Strong cash generative business.• Strong balance sheet.• Significant headroom maintained on debt covenants and banking facilities.• Relevant foreign exchange cash flow hedging for business trading purposes.• Cost management and control of inventory.• Weekly business financial performance reviews covering cash flow and profitability including revenue, gross margin and operating costs. This includes more significant costs such as freight.

Viability statement

Assessment of prospects

The Group's strategic priorities are focused on delivering sustainable growth and superior returns for all our stakeholders and include a number of initiatives. They are discussed in more detail on pages 20 to 23.

Our business model, as described on pages 24 and 25, is structured so that the Group is a global omni-channel provider of product and service solutions for designers, builders and maintainers of industrial equipment and operations to a very broad spread of customers both in terms of industry sector and geography. The Group is not reliant on one particular group of customers or suppliers, with its largest customer accounting for under one percent of revenue and its largest supplier less than four percent of revenue. Our business model is differentiated by: our global network of 14 distribution centres; our talented and customer-centric team; our strong supplier relationships; our broad range of product and service solutions; and our strong digital presence. The Group has high inventory availability with products sourced from a large number of suppliers and provides customers with a reliable and fast service.

The Group's results and financial position are reviewed monthly by both our SMT and the Board. Every day the SMT receives an analysis of the previous day's revenue and gross margin. The Board receives and reviews monthly management accounts, including cash flows, and also receives regular performance and forecast updates from the Chief Financial Officer and Chief Executive Officer.

As described in last year's Annual Report and Accounts, given the unprecedented level of uncertainty surrounding the COVID-19 pandemic, towards the end of March 2020 we modelled a range of potential scenarios for different durations and severities of the pandemic for each month of the year ended 31 March 2021 and during this year added each month of the year ending 31 March 2022. These have continued to be regularly updated to reflect latest trading trends and changes to our expectations. These have been regularly reviewed, and the assumptions

approved, by the Board. The Board also discusses and approves the various mitigating actions the Group should take for each scenario. We have recently implemented a rolling 18-month planning process and tool which will replace these models and provide detailed bi-monthly forecasts of the Group's income statement, balance sheet and cash flows to enhance our forecasting and scenario modelling.

The Group's long-term prospects are assessed primarily through its strategic and financial planning process. This includes the preparation of a five-year strategic plan and an annual target setting process involving both Group and regional management which are updated annually and reviewed and approved by the Board. The SMT receives and reviews a scorecard each quarter showing progress against the strategic plan objectives. The Board also receives updates and, if appropriate, the strategic plan is updated depending on progress and performance.

The Board also considers the long-term prospects of the Group as part of its regular monitoring and review of risk management and internal control system, as described on page 83.

As described throughout this Annual Report and Accounts, the Group's performance over the past year has remained resilient despite the impacts of COVID-19 and Brexit, with like-for-like revenue growing by 1.4%. Trading momentum improved during the second half of the year and we have comfortably outperformed all the various scenarios we had modelled and described in last year's Annual Report and Accounts.

During the year we have continued to produce and review weekly cash forecasts to closely track our net debt position, so we can take any necessary actions on a timely basis. Our capital position is supported by the Board's Treasury Committee regularly reviewing the Group's funding facilities and banking covenants' headroom. In November 2020, we completed the refinancing of our bank facilities with a group of eight existing and new relationship banks. The previous syndicated multi-currency facility was for US\$75 million, £85 million and €50 million and would have matured in August 2022.

The new increased facilities comprise a three-year revolving credit facility of £300 million, with an accordion of up to a further £100 million. The maturity of this facility may be extended at the option of the Group for up to two further one-year terms subject to individual lender approval. These new facilities were undrawn at 31 March 2021. In December 2020, we successfully completed an equity placing of ordinary shares to fund acquisitions and retain financial flexibility which raised £176.1 million, net of costs.

The Group's strong cash generation during the year, with free cash flow of £132.9 million, reduced net debt to £122.0 million (including lease liabilities of £61.5 million) at 31 March 2021 from £189.8 million (including lease liabilities of £56.3 million) at 31 March 2020. We also paid an additional interim dividend in lieu of the deferred final dividend for the year ended 31 March 2020 and paid, as normal, an interim dividend for the year ended 31 March 2021, resulting in total dividends paid during the year of £71.2 million (2019/20: £68.5 million). We have ended the year with a stronger balance sheet than with which we started.

The Group's debt covenants are EBITA to interest to be greater than 3 times and net debt to adjusted EBITDA to be less than 3.25 times. At 31 March 2021 EBITA to interest was 26.7x (2019/20: 33.6x) and net debt to adjusted EBITDA was 0.5x (2019/20: 0.7x) (see Note 3 on page 134 for reconciliations) and under our strategic plan these are also comfortably met.

Viability assessment period

In their assessment of viability, the Directors have reviewed the assessment period and have determined that a three-year period to 31 March 2024 continues to be most appropriate. The robustness of the strategic plan is significantly higher in the first three years with the final two years being a high-level extrapolation. The Group has few contracts with either customers or suppliers extending beyond three years and, in the main, contracts are for one year or less. The business operates with a minimal forward order book, generally taking orders and shipping them on the same day. In addition, as more business moves online and we become more agile,

speed of change increases and so visibility is relatively short term. Of the Group's long-term obligations, the UK pension scheme is the largest and its triennial funding valuation forms the basis of our agreeing its funding with its trustee.

Assessment of viability

Each of the Group's principal risks and uncertainties on pages 47 to 49 has a potential impact on the Group's viability and so the Directors determined an appropriately severe but plausible stress test for each. They decided which stress tests would have the most impact on the viability of the Group and developed appropriate scenarios to model for these.

The recently updated strategic plan is currently considered to reflect the Directors' best estimate of the future prospects of the Group. Therefore, in order to assess the viability of the Group, the scenarios were modelled by overlaying them onto this updated strategic plan to quantify the potential impact of one or more of them crystallising over the assessment period.

The scenarios modelled and how they link to the principal risks and uncertainties are summarised in the table below.

The severe and plausible stress tests for the principal risks and uncertainties ⁸ 'UK defined benefit pension scheme cash requirements are in excess of the cash available' and ⁹ 'People resources unable to support the existing and future growth of the business' were assessed to have less impact on the Group's viability.

In performing the above tests it was assumed that no major reorganisations or significant working capital initiatives occur in mitigation, capital expenditure is unchanged from that in the updated strategic plan, dividends continue to be paid and there are no changes in debt financing.

The results of the above stress tests showed the Group would be able to withstand the impact of these scenarios occurring.

Reverse stress tests were also undertaken to assess the circumstances that would threaten the Group's current financing arrangements and all would have to result in adjusted operating profit margin falling to under 2% in at least one of the following three years. These reverse stress tests also assumed that no major reorganisations or significant working capital initiatives occur in mitigation,

capital expenditure is unchanged from that in the updated strategic plan, dividends continue to be paid and there are no changes in debt financing. The Directors consider the risk of these circumstances occurring to be remote.

The above scenarios are hypothetical and extremely severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group; however, multiple control measures are in place to prevent and mitigate against any such occurrences. If any of these scenarios actually happened, various options are available to the Group to maintain liquidity so as to continue in operation.

Confirmation of viability

Based on the assessment outlined above, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three years to 31 March 2024.

Going concern

Based on the assessment outline above, the Directors also believe that it is appropriate to continue to adopt the going concern basis in preparing the Group's accounts.

Scenarios modelled and how they link to the principal risks and uncertainties

Scenario modelled	Link to principal risk and uncertainties
Scenario 1 – Revenue down and operating costs up Revenue falls in 2021/22 by more than that seen in the first half of 2020/21 with a further decline in 2022/23. No mitigation taken on non-variable operating costs in 2021/22 and then these move in line with revenue in future years.	¹ Prolonged effects of the ongoing COVID-19 pandemic ² Prolonged effects of the UK's exit from the EU ³ Failure to respond to strategic market shifts e.g. changes in customer demands / competitor activity and related stakeholder activity ⁴ The Group's revenue and profit growth initiatives are not successfully implemented ⁵ Failure to comply with international and local legal / regulatory requirements ¹⁰ Impact on the business if the macroeconomic environment deteriorates
Scenario 2 – Gross margin down Gross margin declines in 2021/22 by 4 percentage points and remains at that level with no cost mitigations.	¹ Prolonged effects of the ongoing COVID-19 pandemic ² Prolonged effects of the UK's exit from the EU ³ Failure to respond to strategic market shifts e.g. changes in customer demands / competitor activity and related stakeholder activity ⁴ The Group's revenue and profit growth initiatives are not successfully implemented ¹⁰ Impact on the business if the macroeconomic environment deteriorates
Scenario 3 – Cash collection down Cash collection from trade receivables deteriorates leading to trade receivables impaired by 5% of revenue in 2021/22.	¹ Prolonged effects of the ongoing COVID-19 pandemic ¹⁰ Impact on the business if the macroeconomic environment deteriorates
Scenario 4 – Significant infrastructure failure Major incident at the largest DC which destroys the building and its contents.	⁶ Failure in the business's critical infrastructure
Scenario 5 – Major cyber breach / information loss Major system failure (possibly caused by a cyber attack) resulting in a serious loss of service, fines for data breach and loss of reputation, leading to halving of revenue growth.	⁶ Failure in the business's critical infrastructure ⁷ Cyber security breach / information loss

Our ESG journey and approach

Overview

We are committed to accelerating the positive impact we have in society and on the environment. We are at the heart of keeping businesses, critical industries and communities running. Our product and service solutions help enable our customers to develop innovative technologies and engineering solutions, ‘making amazing happen for a better world’. We take this role very seriously and believe we have a huge opportunity to inspire a more sustainable world through education and innovative solutions that improve lives.

In 2020/21, we strengthened our ESG approach which is focused on four pillars – environment, customers and suppliers, people and health & safety and community – each with clear commitments and 2024/25 targets. Our pillars have focused our efforts and galvanised our customers, suppliers and people around our mission to increase our positive impact.

Our priorities are informed by the United Nations Sustainable Development Goals (UN SDGs) and via research with our key stakeholders as part of our materiality assessment conducted in January 2020. They reflect our most significant impacts and the areas where we can make the greatest contribution.

Strengthening our ESG approach

During the year, we continued to strengthen our ESG approach. We have further embedded our commitments into our Destination 2025 strategy and enhanced our purpose of ‘making amazing happen for a better world’.

We have established strong governance for our programme. The Board has strategic oversight for ESG, led by our Chief Executive Officer, Lindsley Ruth. Debbie Lentz, President Global Supply Chain, is our Senior Management Team (SMT) sponsor for ESG. We are also in the process of establishing a Group ESG Leadership Committee chaired by a Board member. In addition, during the year, we appointed a VP Social Responsibility and Sustainability to lead a global team to drive and deliver an ambitious ESG plan for the Group.

During the year, the Group committed to the United Nations Global Compact, the voluntary initiative to encourage businesses and firms worldwide to adopt sustainable and socially responsible policies and to report on their implementation.

Our progress has been recognised externally during the year via improvements in our sustainability ratings. Our Carbon Disclosure Project (CDP) score rose from B to A-, our MSCI ESG rating improved to A and we have received an EcoVadis gold medal rating, which is the first time the Group has been evaluated. Our external ratings and the frameworks we align with can be found on the ESG section of our corporate website.

As early supporters of the Task Force on Climate-related Financial Disclosures (TCFD), we continue to work towards full compliance for 2022/23. We have formed a cross-functional steering group to strengthen our approach in the four key areas of strategy, risk, governance and metrics & targets. Our TCFD-related progress can be found on page 55 and on the ESG section of our corporate website. We plan to make full disclosure in our Annual Report and Accounts for the year ending 31 March 2022.

We continue to align our reporting with the recommendations of the Sustainability Accounting Standards Board (SASB) that are material for our business and industry sector. We communicate our ESG performance through our Annual Report and Accounts, on our website and through third-party frameworks such as the FTSE4Good and CDP.

“We are proud of the progress we have made to step change our ESG approach over the last year and we will continue to evolve and strengthen our commitments in the year ahead. In doing so, we will deliver greater value for our stakeholders, realise our Destination 2025 strategy and make amazing happen for a better world.”

Lindsley Ruth
Chief Executive Officer



Our ESG approach

Our ESG approach focuses on four pillars – environment, customers and suppliers, people and health & safety and community – each with clear commitments and targets.

Our pillars are underpinned by a set of robust business practices which drive high ethical and environmental standards throughout our business, including with our people and across our global supply chain.

We highlight the progress we are making on each of our ESG pillars on pages 54 to 65.

Making amazing happen for a better world

We are inspiring a more sustainable world through education and innovative solutions that improve lives.

Four ESG pillars:

Environment

Pages 54 to 58 ▶

We are proactively addressing our environmental impacts to tackle climate change and ensure our business grows sustainably.

Customers and suppliers

Pages 59 and 60 ▶

We are working with our suppliers to improve the sustainability of our global value chain and deliver innovative and sustainable solutions for our customers.

People and health & safety

Pages 61 to 63 ▶

We are building a safe, inclusive and dynamic culture which enables our people to bring their true self to work and thrive.

Community

Pages 64 and 65 ▶

We are enabling education and innovation that improve lives and inspire future engineers.

We have aligned our ESG approach to support the UN SDGs where we can have the most impact and have signed up to the principles of the UN Global Compact.



Underpinned by:

Strong governance, ethics and compliance practices

Pages 66 and 67 ▶

Key performance indicators and targets

Pages 32 and 33 ▶

ESG risks and opportunities



Environment

Our focus is on proactively addressing our environmental impacts to tackle climate change and ensure our business grows sustainably.

2024/25 targets

- Be 50% more sustainable by halving the intensity of our emissions, packaging, waste and water impacts from a 2017/18 baseline

SDGs supported



The effectiveness of our environmental programme is a key contributor to the ongoing success and sustainability of Electrocomponents. In support of UN Global Compact Principle Nine, we contribute to environmental sustainability through the products we supply that help our customers improve and enhance their own environmental performance and through the proactive management of our own operations.

Our Target Zero programme is focused on reducing energy consumption and cutting CO₂ emissions, reducing packaging and zero waste to landfill through improved recycling. Through our continuous improvement initiatives we are leveraging best practice, developing capabilities and transforming the sustainability of our distribution network to ensure we have a competitive cost base to serve customer needs.

1. Scope 1 emissions are those due to fuel use and fugitive emissions from the facilities and vehicles the Group owns or controls. Scope 2 emissions are those due to the generation of electricity the Group purchases. Scope 3 emissions are all other emissions in our value chain, including those due to business travel and the transportation and distribution of the products we sell.

We use a series of non-financial key performance indicators (KPIs) to help measure the progress of our commitment to reduce the intensity of our emissions, packaging, waste and water by 50% by 2024/25. We currently measure our Scope 1 and Scope 2 CO₂ emissions intensity and we have commenced work to map and disclose our Scope 3 emissions¹.

The Board and SMT have strategic oversight of our environmental strategy and performance and receive regular reports to monitor progress. We also monitor environmental and climate-related risks and opportunities through our risk management processes and work to embed the TCFD framework – see page 55 for details.

During the year we updated our environmental policy to reflect our focus on the sustainability of our value chain and to incorporate our sustainability targets.

We are focused on reorganising our supply chain to source, store and deliver closer to the customer, leveraging our distribution centre (DC) location strategy. This work will improve efficiency, cut costs and carbon and provide an improved service to our customers and suppliers.

We continue to work with our third-party logistics and transport carriers and their subcontractors to assess and reduce emissions, for example by changing to lower carbon methods of transport such as switching shipments from air freight to sea and road freight and by simplifying distribution networks. Our early Scope 3 assessments indicate that emissions from transport are approximately double the current emissions from energy in the Group's global premises. We are therefore focused on collaborating with our customers and suppliers to target reductions in CO₂ emissions and reduce the overall carbon footprint of our distribution supply chain.

62%

reduction in tonnes of CO₂ since 2014/15²

2. Scope 1 and Scope 2 emissions due to premises' energy use, updated to reflect changes in reporting and emissions factors.

TCFD

Climate change is one of the greatest challenges facing our world. Our industry plays a key role in supporting the technological and engineering solutions that will help tackle this and speed up the low-carbon transition. We are committed to playing our part, both by offering our customers innovative and sustainable product and service solutions which help to reduce emissions, and by running cleaner and greener operations across our business.

This is why we became early supporters of TCFD and why we are working hard to embed the framework across our business and improve our disclosure. We are aligning our climate-related governance, strategic planning, risk management and KPI reporting with the TCFD recommendations in preparation for full compliance. Our TCFD disclosures are included in this report, in our annual CDP submission and on our corporate website.

Our key climate-related risks and opportunities

During 2020/21 we completed an initial climate-related risk and opportunity assessment across our business and key management functions, including physical and transition risks. This identified our most material near-term climate-related risks and opportunities.

Opportunities

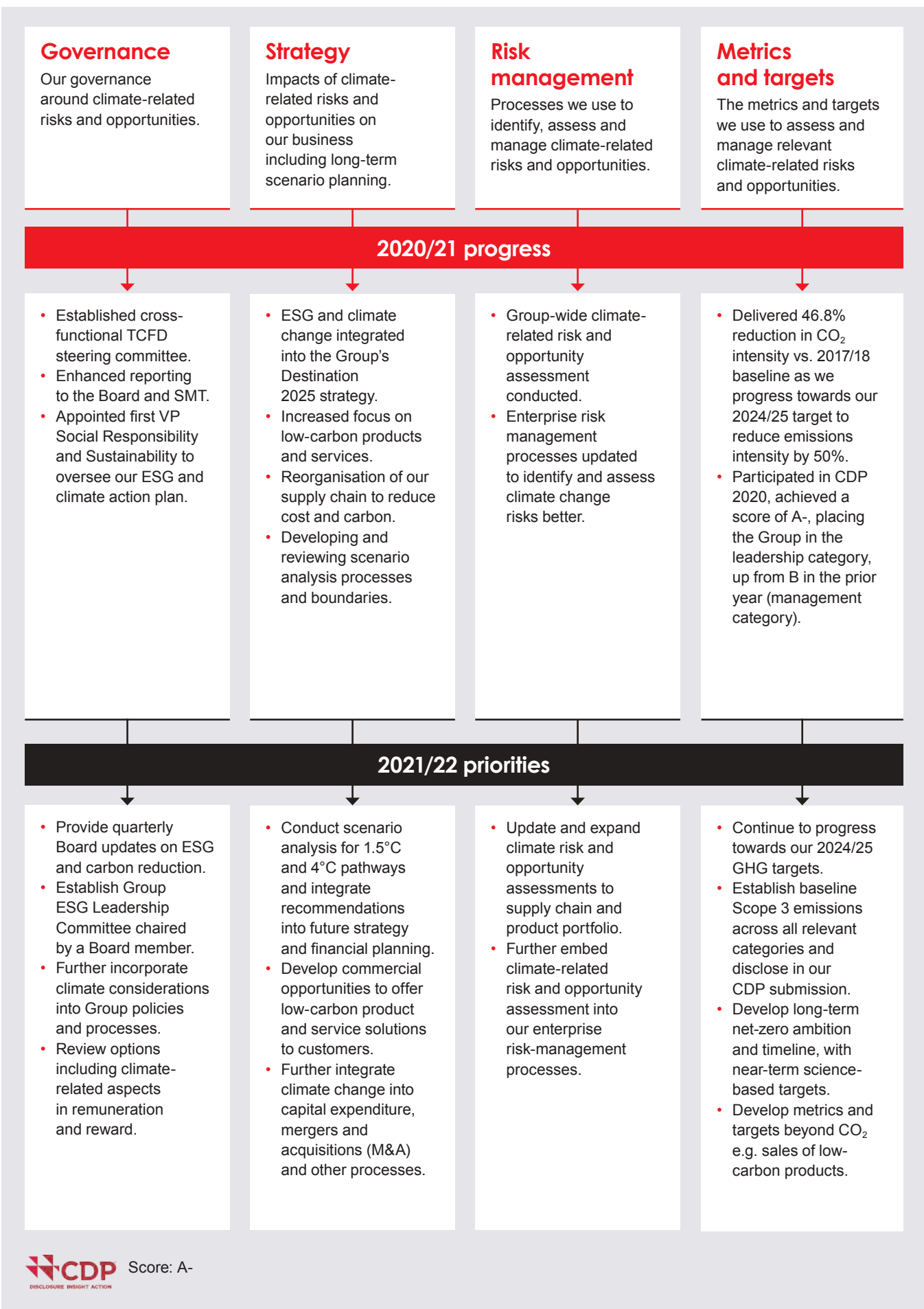
- Growing market for energy efficient products and services in support of a low-carbon economy and the important role we can play, for example by supporting the design, build and maintenance of efficient smart factories.
- Enhancing the efficiency of our operations and business, for example by reorganising our supply chain to reduce costs and carbon.

Risks

- Transition risks including the potential impact of rising energy and related costs for our business and our suppliers.
- Potential supply chain interruptions due to physical and transition risks, for example severe weather impacts and potential disruption as lower carbon transport solutions are encouraged by national governments.

We have worked to accelerate implementation of all areas of the TCFD framework across our business. Our activities and plans are set out in the table opposite.

TCFD framework



Environmental performance

The Group's key environmental impacts include energy use and related CO₂ emissions, waste and recycling, packaging use and water consumption. The COVID-19 pandemic presented a number of challenges for our DCs during the year but our performance has been positive. We have had a reduction in intensity of CO₂ emissions, packaging, waste and water, and only our recycling performance was negatively impacted by the crisis.

- Energy-related CO₂ emissions fell due to increased use of electricity from renewable sources and initiatives to improve efficiency such as LED lighting, improved heating, ventilation and air conditioning (HVAC) management and equipment upgrades in our DCs. Energy also reduced in office-based sites due to our people working from home* but increased at other sites due to windows being kept open to improve ventilation.
- Waste and recycling performance varied. Overall waste intensity was down, despite additional waste from work to commission the DC extensions in Germany and Americas. The proportion of waste recycled fell and waste to landfill increased due to the closure of some recycling processors during the pandemic. However, a number of major sites maintained zero waste to landfill.
- Packaging performance improved in the year due to a reduction in packaging intensity, the use of automated packaging systems and increased use of recyclable packaging.
- Water use decreased significantly due to lower site occupancies* and the closure of staff restaurants, as well as due to initiatives to reduce water use and rectify leaks.

We acquired Needlers Holdings Limited, Synovos, Inc. and John Liscombe Limited during the year and their environmental results are included from the day on which the respective acquisitions were completed.

Premises' energy use and Scope 1 and Scope 2 CO₂ emissions
Energy-related CO₂ emissions performance improved in 2020/21 with CO₂ intensity down 36.5% at 3.3 tonnes per £m revenue, mainly due to the use of electricity from renewable sources by RS UK. This brings the cumulative reduction in CO₂ intensity to 46.8% from the 2017/18

* Our reporting does not include CO₂ emissions due to our people's energy use whilst working from home, nor related water use.

baseline year which is broadly on track to deliver our 50% improvement target in 2024/25.

Our strategy to manage and reduce CO₂ emissions is centred on the use of low-carbon energy and efficiencies in our business model and ways of working. This includes the use of renewable energy and the progressive installation of solar panels at sites where feasible, as well as energy-saving initiatives to deliver our targeted reduction in CO₂ emissions intensity.

During the year, our sites in the UK, Germany, France and Americas purchased electricity on specific renewable tariffs. The 750 kW capacity solar panels at our DC in Germany were commissioned in August 2020 and produced 0.3 GWh of renewable electricity with surplus power exported to the grid.

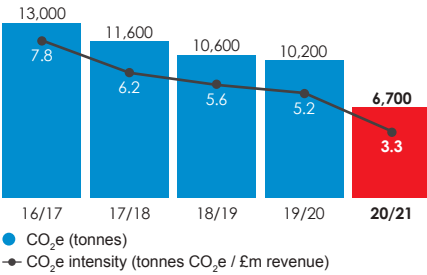
In 2020/21 we took steps to reduce energy use and associated emissions. For example, we introduced LED lighting and upgraded equipment and controls in our DCs to minimise off-load running of compressors, conveyors and other systems. We also continued to improve HVAC systems and management, supplemented by energy awareness programmes with Group-wide activities centred around Earth Day each April.

The ongoing commissioning of the extensions to our DCs in Germany and Americas, combined with acquisitions completed in the year and COVID-19 related measures at a number of sites, resulted in an overall 3.9% increase in absolute premises' energy use in the year. Energy intensity was up 1.3%. Total energy use was 47.4 GWh, 62% of which was electricity. Electricity specifically from renewable sources accounts for 67% of electricity use (2019/20: 11%).

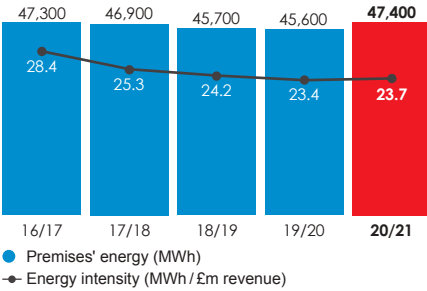
None of the Group's DCs or other sites are currently subject to emissions limiting regulations. Further details of the Group's Scope 1 and Scope 2 emissions are included in the table on page 58 and additional information on the Group's climate-related governance, strategies and performance is included in our TCFD section on page 55 and in our annual CDP submission.

Waste and recycling
Waste and recycling performance varied during the year, again with significant impacts resulting from the COVID-19 pandemic. Reported waste intensity was down 11.2% to 1.35 tonnes per £m revenue. The cumulative reduction from the baseline year is 17.7% which is behind the rate of improvement required to deliver our 2024/25 target to reduce waste intensity by 50%.

CO₂e emissions due to premises' energy use^{1,2,3,4,5}



Premises' energy use^{1,2,3,4}



1. KPIs are on a constant exchange rates basis and are updated to reflect changes in reporting methodology and emissions factors.
2. Covers the operations under our financial control globally but excludes a number of smaller sites where energy, waste and water costs and consumption are included in lease costs.
3. As a result of the COVID-19 pandemic, or for other reasons, a number of reports include estimated data where suppliers have not been able to provide their usual reports.
4. The statutory information required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 is on page 58.
5. CO₂ equivalent from all premises Scope 1 energy sources with market-based Scope 2 emissions calculated with country-specific CO₂ factors and with 100% renewable electricity reported at zero kg CO₂ per kWh.

This is largely due to additional waste generated by the ongoing work to commission extensions at our DCs in Germany and US. We will place additional emphasis on this area in the coming year.

The proportion of total waste recycled declined by 3 percentage points to 76% as waste processors that normally recycle material from a number of our DCs were closed for periods during the pandemic. As a result, waste was diverted to landfill and the overall proportion of waste sent to landfill increased three percentage points to 10%. However, a number of major sites maintained zero waste to landfill in the year.

Total waste includes 57 tonnes of waste reported as hazardous of which some 34 tonnes was waste electronic and electrical equipment (WEEE). There were no reportable spillages or similar environmental incidents at our sites in the year. There were no fines or penalties related to environmental incidents in the year and the Group has no ongoing environmental remediation activities.

Packaging use

Packaging use intensity decreased 7.7% to 2.28 tonnes per £m revenue. The reduction was in part due to a high level of focus on packaging efficiency and the impact of the automated packaging systems at DCs in Nuneaton, UK, and Fort Worth, US. Purchases of packaging materials at certain sites increased as a result of actions taken to pre-empt packaging supply issues during the COVID-19 pandemic and for trials of automated packaging systems. Use of packaging also increased as a result of inventory movements in preparation for the new UK-EU trading relationship from 1 January 2021. As a result, packaging intensity is up marginally against the baseline year which places delivery of our 2024/25 target to reduce packaging intensity by 50% at risk.

The Group will place additional focus on strategies to reduce packaging use including optimising packaging weight and volume for customer orders and the rollout of automated packaging systems to further sites. We are also committed to increasing recycled packaging content and recyclability. For example, the roll out of recyclable padded envelopes to further markets has enabled our customers to potentially divert 3.5 million padded envelopes from landfill (see case study on page 58).

Water use

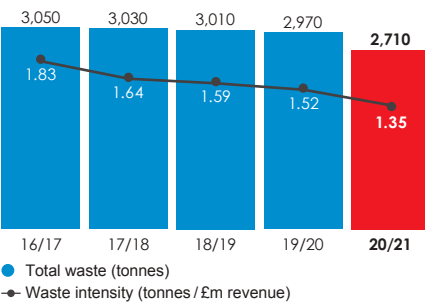
Water use per head was down by 25.4% to 4.29 m³ per head. The lower water usage was mainly due to lower site occupancies and the closure of staff restaurants during the COVID-19 pandemic. The cumulative reduction since the baseline year is 44.3% which is ahead of the rate of improvement required to deliver our 50% reduction target for 2024/25. However, as this includes the impacts of COVID-19 on working patterns, we will continue to work to deliver the 50% reduction target by 2024/25.

A number of initiatives to reduce water use and identify potential leaks are ongoing, although over the past year the emphasis has been on hand hygiene for those on site. We plan increased focus on water use, raising awareness by drawing on our partnership with The Washing Machine Project (see case study on page 65). The Group's water use is sourced from municipal supplies and we do not directly extract water from boreholes, rivers or other sources. Around 100% of the water used is discharged to municipal sewers with some irrigation use at specific sites.

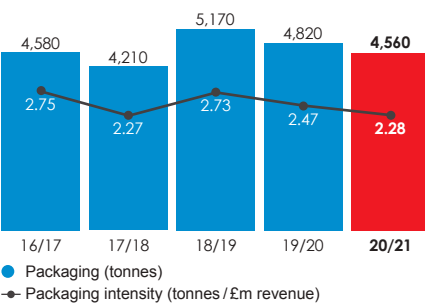
Environmental management systems

During the year, over 50% of our operations by revenue and 65% by floor area were covered by ISO 14001 certifications. Excluding our third-party managed DC in Hong Kong, the 13 DC sites owned or leased by the Group worldwide with total floor area of some 264,000m², have environmental management systems in place, with four DCs certified to ISO 14001. Our 45 other sites, including RS Local trade counters and office locations, have total floor area of some 59,000m² and the majority are either certified to ISO 14001 or have internal environmental management systems.

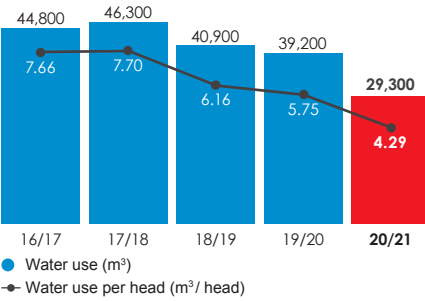
Total waste^{1,2,3}



Packaging use^{1,2,3}



Water use^{1,2,3,4}



1. KPIs are on a constant currency basis, where applicable, and reflect updates and changes in reporting methodology.
2. Covers the operations under our financial control globally but excludes a number of smaller sites where waste and water costs are included in lease costs.
3. As a result of the COVID-19 pandemic, or for other reasons, a number of reports include estimated data where suppliers have not been able to provide their usual reports.
4. Heads are full-time equivalent employees, agency workers and contractors.



Environmental, social and governance (ESG) continued

Greenhouse gas emissions disclosures

In addition to the CO₂e emissions due to premises’ energy use reported on page 56, the Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013 and the Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 require that the Group report the emissions due to the fuel used in Company vehicles, fugitive emissions and other sources and our UK energy use and emissions. Accordingly, the table below includes the relevant material emissions and energy use associated with the operations and activities covered by the Group’s accounts.

		2021	2020
Group Scope 1 emissions			
Combustion of fossil fuels ¹	tonnes CO ₂ e	4,259	4,774
Operation of facilities, including fugitive emissions ²	tonnes CO ₂ e	209	106
Group Scope 2 emissions			
Due to purchased electricity (market based ³)	tonnes CO ₂ e	3,271	7,166
Intensity measurement			
CO ₂ e due to premises energy use per £m revenue	tonnes CO ₂ e/£m	3.3	5.2
Total GHGs per £m revenue	tonnes CO ₂ e/£m	3.9	6.2
SECR disclosures⁴			
UK total Scope 1 and 2 emissions (market based)	tonnes CO ₂ e	2,982	6,611
UK energy consumption	GWh	30.0	30.3

Data is for the financial year as updated to reflect changes in reporting methodology and to use current emissions factors. GHG emissions are calculated using the UK Department for Environment, Food and Rural Affairs and International Energy Agency emissions factors in line with the GHG Protocol (Corporate Standard).

1. Includes emissions of 825 tonnes relating to fuel use in company vehicles (2019/20: 1,777 tonnes).

2. 209 tonnes of CO₂e due to fugitive emissions from air-conditioning systems (2019/20: 106 tonnes).

3. Market-based electricity purchased from renewable sources at zero CO₂e per kWh. Location-based emissions increase by 4,477 tonnes at grid-average rates (2019/20: 1,263 tonnes).

4. Streamlined energy and carbon reporting: UK emissions were 39% of 2020/21 global market-based emissions and UK energy use was 59% of global energy use.




RECYCLABLE PACKAGING

As part of our global packaging strategy, we are increasing recycled content and aiming for 100% kerb-side recyclable packaging for all products sold. In June 2020, we began to use recyclable padded envelopes in our UK operations. Since the UK processes orders to customers across the world, many other markets benefit from this change in packaging. In addition to the UK, recyclable padded envelopes are being used in Japan, Spain and Ireland and we will extend their use to other markets. Since June 2020, we have used 3,458,100 recyclable padded envelopes, which represents 59.7 tonnes of packaging that need not end up in landfill.

Environment: future focus

- **CO₂ emissions in our direct operations (Scope 1 and Scope 2):** develop our climate action plan and net-zero ambition to help limit global warming to 1.5°C; progressively implement our energy optimisation and decarbonisation programme including increased use of renewable energy, introduction of solar panels, energy efficiency measures and fuel-efficient fleet vehicles.
- **CO₂ emissions in our supply chain (Scope 3):** extend our work with our suppliers, carriers and partners to measure, report and actively reduce supply chain and transport impacts as part of our sustainable procurement activities.
- **Packaging:** further develop our global packaging strategy to increase recycled content and aim for 100% kerb-side recyclable packaging for all products sold. Specifically, we will reduce the amount of paper generated for customer orders and limit single-use plastic globally.
- **Waste:** reduce the amount of waste in our facilities; achieve zero waste to landfill at sites where alternatives exist.
- **Water use:** review and monitor water use as site occupancy increases post-COVID-19 and link initiatives to our community programme with The Washing Machine Project.
- **Management systems:** review opportunities to enhance our internal environmental management systems and to gain ISO 14001 certifications for further locations.

 **Further reading**
electrocomponents.com/esg

Customers and suppliers

Our focus is on working with our suppliers to improve the sustainability of our global value chain and deliver innovative and sustainable solutions for our customers.

2024/25 target

- Grow our Group rolling 12-month Net Promoter Score (NPS) score to 70

SDGs supported



Our vision is to be first choice for all our stakeholders. Ensuring we have a strong ESG approach to the way we conduct our business and build our relationships is key to delivering this vision.

Customers

As a global product and service solutions company and key partner to the industrial sector, we play a vital role in helping develop innovative engineering solutions that meet our customers’ future needs and help enable them to become more sustainable.

Our existing sustainable solutions offering includes RS Monition which leverages our Internet of Things (IoT) capability to monitor the equipment in our customers’ facilities and help them identify and eliminate energy losses and water leakages in their sites. This optimises efficiency, helps reduce maintenance and utility costs, and saves precious natural resources.

In addition, we offer products such as variable speed drives, high-efficiency motors, low-energy lighting and automation solutions, which help our customers optimise their operations and save energy.

Award recognition

Electrocomponents has been awarded a gold medal by EcoVadis, the independent provider of global sustainability ratings used by many large organisations to help support sustainable purchasing decisions. The gold medal ranks us in the top 5% of the 75,000 companies assessed by EcoVadis, with each company rated on the material sustainability risks and issues for their size, locations and industry. The evidence-based assessment covers policies, actions and results across the key sustainability and ESG dimensions of environment, labour and human rights, business ethics and sustainable procurement. A gold medal demonstrates that we are a highly trusted partner for our customers and suppliers with strong ethical and environmental standards.



In total
85%
of our revenue is from sites accredited to ISO 9001, the global quality management standard that helps ensure customers can buy with confidence.



HELPING OUR CUSTOMERS PROTECT THE ENVIRONMENT

Complying with environmental legislation is often complex, requiring careful measurement and accurate process control. A good example is industrial wastewater treatment, which is usually tightly controlled to protect the ecosystem of local rivers and downstream habitats. We offer customers the ability to connect simply and rapidly their industrial assets, such as pumps, meters and water level alarms, to a cloud-based reporting and condition monitoring system. If key parameters are approaching legal limits, the system can provide an early response to prevent the discharge of untreated wastewater into rivers.

We also offer a service to monitor energy usage at specific points by installing data-enabled power meters to certain production lines or areas of a plant. These meters feed their data into the cloud system, enabling managers to understand the detailed energy intensity of their processes and finished products. The benefits can be considerable in terms of energy costs. In addition, reduced consumption of electricity and steam, still predominantly produced by fossil fuels, also reduces greenhouse gas emissions as less power needs to be generated. This benefits the planet and helps customers meet their emissions targets and reduce carbon costs.

Suppliers

Our commitment to responsible and sustainable business extends across our global value chain. With over 650,000 stocked products sourced from more than 2,500 suppliers, we have a key role to play in helping our suppliers access global markets.

We work collaboratively with our partners to address key social and environmental issues across the global supply chain. Our key focus is on reducing emissions from our DC network to tackle climate change, introducing more sustainable products and packaging and advancing respect for human rights across our supplier base.



Staying free from conflict minerals

Electrocomponents supports the efforts of human rights organisations to end violence and atrocities in Central Africa including the Democratic Republic of Congo (DRC) and nine adjoining countries: Republic of Congo; Central Africa Republic; South Sudan; Zambia; Angola; Tanzania; Burndi; Rwanda; and Uganda. We are committed to ethical practices and seek to keep our supply chain and products free from conflict minerals. We require suppliers to have due diligence processes in place to identify and verify the source of conflict minerals contained in their products. We require suppliers to advise the conflict mineral status of products and welcome dialogue from customers on areas of their conflict minerals compliance that we may be able to support.

In 2020/21 we:

- Became signatories of the UN Global Compact confirming our commitment to human rights, business ethics and our support of the UN SDGs.
- Worked with our suppliers to begin a global programme of sourcing, storing and delivering products closer to the customer, made possible by our global network of 14 DCs.
- Switched the delivery of product replenishments to our Asia Pacific DCs from air to sea freight, reducing the associated Scope 3 emissions by approximately 50%.
- Incorporated our ethical sourcing policy into the onboarding process for all new suppliers.
- Reinforced our ESG ethical audit programme for RS PRO suppliers in Asia Pacific with approximately 80 audits conducted over the past two years. Suppliers are rated A (exceptional) to E (problem) and we are working with identified suppliers to support them with building their ESG capability to improve their standing.
- Embedded ESG clauses into all new and renewed contracts with own-brand suppliers.

Raising awareness of modern slavery

During the year, we increased awareness of modern slavery across the Group by adding a specific modern slavery section to our revised Group code of conduct which all senior leaders and people managers were required to review and sign up to. We have also produced a modern slavery policy which defines modern slavery and communicates and establishes the controls to ensure compliance with all anti-slavery and human trafficking regulations as well as alignment to the organisation's ethical standards and code of conduct. In addition, we delivered targeted modern slavery training to our people in RS PRO, our own-brand range, in accordance with our risk-based approach to modern slavery as identified in our modern slavery act transparency statement published on our corporate website.

Customers and suppliers: future focus



Customers

We will continue to expand the sustainable product and service solutions we offer to our customers with a focus on:

- Developing smart factory sustainability solutions through RS Monition.
- Working with our suppliers to assess and source new sustainable product ranges with third-party certifications and promoting these through our online channels and DCs.
- Offering greener delivery options and improving the sustainability of our packaging.

Suppliers

We are committed to accelerating activity with our suppliers to improve the end-to-end sustainability of our value chain by:

- Continuing to advance our programme to source, store and deliver closer to the customer, thereby cutting costs and carbon from the value chain.
- Working proactively with suppliers to develop more sustainable products, packaging and delivery options for customers. Create innovation labs in our DCs to enable suppliers to showcase the latest developments.
- Proactively engaging with our suppliers globally to raise awareness and provide tools and support to advance key ESG issues such as environment, human rights, business ethics, legal compliance and product standards.

 **Further reading**
electrocomponents.com/esg



People and health & safety

Our focus is on building a safe, inclusive and dynamic culture which enables our people to bring their true self to work and thrive.

2024/25 targets

- Increase our female leader population 2% year on year from a 2017/18 baseline of 26%
- Raise our employee engagement score to 77
- Reduce our All Accident rate by 30% from 2017/18 baseline

SDGs supported



People

Diversity and inclusion

We believe that embracing and celebrating diversity and inclusion (D&I) is fundamental to our business success. Diverse teams perform better and are more creative and innovative. Our inclusive culture also helps us to attract and retain talent, as well as better understand and serve our customers.

In line with our D&I policy, we recruit and develop employees who are best suited to the requirements of the role, regardless of gender, ethnic origin, age, religion, sexual orientation, gender identity or disability. We monitor gender, age and ethnicity where local legislation allows for this.

We encourage employee-led networks and communities to evolve as a safe space and as a voice for our people from minority groups across our operations worldwide. We implemented global campaigns to raise awareness around the importance of D&I and increase trust in our leadership teams globally.

Race

During the year we hosted a series of roundtables to understand the racial challenges our people face. We are using that insight to increase the priority of race within our D&I strategy.

We have started a new employee-led network focused on race, which provides a safe space and empowers their voice; this network is sponsored by members of our SMT. We also celebrated Black History Month in the UK and US, as well as local days of celebration in countries in EMEA and Asia Pacific.

Gender

Gender equality continues to be a key priority for us and over the past year we have refined our recruitment process to help attract and recruit the best female talent in the market. We have set out a five-year strategy to support the growth needed in our business and make sure we have greater female representation across our senior leadership. The Group continued to support International Women's Day and for the second year celebrated International Men's Day, as well as hosting specific events such as Inclusion Week in the UK and others around the globe.

LGBTQ+

Our increased participation with myGwork's global virtual recruitment platform has enabled us to grow our brand within the LGBTQ+ community. We joined 18,000 other participants in the week-long virtual Pride events hosted by myGwork in summer 2020 and sponsored the last day with a focus on wellbeing and the LGBTQ+ community.

Building capability

We enhanced our global learning and capability development offering this year, building strategic capability in priority areas and improving access for all to personal learning. We expanded our EMEA sales effectiveness and value-led selling programmes to Americas and Asia Pacific and completed the first two cohorts of our Data Academy. We have invested in a new global learning platform for all our people, which will be launched in 2021/22.

We have also been building a strong leadership culture. We adapted our digital approach to management development to make sure we give leaders the tools and support they need to help their teams during the pandemic. We saw a positive correlation between managers who actively take part in these activities, their engagement scores and the scores of those who work for them. We developed and launched a global framework for leadership – Amazing Leaders – defining the kind of leadership needed to deliver our strategy, Destination 2025. By aligning all people leaders at an individual level around how they show passion, act with humility and demonstrate trust, we are both shifting mindsets and enhancing their capability.

Gender representation

Gender representation is approximately 50/50 across the Group and we continue to work towards greater female representation at management level².

Overall headcount ¹	Management ²	Board of Directors
Female 3,669 (49.5%)	Female 36 (30%)	Female 4 (44%)
Male 3,737 (50.5%)	Male 84 (70%)	Male 5 (56%)

1. Permanent and temporary employees as at 31 March 2021. This excludes 186 employees that we do not have a gender record for.
2. Individuals who operate at a senior level in the Group and typically, although not exclusively, are the SMT and their direct reports.

Talent

Our strategic approach to talent is to make sure that we have the best people in the most critical roles, so that they can help drive our current and future success.

This year, we continued to improve our knowledge of where our top talent is. We started to introduce more widely the practice of people managers having career conversations with their teams. This will help us understand more accurately who is ready to accelerate their career, how mobile they are and where our flight risks are. We have more work to do here, but we will focus on this during 2021/22.

We continued to focus on building future talent across our business. By March 2021, over 10% of the UK workforce were in 'earn and learn' positions. Our collaboration with universities and colleges is key and we have made progress with new global initiatives. IESA's graduate programme, Leaders in IESA Fast Track, supported 14 new joiners and our Group-wide Future Shapers programme entered its second year with a new cohort of 12 top early-career talent.

The Group also received recognition for attracting new talent into the business, winning the award for Outstanding Impact, Transformation and Change from leading talent attraction body The FIRM (Forum of In-House Recruitment Managers), as well as being finalists for Best Supplier Partnership.

Employee engagement

Building a purpose-led, high-performance culture needs insight and solid foundations. Listening to our people is critical to understand progress and areas to improve. We regularly run global employee engagement surveys, known as MyVoice. The latest was in February 2021 and nearly three-quarters of our people shared their views. The long-term trend for engagement has climbed since we introduced MyVoice in March 2018. Our current engagement score of 74 puts us on track to achieve our target of 77 by 2024/25.

Our investment in wellbeing and inclusion has had a sustained positive impact on the scores, but the survey also identified areas for further improvement, including work-life balance and the need to reduce barriers to execution. We have plans to invest more here over the coming 12 months.

Our voluntary annual turnover rate for 2020/21 across the Group was 6.4%, down from 10.1% in 2019/20.

People policies and practices

We regularly review our global people policies and practices, to ensure they meet local statutory requirements and often going further to align with best practice. These include global, country and some site-specific policies and procedures. Our commitment is to pay fair wages, normally more than the minimum or living wage in countries where this applies. We regularly evaluate the range of benefits our people receive, often exceeding the minimum requirements in areas such as holiday, parental leave and pension provision. Many of our people take part in incentive plans, sharing in the success of the business. The Group pays close attention to labour and employment discrimination laws in all the jurisdictions in which it operates and there were no material proceedings in the year. Our employees and others may also use our whistleblowing facility to report issues in this regard (see page 66).



DELIVERING CARE THROUGH COVID-19

National lockdowns introduced to limit the spread of COVID-19 caused significant stress and sudden change in business practices, locations and protocols. Synovos stayed true to its core values and delivered individual care packages to all employees and their families. More than 13,000 n95 masks, 2,000 medical masks and hundreds of face shields, aprons, disinfectant, towels and gloves were delivered to employees working at client sites to meet client safety requirements. Furthermore, Synovos shipped care packages including face masks, sanitiser and toilet paper to every employee in the United States, Puerto Rico, Canada, Mexico, Ireland, Belgium and Singapore. In total, more than 2,500 shipments were made to support customers and employees. This is an example of how well aligned Synovos's culture is to the Group culture.

Health and safety

Our number one priority is the health, safety and wellbeing of our people. Never has this been more important than during the past year with the impact of COVID-19. While many of our offices mainly remained unoccupied for the majority of the year, our DCs across the Group have remained operational throughout.

Wellbeing and our COVID-19 response

- Ensuring our people remain safe at work has been our primary focus. We have:
- Provided resources to help people stay mentally and physically well.
 - Implemented and regularly reviewed support for home working in each country.
 - Invested in our IT network to keep people connected.
 - Regularly updated COVID-19 information for managers and employees.
 - Provided access to keepconnectedec.com website for employees and their families as well as customers and suppliers.
 - Made changes to operating practices in DCs to allow social distancing and safety of people working on site: split shifts, hand sanitising, lateral flow tests, PPE and more frequent cleaning.
 - Expanded our employee assistance programme to ensure all employees can access counselling and advice.
 - Rolled out mental health training to over 120 mental health first aiders and started training 300 people managers.
 - Continued to support World Mental Health Day and set up an employee-led network, LifeWorks.

Recognising extraordinary efforts

Throughout the COVID-19 pandemic, our DCs remained operational with our people continuing to work on site and deliver an uninterrupted service to our customers. We are looking into ways in which we can recognise the extraordinary efforts they made during this difficult time.

Health and safety performance

We use our Target Zero programme to drive our health and safety agenda. During 2020/21 we continued to focus on All Accidents on the basis that all accidents are preventable. We saw reductions in the rate of All Accidents whereas lost time accidents (LTAs) remained flat on the previous reporting period. Key updates for the year include:

- All Accident frequency rate was down by 36% to 0.44 per 200,000 hours worked (2019/20: 0.69). 29 accidents (2019/20: 45) were reported in the year, including 15 LTAs (2019/20: 15) and 14 first-aid only accidents (2019/20: 30).
- LTA frequency rate was flat at 0.23 per 200,000 hours worked (2019/20: 0.23).
- A total of 330 calendar days were lost due to LTAs with an average of 22 calendar days lost per LTA, compared to 24 calendar days in 2019/20.
- As part of our accident prevention programme, employees reported a total of 8,742 near misses, an average of 1.28 per head, down 18% on 2020/21, mainly due to having our offices virtually unoccupied for 12 months.
- None of the accidents reported in the year resulted in life-changing injuries and there were no work-related fatalities.
- All of our sites have health and safety management systems in place with 25 certified to OHSAS 18001, ISO 45001 or an equivalent standard, covering 69% of floor area and 43% of sites.

Health and safety initiatives

During 2020/21 we introduced a safety focus programme with the two locations that had the highest reported number of LTAs in the prior year. This programme required each site to create specific action plans to review and improve performance and included monthly calls with the VP Global Environment, Health & Safety and the management team on site to review the action plan. These have been successful in addressing issues at the sites and will become a permanent part of our safety programmes in future years as we continue to implement a positive culture to health, safety and wellbeing.

Quarterly health and safety campaigns were run across the Group. These campaigns align regional activities as we work towards our long-term target of zero accidents and are supplemented by campaigns that are specific to the local market.



Target Zero

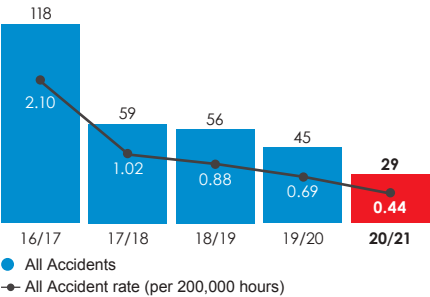


LATERAL FLOW TESTING

In February 2021, in line with Public Health England (PHE) and local council guidance, we opened lateral flow test centres on our sites in Corby and Nuneaton in the UK. Testing was up and running within three weeks of gaining approval from PHE to operate the test centres on our premises. Manned by volunteers from our DCs and fully trained by PHE, we enable the testing of up to 500 employees per week across the two sites. This activity ensures, along with our other controls, that we are keeping our employees safe at work.

Working with employees across the business, we continue to challenge traditional ways of doing things in order to improve our safety performance and culture. We are reviewing plans for our future working model and creating a balance between remote and office-based working. As part of this, we are considering office space requirements and how bringing our employees back into the offices can be done in a safe and controlled manner.

All Accidents



People and health & safety: future focus

- Inclusion**
- Ensure agility in D&I strategy to respond to societal influences.
 - Improve talent acquisition and retention for greater diversity.
 - Ensure our people understand how a diverse workforce makes us more attractive to our stakeholders.
 - Encourage voluntary disclosure of diversity data where permitted.

- Building capability**
- Define priority organisational capabilities and the roles that create the greatest value.
 - Identify gaps and use a strategic build, buy, borrow approach to fill them.
 - Ensure leaders are equipped with the right skills to lead us into the future.

- Talent**
- To have a talent approach that:
- Encourages individuals to take ownership for their career, equipping them with the insights and opportunities they need.
 - Allows us to match talent to the highest priority work, providing stretch opportunities and building organisational capabilities.
 - Has the right processes, data and insight for individuals and the business to make informed decisions about talent.

- Health and safety**
- Continue to focus on safety and avoid all preventable accidents.
 - Ensure the safety of our people returning to offices post the COVID-19 pandemic.

Further reading
electrocomponents.com/esg



Community

Our focus is on enabling education and innovation that improve lives and inspire future engineers.

2024/25 targets

- Improve 100,000 lives through our global partnership with The Washing Machine Project
- Our people to volunteer 10,000 days annually to have a positive impact in their communities

SDGs supported



We have a strong track record in implementing educational initiatives and we work in collaboration with educational institutions, businesses, industry bodies and governments. We believe that we have a responsibility to enlighten, motivate and excite young people about the career possibilities available in the engineering industry.

Science, technology, engineering and mathematics (STEM) skills are critical to innovation and there is a shortage of engineers in many countries. We participate in a wide range of activities to promote engineering in education from primary school throughout the academic years and beyond. The success of our educational programme was recognised at the 2020 Elektra Awards where RS Components won the Education Support Award for the fourth consecutive year.

The planned programme of educational activities for 2020/21 was drastically impacted by the COVID-19 pandemic. However, the need to help young people with their education during the crisis became even greater. That is why we turned many of our events virtual, with DesignSpark proving to be a key platform for student competitions such as the

Connect the Community Challenge. Consequently, DesignSpark saw the number of student members increase by more than 3,000.

Volunteering

To enable our people to participate in educational initiatives and provide support in their communities, we have introduced two paid volunteering days for all employees. Our people will be able to volunteer for their chosen charitable cause or for our global social commitment, The Washing Machine Project, or for our education partner, Engineers Without Borders-International.

Connect the Community Challenge

Together with our customer, Cadent Gas, and supplier, Nordic Semiconductor, we ran a competition to address the issue of isolation and loneliness in the community. We organised a hackathon in which young engineers were asked to propose new and innovative ideas to solve these challenges using Internet of Things (IoT) technology. The 10 winners were those with the most exciting and potentially transformational opportunities to support communities.

Youth Verified status

During the year, Electrocomponents was one of the first 50 companies to achieve Youth Verified status from The Youth Group. The Youth Verified status evaluates the readiness of organisations and educational establishments to attract, support and retain a future-focused youth workforce. The Youth Group provides young people, aged 18-30 years, with the tools they need to improve their prospects and reach their potential in the workplace.

REflect 2020

In partnership with the Institution of Engineering and Technology (IET), we organised the second annual REflect event to promote engineering and technology careers to young people from minority communities and disadvantaged backgrounds. The first REflect event took place in London in 2019 with 300 young people in attendance. In 2020 the event was virtual due to the COVID-19 pandemic and attracted attendees from many countries across the world. In addition to inspiring and motivating young people about their future prospects, REflect 2020 encouraged businesses to offer employment opportunities to ethnically diverse young people. The event was shortlisted in the Diversity and Inclusion Heroes Awards from WorldSkills UK.



PARTNERING WITH ENGINEERS WITHOUT BORDERS-INTERNATIONAL

During the year, we agreed a new partnership with Engineers Without Borders-International. We are providing financial support to help grow their Engineering for People Design Challenge and offer support to participating students, as well as for the Inspiring and Building Community Leaders programmes. The challenge encourages students to broaden their awareness of the social, environmental and economic implications of their engineering solutions and make a positive difference to communities and individuals around the world.

More than 7,000 first and second-year university engineering students from the UK, South Africa and US are competing this year to find practicable ways to improve the livelihoods of people in the communities of Lobitos and Piedritas on the northern coast of Peru. These two towns experience significant challenges with sustainable waste management, energy, food and water supply, digital communications and transport infrastructure. The winning teams will receive educational bursaries.



HELPING IMPROVE THE LIVES OF 100,000 PEOPLE WORLDWIDE

We have chosen The Washing Machine Project as our first global social commitment. We wanted to unite our business around a global cause with an innovative engineering solution at its heart where we could make a tangible difference to people's lives. Our support will extend to encouraging the Group's employees, customers and suppliers to contribute through fundraising and volunteering activities, in addition to Electrocomponents offering matched funding up to £100,000 annually for the three-year partnership.

Around 70% of the world's population does not have access to an electric washing machine and many people have to wash their clothes by hand in rivers, lakes and buckets. Handwashing is predominantly left to women and girls, forcing them to spend up to 20 hours per week on this task causing severe back and joint pain and painful skin irritation, as well as preventing the chance of an education.

Navjot Sawhney, the engineer founder of The Washing Machine Project, identified the problem while on a sabbatical in India and seeing his neighbour, Divya, dealing with the endless handwashing challenge. This experience led him to design and build an affordable manual crank washing machine, requiring no electricity, using 50% less water than handwashing and reducing the time spent on this task by 75%. Designed to be made from reusable off-the-shelf components and easily maintainable, it can be operated and fixed anywhere by anyone.

By supporting The Washing Machine Project over the next three years, we will provide essential funding to deploy at least 7,500 machines to disadvantaged families and communities in 10 countries by 2023 and to develop future machines. Our joint goal is to improve the lives of approximately 100,000 people by offering them better health, education and economic opportunities.

The Washing Machine Project is supported by The Washing Machine Project Foundation which is a registered charity in England & Wales (charity number 1193480).

[See video on our corporate website ▶](#)

The Fresh Advisors Board

We have formed a youth advisory committee named the Fresh Advisors Board which consists of 15 young volunteers from across the world. They have all won awards, competitions and accolades and are widely regarded as rising stars in engineering or in business. The benefit they bring to Electrocomponents includes sharing ideas and recommendations on how we can be more relevant, appealing and attractive to their generation, including topics such as brand awareness, internships and sustainability challenges. In return, we provide attractive development

opportunities that further enhance their employability and professional profiles.

Employability skills

Young engineers have great technical knowledge but often lack all-important soft skills such as the ability to articulate their innovations in compelling and digestible ways. To help, we have developed 12 learning modules such as presentation skills, which are essential for engineering students to thrive when they enter the workplace. Around 350 students across the UK, US and Hong Kong have benefited from free training sessions delivered by us this year.

Recognising exceptional students

In Australia we sponsored the Final Year Engineering Honours Thesis Prize, held by the College of Science and Engineering at Flinders University, to recognise students who demonstrate exceptional application in research and design. This year's winner designed a control system for a world-class suspension system, made by advanced motion technology company Supashock. The design allows for the equipment to be tested at various stroke lengths, frequencies and forces and is operational in a test rig.

Hands-on learning for children

Our OKdo business has partnered with the Micro:bit Educational Foundation to distribute the new BBC micro:bit which now incorporates a built-in loudspeaker and microphone. The new pocket-sized version enables children to expand their creative skills while continuing to benefit from all the features and functions of the original micro:bit. Hands-on learning both inside and outside of the classroom is an essential part of children developing a passion for new technologies early in their educational development.

Teaching girls to code

GirlCode is a non-profit information and communications technology (ICT) skills development organisation. It was founded to introduce coding and computing skills to girls and young women across South Africa with the goal of encouraging them to pursue careers in science and technology.

To increase our support of GirlCode, RS South Africa donated 20 pi-top computers to the organisation to help grow this movement and inspire more young people to code.

Community: future focus



- Build awareness of our global social partnership with The Washing Machine Project.
- Continue to develop educational initiatives and solutions to engage students of all ages to become future engineers and technologists.
- Implement our educational programmes across the world.



Further reading
electrocomponents.com/esg

Governance, ethics and compliance

We are committed to ensuring that Electrocomponents is a socially and environmentally responsible organisation and we have robust governance, ethics and compliance processes in place to maintain high ethical and business standards.

Our global compliance framework ensures that a risk-based approach is taken across our business and supply chain. This is supported by a suite of policies and procedures which ensure we act fairly and ethically.

Code of conduct

Our code of conduct sets out our business standards and practices for both our people and suppliers, and we continue to extend these standards to other business partners. The Board receives regular updates on ethics and compliance matters.

Our ethical sourcing policy sets out the minimum mandatory requirements for all businesses supplying the Electrocomponents Group. Our policy is to source products and services that meet our ethical standards. We work with our suppliers to ensure that they, and their respective suppliers, meet or exceed these minimum requirements, including with regard to conflict minerals, and to continuously improve in line with industry best practice. Further details are in the customers and suppliers section of this report (see pages 59 and 60).

Our Group code of conduct sets out the standards of behaviour to which our people are expected to adhere. Updated annually in seven languages, it details the requirements related to anti-bribery and corruption, competitive behaviour, privacy, data security, human rights and our whistleblowing policy. As part of the annual renewal process, all senior leaders and

people managers are required to review and sign up to the code of conduct and brief their teams.

Human rights

Electrocomponents is committed to protecting and advancing the human rights of the people who work across our business and global supply chain network, in line with the UN Global Compact Principles 1 and 2. We support the principles set out in the UN Universal Declaration of Human Rights and the International Labour Organisation Core Conventions, including those on child labour, forced labour, non-discrimination, freedom of association and collective bargaining.

The human rights of every employee are respected and our people are treated with dignity and consideration; we expect the same from our suppliers and partners. We recognise freedom of association by allowing our people to establish and join organisations of their own choosing without needing permission. As a global business, we also recognise collective bargaining where required by local country laws.

We give fair consideration to applications for employment from those who are disabled as well as to their training, career development and promotion. Where appropriate, facilities are adapted and retraining offered to any employee developing a disability while in our employment. We comply with relevant local employment legislation and regulatory obligations in the jurisdictions in which we operate.

We will not allow any form of slavery, human trafficking or child labour to take place in any part of our business. We do not work with organisations which use child labour or forced labour. Our modern slavery act transparency statement and our modern slavery policy are referred to on page 60 and are published on our corporate website.

Whistleblowing

In line with our whistleblowing policy, Speak Up, we promote an open and accountable culture where employees and others can express concerns without fear of victimisation. An independent third party operates the reporting tools, except in Germany where local restrictions prohibit this and an in-house alternative is provided. We provide Speak Up training and awareness campaigns and encourage use of the facility to report wrongdoing including contraventions of the Group's code of conduct.

The Board has oversight of the whistleblowing policy and through the Audit Committee receives regular reports on any issues reported with details of relevant follow-up actions, lessons learnt and corrective actions taken.

During the year, the Group promoted Speak Up as an integral part of compliance training and 21 reports were received across the global business. These reports related to a range of issues, including people matters, possible policy breaches and leadership concerns. All reports were reviewed and investigated where appropriate with follow-up actions and training implemented where necessary.

Anti-bribery and corruption

Electrocomponents has a zero-tolerance approach to all forms of bribery and corruption (in line with the UN Global Compact Principle 10). The Group and its employees will not offer or receive any bribe or facilitation payment or enter into corrupt practices of any kind. Our Group-wide anti-bribery policy covers bribes, gifts and hospitality, facilitation payments, political contributions and charitable contributions. Third parties are contractually required to agree to comply with our anti-bribery policy and any failure to do so gives us the right to terminate the contract. Our people are required to report incidents and issues which deviate from this policy to the Company Secretary or Chief Information Security and Compliance Officer (CISO) and can also use the whistleblowing facility for this purpose.

The management systems and process for assessing and mitigating bribery and corruption risks internally and in our supply chain are centred on the implementation of our anti-bribery policy supported by specific actions including:

- Regular assessment of business activities and risks
- Supplier contracts with appropriate safeguards
- Due diligence on suppliers and third-party distributors
- An online gifts and hospitality register
- A global in-person training programme
- Promotion of Speak Up
- Checks on compliance controls by Group Operational Audit and Risk with findings reported to the Group legal team and the Audit Committee
- Reports to the Audit Committee on material issues with details of relevant follow-up actions

Anti-competitive behaviour

Electrocomponents competes fairly and vigorously wherever we do business. We comply with competition and anti-trust law in all of the jurisdictions in which we operate and report any material proceedings as appropriate. Our competition law compliance policy sets out the requirements for engagement with customers, suppliers and the market as a whole. Key competition risks are assessed regularly, and the Group legal team oversees compliance with a training programme to all relevant parts of the business. Templates are available for reporting potential issues and for responding appropriately to third parties seeking to engage us in potentially anti-competitive behaviour.

There were no fines or penalties levied on Group companies under applicable bribery, corruption or anti-competitive behaviour regulations in 2020/21.



PROMOTING INFORMATION SECURITY

At the start of the COVID-19 pandemic, with more employees working from home, the information security team quickly adapted by creating short, snappy awareness videos and infographics which were shared with our people via a number of internal channels. These included art of the possible style videos demonstrating the ease with which certain cyber attacks are performed and humorous overviews of information security risks. As one employee said: "Keep up the good work promoting cyber risk with FUN!"

Privacy

We treat the personal data of our employees, customers and suppliers with the utmost respect. A risk-based analysis helps inform key areas for attention. Our suite of policies sets out the requirements our business must adhere to when processing personal data. A compliance toolkit for employees includes a data protection chatbot and templates for contractual forms.

Annual training is mandatory for all our people with more frequent training for employees who handle data as part of their role. Privacy considerations are embedded within our project processes to help ensure that any systems dealing with personal data are designed to comply from the outset.

We have a global network of local data champions who are supported by our legal team. Processes are in place to ensure the rapid identification and investigation of any potential data breaches, with assessment of the risk to individuals' rights to ensure the correct notifications are made and protective steps taken in any given circumstance. The Group internal audit and risk team also undertakes regular assessments to assist the Data Protection Officer with monitoring the Group's compliance in this area.

Data and information security

Cyber security breach / information loss is one of the Group's principal operational risks (see page 49) and our ongoing and evolving information security programme is aligned with the principles of NIST-CSF and ISO 27001. The trust of our customers, suppliers and employees is crucial and depends on us actively managing risks to their data.

Like all businesses, we encounter an ever-changing range of information security threats from various sources. We actively monitor the origins of these threats and engage external support to achieve this. We continuously monitor our systems and perform regular testing to identify security vulnerabilities, supported by third-party specialists, and take a risk-based approach to remediation.

We operate layered and risk-based security controls including:

- Regular vulnerability and penetration testing
- Multi-factor authentication
- Anti-malware software
- Data loss prevention
- Formalised security incident response processes
- Third-party information risk management processes

In identifying and assessing information security risks, we consider both technology and non-technology aspects, particularly with the changes in working practices following the COVID-19 pandemic. We balance business needs against security risk management and maintain a continuous improvement mindset. We stay up to date with the evolving global legislation and regulations relating to security and privacy. Regular horizon scanning is performed by our dedicated information security team. Information security is also regularly assessed by our Group internal audit and risk team.

By educating our people about information security threats, as well as ethical and regulatory topics, they understand our policies and procedures and can identify and report concerns promptly. We also provide regular security awareness briefings to staff to help them understand cyber-criminal behaviour and the rationale behind our policies. We provide specific training for the payment card industry data security standard and General Data Protection Regulation (GDPR). We actively monitor certain metrics and key risk indicators including:

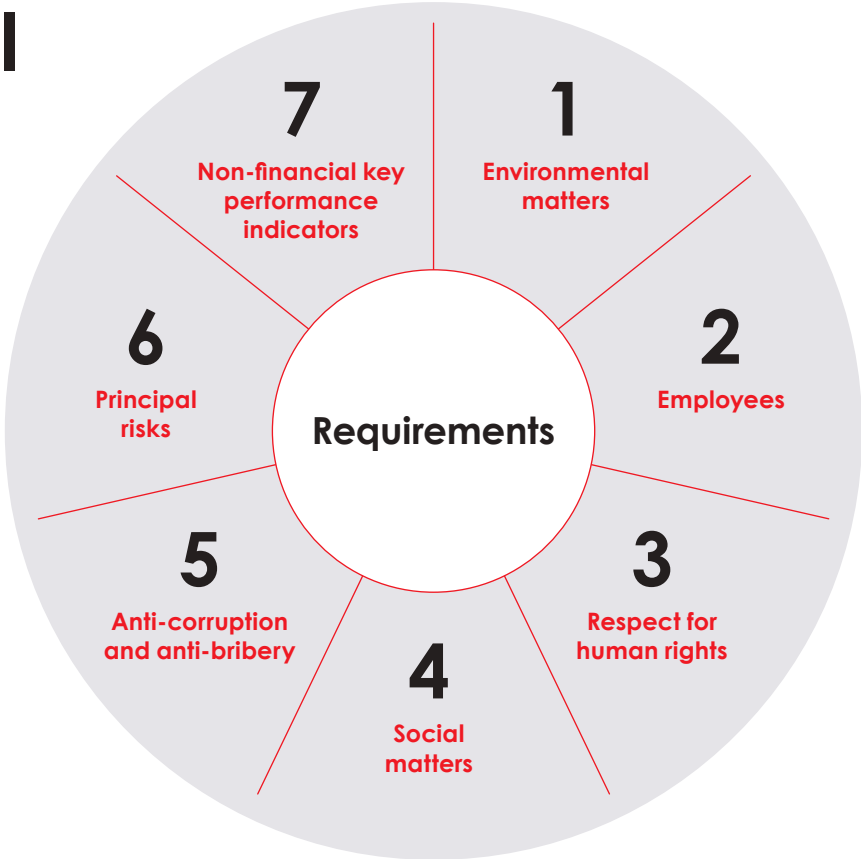
- Volumes and trends of prevented and detected attacks
- Risk remediation progress
- Operational audit and risk findings
- Progress of improvement plans
- Externally sourced threat intelligence
- System health and status of updates

We do not disclose these metrics or provide details of corrective actions taken as doing so could compromise data privacy and security. In case of significant risk to an individual's data, our policy is to inform regulators and any affected customers, suppliers or employees as per the applicable legal guidelines. There were no such notifications in the year.

Information security is a key enabler for business growth and is a critical focus area for our merger and acquisition processes. The CISO is involved at an early stage with all potential transactions in order to assess any security risks that may be present. The CISO also provides regular updates to the Audit Committee and the SMT on information security.

Non-financial information statement

This section of the Strategic Report constitutes the Group's non-financial information statement, produced to comply with sections 414CA and 414CB of the Companies Act 2006. The information listed is incorporated by cross-reference and some of the below policies can also be found on our corporate website.



1 Environmental matters

Policies and standards

- Code of Conduct¹
- Group Environment, Health & Safety Policy Statement

Further reading

- > Environment (pages 54 to 58)

2 Employees

Policies and standards

- Code of Conduct¹
- Environment, Health & Safety Policy Statement
- Gender Pay Gap Report¹
- Diversity and Inclusion Policy¹
- Employee Data Protection Policy
- Bullying and Harassment Policy

Further reading

- > Our strategic priorities – high-performance team (page 22)

- > Key performance indicators – All Accidents (page 33)

- > Risks, viability and going concern (pages 44 to 51)

- > Community (pages 64 and 65)

- > People and health & safety (pages 61 to 63)

- > Corporate governance report (pages 70 to 83)

- > Nomination Committee report (pages 91 to 93)

3 Respect for human rights

Policies and standards

- Code of Conduct¹
- Modern Slavery Act Transparency Statement¹

Further reading

- > Governance, ethics and compliance (page 66 and 67)

4 Social matters

Policies and standards

- Code of Conduct¹
- Environment, Health & Safety Policy Statement

Further reading

- > Environmental, social and governance (pages 52 to 67)

5 Anti-corruption and anti-bribery

Policies and standards

- Code of Conduct¹
- Anti-Bribery Policy¹
- Group Marketing Campaigns Policy
- Group Competition Law Compliance Policy¹
- Group Embargoes Policy
- Speak Up Policy (whistleblowing)¹

Further reading

- > Governance, ethics and compliance (pages 66 and 67)

- > Corporate governance report (page 70 to 83)

- > Audit Committee report (pages 84 to 90)

6 Principal risks

Further reading

- > Risks, viability and going concern (pages 44 to 51)

7 Non-financial key performance indicators (KPIs)

Further reading

- > Business model (pages 24 and 25)

- > Our strategic priorities (pages 20 to 23)

- > Non-financial KPIs (pages 32 and 33)

- > Environmental, social and governance (pages 52 to 67)

1. These policies and standards can be found on our corporate website.

Section 172 statement

The Companies Act 2006 and section 172

Under the Companies Act 2006, our Directors are required to act in a way that they consider, in all good faith, would most likely promote the success of the Company and its stakeholders. Throughout 2020/21, we have continued to demonstrate how, as a considerate and solutions-driven business, our Board of Directors and Senior Management Team have done this. Examples of how the Company has taken into account the needs and interests of its key stakeholders can be found throughout this report. Details of how the Board has considered these interests can be found in the Corporate Governance Report on pages 76 to 78.

The long-term consequences of decisions that are taken	
Building on the implementation of Destination 2025, increasing market share and becoming first choice for all our stakeholders	Pages 20 to 23
Focusing on providing simple, scalable solutions for our customers via our digital led solutions proposition	Page 22
Doubling our capacity at our US and German distribution centres (DCs) and improving environmental efficiencies	Pages 19, 36, 56 and 57
The interests of our employees	
Putting health and wellbeing first; creating a new website, keepconnectedec.com, to keep our workforce engaged and connected across the globe throughout COVID-19; training employees to become mental health first aid officers	Pages 61 to 63
Supporting our people so they can work from home wherever possible with appropriate tools and IT equipment	Page 62
Ensuring our offices and DCs are safe places to work for those who are unable to work from home	Page 62
Continuing to build on our diversity and inclusion initiative, earning a place in the Inclusive Top 50 UK Employers List	Page 61
The need to foster our business relationships with our customers, suppliers and regulators	
Focusing on developing innovative solutions to make our customers' lives easier	Page 22
Regular customer surveys	Page 28
Working collaboratively with our suppliers to improve end-to-end sustainability of our value chain	Page 60
The impact of the Group's operations on the environment and community	
Helping provide solutions and equipment to, and partnering with, critical businesses particularly throughout COVID-19	Pages 2 and 23
Developing our new and improved environmental, social and governance (ESG) approach	Page 52
Participation in the Carbon Disclosure Project	Page 52
Sharing knowledge and learning through OKdo with kits for children who were unable to attend school due to COVID-19 and continuing with our support for science, technology, engineering and mathematics (STEM) projects	Pages 2, 64, 76 and 95
Our reputation for having high standards and sound ethical conduct	
Code of Conduct: for our employees (Speak Up) and our suppliers	Page 66
Continued focus on improved information security strategies and policies particularly given the increased threat as a result of people working from home	Page 67
Continuing to provide learning and development platforms to improve our knowledge base	Pages 61 and 62
The need to act fairly between members of the Company	
Using the best solution to finance our acquisitions, including a placing with institutional and private shareholders	Pages 42 and 78
Delivering robust financial results and growth in share price	Pages 34 to 43

The Strategic Report was approved by the Board on 24 May 2021 and is signed on its behalf by:

Lindsley Ruth
Chief Executive Officer

David Egan
Chief Financial Officer

Safe harbour This financial report contains certain statements, statistics and projections that are or may be forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans and objectives for the management of future operations of Electrocomponents plc and its subsidiaries is not warranted or guaranteed. These statements typically contain words such as 'intends', 'expects', 'anticipates', 'estimates' and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although Electrocomponents plc believes that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors, which may be beyond the control of Electrocomponents plc, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Other than as required by applicable law or the applicable rules of any exchange on which our securities may be listed, Electrocomponents plc has no intention or obligation to update forward-looking statements contained herein.

Chair’s letter

“Our governance framework operates at an appropriate level to ensure the Board functions effectively and with purpose in the interests of all our stakeholders.”



Dear fellow shareholder

On behalf of the Board, I am pleased to present our Corporate Governance Report for the year ended 31 March 2021.

Our governance framework is fundamental to the way we operate and sets the tone and standards for our business. It ensures that the Board promotes the long-term sustainable success of the Company, generates value for shareholders, responds to the needs of all our stakeholders and contributes to the wider society. This Report seeks to provide insight into the effectiveness of our governance framework and specifically how the activities of our Board and its Committees operate and our compliance with the Principles of the UK Corporate Governance Code.

Board governance and risk management

It has been an important year for the Board as both our Company and our stakeholders faced challenging times – not only from the impact of COVID-19, but also dealing with the UK’s exit from the EU (Brexit). It was critical for us to stay closely connected to the business during this time and we adapted our processes by having more frequent Board meetings, holding them all remotely, and receiving bi-weekly updates covering both the status of our business and the welfare of our people.

Our strong governance foundation ensured that the Board could navigate through the unpredictable external environment and respond quickly to the numerous emerging risks. The Board focused both on business continuity planning as well as considering the risks faced by the Group and the associated mitigation plans. This included monitoring continuity of supply, the effective operation of our distribution centres (DCs) and the steps taken to minimise the risk to the mental health and wellbeing of our people.

Our culture

The health and wellbeing of our employees continued to be our top priority during the COVID-19 pandemic. Details of the actions taken to support our employees are set out on page 62. This has been a year where our people have demonstrated the values underpinning our purpose of ‘making amazing happen for a better world’ by going above and beyond to support our customers and suppliers as they faced similar challenges. It has been impressive and humbling to see the agility, passion and integrity of our people overcoming the challenges presented by COVID-19 and the way the business stepped up its support to communities and society more generally. This is a testament to the culture of the organisation, which the Board continues to support and monitor.

Overview of the year

During the year, the Board oversaw the Group’s progress towards Destination 2025, including the delivery of the RISE programme (see page 21), the acquisitions of Needlers Holdings Limited, Synovos, Inc. and John Liscombe Limited (see page 27) and an equity raise. In governing these activities, the Board recognised its duties and responsibilities to our stakeholders and confirmed that these actions supported the Company’s long-term sustainable success and that our stakeholders’ interests were safeguarded. Details of how the Board has engaged with our stakeholders is set out in this Report on pages 76 to 78.

We also strengthened the Group’s approach to social and environmental responsibility by supporting the Group’s environmental, social and governance (ESG) plan as set out on pages 52 to 67 of the Strategic Report. The Board is committed to the Company’s ESG journey and we will continue to work closely with all our stakeholders to make a better world.

Board effectiveness

I have been impressed by the diverse blend of skills and experience on the Board and the informal and open style where all members can challenge and contribute effectively. To ensure the Board continued to perform, the Board undertook a structured self-evaluation this year. I am grateful to our Senior Independent Director (SID) and previous Nomination Committee Chair, David Sleath, for starting this process, and to him and the other Committee Chairs for reviewing the work of their respective Committees. The results and agreed priorities for the Board are set out on page 83.

The year ahead

Looking forward, our focus will be on prioritising the business growth opportunities available, increasing the Group’s operating effectiveness and accelerating our approach to ESG. We will also continue to support the Group’s efforts to mitigate the impact of COVID-19 and strengthen our governance framework to support our acceleration towards Destination 2025.

Rona Fairhead

Chair
24 May 2021

Corporate governance overview

Board leadership and Company purpose

Role of the Board

The Board’s primary responsibility is to ensure the long-term sustainable success of the Group. It aims to lead with integrity and in an entrepreneurial manner to create value for its shareholders while balancing the needs of all its stakeholders. The Board provides leadership across the different elements of the Group and applies a governance framework to ensure that this is delivered effectively with appropriate control mechanisms.

In doing this, the key topics the Board has focused on this year, as well as those it plans to assess for the coming year, are set out on page 74.

Purpose, values, strategy and culture

To achieve the long-term sustainable value generation of the Group, the Board has continued to work closely with management to establish the Group’s purpose statement of ‘making amazing happen for a better world’.

The Board monitors the culture of the organisation to ensure that it is aligned to the Group’s purpose, values and strategy.

This includes:

- Receiving regular updates from the Chief Executive Officer (CEO) that provide observational insight into the business and how it is operating.
- Receiving updates from the President, Group Professional Services and People at each Board meeting on the governance and people team approach in supporting the Group’s culture.
- Receiving updates from the Board-appointed employee engagement representative on employee engagement (see page 79).
- Receiving regular information on the usage of the Group’s whistleblowing facility and how reports have been followed up, allowing it to assess the effectiveness of the facility and actions taken.
- Creating opportunities to meet senior employees and those identified as high potential at any level of the organisation.

Assessing opportunities and risks

The Board considers the principal risks and opportunities for the future of the business. Details of the risks assessed are set out in the Strategic Report on pages 44 to 51, together with consideration of the sustainability of the Group’s business model.

At each Board meeting, the CEO and Chief Financial Officer (CFO) present a comprehensive update on performance, challenges, the competitive market and opportunities. Following the appointment of the Chief Operating Officer (COO) in April 2020, quarterly reports are also provided to the Board by the COO to give a detailed update on the external market, how components of the business are performing and monthly performance including customer experience and digital.

Throughout the COVID-19 pandemic, the Company Secretary provided the Board with fortnightly written updates giving insight into critical activities of the Group. This is complemented by members of the Senior Management Team (SMT) and other managers providing updates at Board meetings on how their areas of the business are working towards the achievement of Destination 2025 and opportunities and risks faced within their areas. These combined ensure the Board has insight across the business, allowing the Board’s governance processes to contribute strongly to the delivery of the strategy.

The Board also received regular updates from a steering committee that was formed to consider how best to mitigate several core risks of Brexit. Further details can be found on page 46 of the Strategic Report.

The UK Corporate Governance Code

Board leadership and Company purpose

Our Board	72 and 73
Purpose, values, strategy and culture	71
Engagement with major shareholders	76 to 78
Engagement with employees	79

Division of responsibilities

Division of responsibilities and governance framework	75
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Composition, succession and evaluation

Board evaluation	81 to 83
Nomination Committee Report	91 to 93

Audit, risk and internal control

Audit Committee Report	84 to 90
Effectiveness of internal and external auditors	89
Risk management	88 and 89

Remuneration

Directors’ Remuneration Policy	98 to 102
Directors’ Remuneration Report	103 to 112

Throughout the year ended 31 March 2021, the Company was subject to the provisions of the UK Corporate Governance Code (Code). The Code is publicly available at www.frc.org.co.uk. The sections within this Annual Report and Accounts, as indicated to the left, explain how the Principles of the five main sections of the Code have been applied.

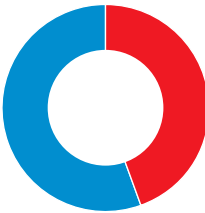
Compliance with the Code

The Board confirms that in its view, the Company has applied the main Principles and has complied with all the relevant Provisions set out in the Code during the year other than Provisions 38 and 41. This year, in line with best practice and shareholder guidance, we are making strides towards fully complying with Provision 38 by committing to reduce pension levels for existing Executive Directors by the end of December 2022, bringing their entitlement in line with the rate most commonly received by our UK employees. Further details are given on page 97 of the Directors’ Remuneration Report. The Board greatly values the regular and effective engagement we have with our employees covering a range of issues, as explained in detail on page 79. However, during the year we did not specifically engage on the subject of executive remuneration and therefore, based on new guidance recently issued by the Financial Reporting Council, we did not technically comply with Provision 41. While no issues were raised on this subject during our engagement activities this year, we will engage specifically in the future.

Our Board



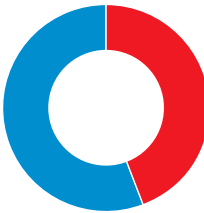
Board tenure¹



0-3 yrs	4
3-6 yrs	5
6+ yrs	-

1. As at 31 March 2021.

Board composition



Female	4 (44.4%)
Male	5 (55.6%)

1

Rona Fairhead
Chair
Joined in November 2020

Committee membership

- Nomination (Chair)

External roles

- Non-executive director Oracle Corporation
- Member of the House of Lords

Past roles

- Chair of BBC Trust
- Minister of State in the UK Department for International Trade
- Non-executive director of HSBC Holdings plc and PepsiCo, Inc.
- Chair and chief executive officer of Financial Times Group

Skills and experience

- Chair
- Digital
- International operations
- Strategy
- Emerging markets
- Mergers and acquisitions (M&A)
- Service industry
- Finance experience
- Trade and export
- Chief executive officer
- Group finance officer

3

David Egan
Chief Financial Officer
Joined in March 2016

Committee membership

- Treasury (Chair)

External roles

- Member of the CBI Economic Growth Board

Past roles

- Group finance director at Alent plc
- Held a variety of senior finance positions at ESAB holdings and Hanson plc
- Non-executive director of Tribal Group plc, and chair of its audit committee

Skills and experience

- Digital
- Distribution
- Current financial experience
- M&A
- Emerging markets
- Service industry
- International operations
- Manufacturing
- Management
- Risk management
- Chief financial officer

2

Lindsley Ruth
Chief Executive Officer
Joined in April 2015

Committee membership

- Treasury

External roles

- Member of the CBI International Trade Council
- Non-executive director of Ashtead Group plc

Past roles

- Executive vice president of the Future Electronics Group
- Held senior positions with TTI Inc and Soletron Corporation

Skills and experience

- Digital
- Distribution
- Sales and marketing
- M&A
- Emerging markets
- Supply chain and procurement
- Management
- International operations
- Manufacturing
- Electronics
- Chief executive officer

4

David Sleath
Senior Independent Director
Joined in June 2019

Committee membership

- Audit, Nomination, Remuneration

External roles

- Chief executive officer of SEGRO plc

Past roles:

- Finance director, SEGRO plc
- SID and audit committee chair, Bunzl plc
- Board member, European Public Real Estate Association
- President, British Property Federation
- Group finance director, Wagon plc

Skills and experience:

- M&A
- International operations
- Service-led business models
- Finance
- Chief executive officer

5

Bertrand Bodson
Independent Non-Executive Director
Joined in June 2015

Committee membership

- Nomination

External roles

- Chief digital officer at Novartis International AG
- Member of the supervisory board of Wolters Kluwer NV

Past roles

- Senior executive positions, including chief digital and marketing officer at Sainsbury's Argos
- Leading global responsibilities at Amazon and EMI Music
- Co-founder / CEO at Bragster, now part of Guinness World Records

Skills and experience

- Digital
- eCommerce
- Sales and marketing
- Supply chain and logistics
- International operations
- Product development

7

Bessie Lee
Independent Non-Executive Director
Joined in March 2019

Committee membership

- Nomination

External roles

- Chief executive officer of Withinlink
- Non-executive director of The a2 Milk Company and Abcam plc
- Advisor to Didi Chuxing and Greater Pacific Capital

Past roles

- Chief executive officer roles at Mindshare, GroupM and WPP in China
- Non-executive director of Ecovacs Robotics and United Group

Skills and experience

- Digital
- M&A
- Marketing and advertising
- Emerging markets
- International operations
- Chief executive officer

6

Louisa Burdett
Independent Non-Executive Director
Joined in February 2017

Committee membership

- Audit (Chair), Nomination, Remuneration

External roles

- Chief financial officer of Meggitt PLC

Past roles

- Group finance director at Victrex plc
- Chief financial officer at Optos plc and the Financial Times Group
- Held roles at Chep Europe, a division of Brambles Ltd, GE Healthcare and GlaxoSmithKline plc

Skills and experience

- Digital
- Current financial experience
- M&A
- Service industry
- International operations
- Manufacturing
- Chief financial officer

8

Simon Pryce
Independent Non-Executive Director
Joined in September 2016

Committee membership

- Audit, Nomination, Remuneration (Chair)

External roles

- Chief executive officer of Ultra Electronics Holdings plc
- Member of the Council and a member of the Strategy and Finance Committee of The University of Reading

Past roles

- Group chief executive at BBA Aviation plc
- Held a range of international finance and management roles at GKN plc, JP Morgan and Lazards

Skills and experience

- Strategic finance and capital markets
- M&A
- Emerging markets
- Service industry
- Strategy
- Manufacturing
- Defence industry
- International operations
- Chief executive officer

9

Joan Wainwright
Independent Non-Executive Director
Joined in November 2019

Committee membership

- Nomination

External roles

- Director of NJM Insurance Group

Past roles:

- President, Channel & Customer Experience, TE Connectivity Ltd
- Vice president, Public Affairs, Merck & Co
- Deputy commissioner of communications, U.S. Social Security Administration

Skills and experience

- Distribution
- Electronics
- Sales and marketing
- International operations
- Strategy

Key experience

Digital	6/9
Distribution	3/9
Emerging markets	5/9
Finance	5/9
International operations	9/9
M&A	7/9
Service industry	4/5

Other directors who served during the year

Karen Guerra stepped down from the Board in December 2020. **Peter Johnson** stepped down from the Board in February 2021. Biography details for Karen and Peter can be found in our Annual Report and Accounts for the year ended 31 March 2020.



Ian Haslegrave
Company Secretary
Joined in September 2006

External roles

- Member of the CBI International Trade Advisory Group

Past roles

- International legal director at Viacom Outdoor Limited
- Senior positions at United Biscuits Limited and Freshfields Bruckhaus Deringer

Skills and experience

- Corporate law and governance
- M&A
- Service industry
- International operations
- Risk management
- Procurement
- Manufacturing

Number of meetings attended during the year

The Directors’ attendance at Board and Committee meetings held during the year ended 31 March 2021 are shown in the table below. The Board typically holds seven scheduled Board meetings in a year, however in response to the COVID-19 pandemic a further six ad-hoc meetings were held in 2020/21. All meetings in the year were held remotely via Microsoft Teams.

Directors are encouraged to attend all meetings, but in certain circumstances due to scheduled conflicts or unforeseen personal circumstances, Directors may be unable to attend. In the event a Director is unable to attend a meeting, they will continue to receive full information on the matters to be discussed at the meeting and have the opportunity to provide their feedback to the Chair or the Company Secretary so it is raised at the meeting.

	Board (scheduled)	Board (ad-hoc)	Audit	Nomination	Remuneration
Rona Fairhead ¹	4/4	1/1	–	2/2	–
Lindsley Ruth ²	6/7	6/6	–	–	–
David Egan	7/7	6/6	–	–	–
David Sleath	7/7	6/6	4/4	4/4	7/8
Bertrand Bodson ³	7/7	6/6	–	4/4	–
Louisa Burdett ⁴	7/7	5/6	4/4	3/4	7/8
Karen Guerra ⁵	5/5	5/6	3/3	3/3	6/7
Peter Johnson ⁶	5/5	6/6	–	3/3	–
Simon Pryce	7/7	6/6	4/4	4/4	8/8
Bessie Lee	7/7	6/6	–	4/4	–
Joan Wainwright	7/7	6/6	–	4/4	–

1. Rona Fairhead joined the Board on 1 November 2020.

2. Lindsley Ruth was unable to join one scheduled Board meeting due to unforeseen personal circumstances.

3. Bertrand Bodson will step down from the Board on 31 May 2021.

4. Louisa Burdett was unable to join one ad-hoc Board meeting, one Nomination Committee meeting and one Remuneration Committee meeting due to a scheduled conflict.

5. Karen Guerra was unable to attend one ad-hoc Board meeting and one Remuneration Committee meeting due to a scheduled conflict. Karen stepped down from the Board on 31 December 2020.

6. Peter Johnson stepped down from the Board on 1 February 2021.

Matters reserved for the Board

All matters that have a material impact upon the Group are reserved for the Board and are formally set out in a schedule. Such matters include, but are not limited to:

Matters for the Board	CEO's responsibilities related to the matter
<ul style="list-style-type: none">Reviewing and approving the Group's long-term strategic aims and objectives	<ul style="list-style-type: none">The development, and successful achievement, of Group long-term strategic aims and objectives
<ul style="list-style-type: none">Approving material changes to the Group's management and control structure	<ul style="list-style-type: none">Assessing adequacy of management and control structure and where appropriate implementing non-material changes and / or proposing material changes
<ul style="list-style-type: none">Approving the Group's procedures for the detection of fraud and bribery prevention	<ul style="list-style-type: none">Ensuring appropriate internal controls are in place
<ul style="list-style-type: none">On recommendation of the Nomination Committee, reviewing succession plans for the Board and SMT	<ul style="list-style-type: none">Ensuring appropriate management development and succession planning for SMT (for review by the Nomination Committee)

Board focus

Board focus 2020/21

- Continued to monitor impact on the business and employees of COVID-19 and ensured appropriate mitigating plans were in place
- Greater focus on ESG and how it was embedded in the business
- Enhanced its governance practices to discharge its responsibilities under section 172 of the Companies Act
- Reviewed pipeline of potential acquisition targets and approved terms of agreed acquisitions together with the related integration plans

Board activities 2020/21

- Implementation of RISE to simplify operations, generating cost savings
- Development of the ESG plan
- Overseeing the risk planning and actions surrounding Brexit
- Three bolt-on acquisitions
- Equity fundraising of £180 million

Board focus 2021/22

- Continuing to manage the impact of COVID-19
- Acceleration of our strategy: Destination 2025
- Customer experience development (using digital and data)
- Solutions-led strategy
- Acquisition pipeline
- Regional focus
- Organisational capability and talent
- Strengthen focus on ESG

Division of responsibilities and governance framework

The Board

The Board comprises a majority of independent Non-Executive Directors. As can be seen in the tables and biographies on pages 72 and 73, our Non-Executive Directors have diverse backgrounds, skills and experience to enable appropriate challenge at Board and Committee discussions. None of them have any conflicts of interest in general, whether from relationships with management, the Company or third parties which would compromise their independence. There are processes in place for identifying and managing any conflicts on particular topics which may arise and related party transactions.

Chair:
Rona Fairhead

- Leading the Board and ensuring its oversight of strategy, performance, value creation, culture, stakeholders and accountability
- Shaping the culture of the Board
- Promoting open, trusting, challenging discussions and debate and constructive relations between Non-Executive and Executive Directors
- Ensuring appropriate Board capabilities
- Representing the Company to shareholders and other key stakeholders
- Developing productive relationships with the CEO, providing support and advice and constructive challenge where appropriate

Senior Independent Director: David Sleath

- Evaluating the Chair's performance
- Chairing the meeting of Non-Executive Directors when evaluating the Chair
- Being available as an alternative communication channel for shareholders
- Being a sounding board for the Chair

Chief Executive Officer: Lindsley Ruth

- Responsible for the Group on a day-to-day basis
- Developing, leading and implementing strategy
- Accountable to the Board for operational performance
- Leading and instilling effective Company culture
- Ensuring robust management succession plans are in place
- Responsible for ESG, including climate-related matters

Chief Financial Officer: David Egan

- Responsible for strong financial management and implementing and monitoring effective financial controls
- Developing the Group's financial policies and strategies
- Ensuring a commercial focus across all business activities and appropriateness of risk management
- Supporting and advising the CEO

Independent Non-Executive Directors

- Overseeing and constructively challenging strategy, performance and culture
- Providing independent external perspectives
- Contributing independent views to the Board's deliberations
- Satisfying themselves on the integrity of financial information and controls and systems of risk management

Company Secretary: Ian Haslegrave

- Supporting and advising the Chair on various matters including the effectiveness and governance of the Board and succession planning
- Managing the Board evaluation process and Board induction
- Keeping the Board informed of corporate governance developments
- Supporting the Remuneration Committee Chair in remuneration design and implementation and consultations
- Involved in the recruitment process for new Board members

Audit Committee
Chair: Louisa Burdett

- Monitors integrity of financial statements and announcements
- Reviews the Group's internal financial controls and internal control and risk management systems
- Monitors the internal audit function
- Manages the external Auditor

Read more: Audit Committee Report on pages 84 to 90 ▶

Nomination Committee
Chair: Rona Fairhead

- Reviews the structure, skills, knowledge, experience and diversity of the Board
- Identifies and nominates, for approval of the Board, candidates to fill vacancies
- Succession planning for both Executive and Non-Executive Directors

Read more: Nomination Committee Report on pages 91 to 93 ▶

Remuneration Committee:
Chair: Simon Pryce

- Agrees the Remuneration Policy for Executive Directors and remuneration structure for the SMT
- Oversees SMT and Group employee pay
- Approves the design and targets for incentive plans

Read more: Remuneration Committee Report on pages 94 to 112 ▶

Senior Management Team
CEO: Lindsley Ruth

- Proposes and executes strategy
- Drives business performance
- Ensures customer focus
- Approves investments
- Culture / ESG

Full details of our SMT are available on our website.

Treasury Committee
Chair: David Egan

- Monitors the Group's Treasury Policy
- Implements policies and processes for foreign exchange and option deals
- Approves proposed Group capital structure changes
- Approves changes to authorised investments, counterparties and borrowings

Annual Report and Accounts for the year ended 31 March 2021

Electrocomponents plc

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The Board and our stakeholders

As in many global groups, it is necessary for the Board to delegate day-to-day operational decision-making to the CEO with support from the SMT and their teams. However, the Board appreciates that, in doing so, it cannot abdicate its responsibilities and so looks to ensure that the supporting governance structure is suitably robust. That framework must incorporate and enforce the standards to which our employees must adhere, and the values they must hold, when dealing with our stakeholders. Our Strategic Report on pages 28 and 29 demonstrates how the business considers and interacts with the Company’s key stakeholders, namely our customers, suppliers, our people, communities and shareholders.

This section of the Report sets out how the Board considers these stakeholders and the impact on them of its long-term decision-making. The Board recognises that not all of its decisions result in a positive outcome for some of its stakeholders. By considering what is in the best interests of the Group and its stakeholders as a whole, however, the Board seeks to ensure that its decisions remain consistent and deliver on those best interests.

To support its evolving processes which reflect section 172 obligations, the Board has received training on various matters including: an overview of market developments and ESG approach, related party transactions, takeover considerations and mergers and acquisitions. It has also received reports and updates throughout the year on key projects including the acquisitions of Needlers Holdings Limited, Synovos, Inc. and John Liscombe Limited; an equity raise via institutions and private investors; the expansion of DCs in Fort Worth, US, and Bad Hersfeld, Germany; the Group’s information security strategy; and people development, including diversity and inclusion, employee wellbeing and culture. The reports, prepared by various members of the SMT and their teams, consider the impact of projects on the Group’s stakeholders, as and when appropriate, so allowing the Board to be able to take the right factors into account when making decisions. Examples of some of the key activities that the Board has considered throughout the year are set out in the table to the right and on pages 77 and 78.



COVID-19 response

Initiatives over a six-month period to support stakeholders’ fight against COVID-19

See the Strategic Report ▶

Board action

- The Board reviewed and considered the initiatives throughout the period to ensure they were delivered in a timely and appropriate manner and were compliant with local laws and obligations as appropriate.

Customers

- Providing improved customer interactions including via sourcing, product range, marketing, sales sprints and regional commercial initiatives.
- Accelerating, through IESA, the launch of RS MyMRO.

Suppliers

- Providing key strategic storage place for suppliers, when appropriate, within our DCs.

Our people

- Creating heightened energy and motivation for our people, challenging them to think differently, lean into the COVID-19 pandemic and find ways to pivot and shift focus to meet quickly changing needs of existing customers and increase new customers by providing a platform to share updates.

Communities

- Through the creation of our 3D print farm, we provided over 20,000 visor frames to front-line health workers across the globe. We were also asked to join a working group under the UK’s Office for Product Safety & Standards for additive manufacturing (3D printing) PPE.
- OKdo launched a ‘Kits for Kids’ initiative offering educational kits with learning resources for parents.
- DesignSpark ran two design challenges: one for children (Extraordinary Engineering) and one for students (Connect the Community). Extraordinary Engineering asked children to design an engineering solution to a current global challenge such as pollution, poverty or hunger. Connect the Community, run in partnership with one of our suppliers (Nordic Semiconductor) and a customer (Cadent Gas), challenged students to create solutions using Internet of Things (IoT) technology to help people living in isolation.

Shareholders and wider investor community

- Giving financial support to the initiatives as a by-product of providing vital support across the wider community.



RISE

A Group-wide change programme focused on delivering profitable revenue improvement, enabling scalability while achieving efficiency to operate for less

See the Strategic Report ▶

Board actions

- The Board challenged various aspects of the programme in order to satisfy itself that the best opportunities were being considered. The Board was fully supportive and approved the potential cost of implementation of the programme. The SMT received authority to consider and adapt the programme following the outcomes of consultations as appropriate.

Customers

- Simplifying the business to remain relevant and agile with greater operational efficiency.
- Super-charging our product and supplier management, marketing, data and insight and digital approach, to support our desire to be first choice for our customers.

Suppliers

- Aiming to drive further efficiencies, reducing duplication by way of consolidation and embracing technology to become champions of our suppliers.

Our people

- Transforming our culture so that we have an operating model reflecting a mature matrix team, overlaying a common global approach to product and supplier management, marketing, data and insight and digital.
- Creating new relationships with our people through collaboration, agility, alignment, speed and empowerment, including the related launch of our Amazing Leaders Framework.

Shareholders and wider investor community

- Bringing best practice and standardisation for our teams across the Group, therefore driving cost efficiencies and increasing shareholder returns.

Others (including regulators)

- Working with the Group’s European Works Council, local works councils and employee representatives to ensure smooth implementation of the plan, including taking careful account of national government requirements.



Product & content excellence (PACE) programme

Delivery of a global product management system (PMS)

See the Strategic Report ▶

Board actions

- The Board delegated authority to the Executive Directors with the project being structured into key blocks with milestones to be reached before approval and progression to the next level.

Customers

- New PMS to provide a core, stable product master database, with fewer system handoffs.
- Improving customer experience with fewer clicks to get to their required product – will be aligned to the processes being developed under RISE.

Suppliers

- Provision of a new PMS application able to receive supplier files in industry standard format, maintaining a single source of truth for each product so avoiding duplication and allowing management of multiple variants of products.
- Enabling the listing of a full range of supplier products, introducing them faster than before.

Our people

- Reduction in content and data handling and reducing time spent on error correction.
- Employees having a better and more engaged experience with our customers and suppliers so increasing motivation and work satisfaction.

Shareholders and wider investor community

- Opportunity for increased market share due to a larger range in more sectors.
- Margin enhancement by reducing cost and offering products as part of a premium / challenge / own-brand strategy.

Others (including regulators)

- Ensuring data is managed in compliance with the General Data Protection Regulations (GDPR) and other local jurisdiction requirements.



Digital transformation

Creating a building plan to digitalise the business further

See the Strategic Report ▶

Board actions

- The Board provides ongoing support for the business to move faster in this area while continuing to provide challenge and oversight.
- Bessie Lee and Bertrand Bodson provide additional expertise and support outside of Board meetings.

Customers

- Data insight and behavioural shifts help us to better anticipate our customers’ needs and provide for an improved customer experience.

Suppliers

- Data insight and behavioural shifts help us to ensure we get the right inventory and engage even more effectively with our suppliers, so leading to a better experience for our suppliers.

Our people

- Providing our people with the best technological tools, learning and development practices so that they can perform their roles to the best of their ability. This helps us to further drive employee engagement and satisfaction.

Shareholders and wider investor community

- Better return on investment.
- Increase market share, leading to reputational benefits and therefore improving our market capitalisation.

Others (including regulators)

- Ensuring data is managed in compliance with GDPR and other local jurisdiction requirements.



Brexit

Managing the best way towards, during and after the UK’s transition out of the European Union

See the Strategic Report ▶

Board actions

- The Board is regularly updated and continues to monitor ongoing developments carefully.
- The CFO leads a Group-wide steering committee, set up very early on, comprising functional leads from different areas of the Group. This steering committee has continued to report back to the Board on a monthly basis.

Customers

- Ensuring inventory is held in the appropriate locations and at the relevant volumes in order to continue to meet customer demands with minimal adverse impact.

Suppliers

- Ensuring inventory can still be readily delivered to, and stored at, our various European locations, including our DCs in Beauvais, France, Bad Hersfeld, Germany, and Milan, Italy. Extensive discussion with suppliers and introduced new processes.

Shareholders and wider investor community

- Ensuring the Group remains well placed to continue trading in a sound and robust manner.

Others (including regulators)

- Ensuring compliance with transitional and future regulatory requirements.



Environmental, social and governance (ESG) plan

An improved approach has been designed over the course of the past year addressing key ESG and cultural matters

See the Strategic Report ▶

Board actions

- The Board received updates during the year on the Group's developing ESG approach and was fully supportive of management's proposed way forward.
- The Board approved the establishment of an ESG Leadership Committee with Board oversight enhanced by a Non-Executive Director to chair the Committee.

Customers

- Offering inspiring and innovative product and service solutions that help deliver a more sustainable world.

Suppliers

- Focusing on sourcing sustainable products, packaging and services to satisfy the needs of our customers worldwide, delivering sustainable end-to-end supply chains.

Our people

- Developing a strong ESG position, with a diverse and inclusive global talent base, which will inspire our current employees and attract and retain talent.

Communities

- Continuing to increase our commitment through initiatives in education, such as science, technology, engineering and mathematics (STEM) activities, charities and being active in our local communities.

Shareholders and wider investor community

- Proactively managing and addressing ESG risks and opportunities is increasingly important for our shareholders.

Others (including regulators)

- Proactively managing and addressing ESG risks and opportunities is increasingly important for our regulators.



Our people engagement

How the Board can best hear the views, feelings and motivations of the Group's people

See Environmental, social and governance and page 79 of the Corporate Governance Report ▶

Board actions

- The Board reviewed and considered feedback from global management.
- Agreed a new way forward for Board employee engagement following the departure from the Board of Karen Guerra.
- The Board maintained its responsibility for oversight of diversity and inclusion (D&I). See page 93 of the Nomination Committee report for further details on our D&I Policy Statement. Our D&I policy can be found on our corporate website.

Customers

- Promoting motivated employees with first class engagement with our customers.

Suppliers

- Promoting motivated employees with first class engagement with our suppliers.

Our people

- Providing an opportunity for our global management team to give its views on the Group, how it was responding to COVID-19, and the impact on our employees.
- Broadening employee engagement to help understand what the barriers to execution are so they can be mitigated or removed.
- Introduction of the keepconnectedec.com website to provide support and information to our global employees and their families.



Acquisitions and equity raise

Three acquisitions, funded by way of an equity raise, as part of the Group's corporate M&A strategy

See the Strategic Report ▶

Board actions

- The Board considered two particular potential acquisitions, Needlers Holdings Limited and Synovos, Inc. It also considered the best way in which to fund these. After careful consideration, the Board approved the use of equity through an accelerated book build placing. During its deliberations, the Board felt it only fair and reasonable to extend the book build placing to private investors and so approved a retail offering through PrimaryBid.
- The Board also considered the acquisition of John Liscombe Limited.

Customers

- Accelerating the Group's growth strategy by increasing organic and inorganic opportunities, allowing us to give our customers what they want, adding value to the customer and delivering solutions in an omni-channel way.
- Helping the Group to leverage scale and increase its differentiation, driving decisions more quickly.

Suppliers

- Providing product adjacencies, with a deeper and broader range and building integrated supply services.

Our people

- Allowing our people to work with better solutions and increased scalability.
- Increasing collaboration opportunities across the Group.

Shareholders and wider investor community

- Going beyond the rules / recommended practice by extending the equity raise and offering our private shareholders the opportunity to share in the Group's growth strategy as well as the institutional holders. This opened up the opportunity to a wide range of individuals and provided a much fairer and more equitable approach to raising funds.

Others (including regulators)

- Ensuring compliance with obligations under the US Anti-Trust regulations.
- Ensuring compliance with the UK's Financial Conduct Authority and its obligations as set out under: the UK Listing Rules; the Disclosure Guidance and Transparency Rules; and the Market Abuse Regulation.



Board and employee engagement

Until December 2020, Karen Guerra was the Board's Non-Executive Director responsible for employee engagement. The process that was followed during Karen's tenure, and prior to COVID-19, can be found in the Annual Report and Accounts for the year ended 31 March 2020.

For 2020/21, Karen had planned to visit the Group's offices in Beauvais, France, and in the US. The opportunity to meet with our people face-to-face, however, was prevented by the outbreak of COVID-19. It was therefore necessary to consider alternative ways of engaging with our people with a focus on gauging how our teams were dealing with the challenges of the pandemic. We took the opportunity to engage globally with our managers around the Group through our online Management Matters forum.

Two virtual meetings were held, the first in July 2020 and the second in August 2020. The Board discussed the findings from these sessions, which included the impact of COVID-19 on furloughed and non-furloughed employees, how those working from home were juggling work with childcare and how we were maintaining connectivity with colleagues. The Board used this information to inform its review of papers which it regularly received from the President of Group Professional Services and People on how management was taking care of our people.

In addition, the Board was provided with further insight from themes arising from the Group's regular global engagement surveys, MyVoice, as well as people updates given as part of a regular update to the Board during the pandemic (weekly at first and then moving to a fortnightly update). Since Karen's departure from the Board, Bertrand Bodson, who is chief digital officer at Novartis International AG, hosted two sessions in May 2021 via Management Matters to ascertain employees' thoughts on our enhanced customer experience / data led approach and how to accelerate our digital and technological plans to drive ongoing improving customer experience.

Looking ahead, and subject to COVID-19 restrictions, face-to-face meetings and site visits will be resumed. We have also decided, following Karen's departure, to split the role of Board-appointed representation as follows:

- Bessie Lee will lead the initiative in Asia Pacific
- Joan Wainwright will lead the initiative in Americas
- Bessie and Joan will each share responsibility for EMEA

Our Chair and Non-Executive Directors are encouraged to visit our sites when circumstances allow and we will aim to hold employee meetings whenever possible.

Corporate governance report continued

Composition, succession and evaluation**Board Composition and training**

The year under review has seen significant change for the Board with the appointment of a new Chair, Rona Fairhead, who joined the Board on 1 November 2020.

Rona brings strong additional experience and skills to the Board, particularly in digital transformation and international expansion, ensuring there continues to be an appropriate diversity of skills, experience and knowledge.

In December 2020, Karen Guerra stepped down as Non-Executive Director after serving almost eight years on the Board. In accordance with the Code, in February 2021, Peter Johnson stepped down as Chair of the Board after ten years. After six years on the Board, Bertrand Bodson will also be stepping down in May 2021.

Further detail on the changes to the Board can be found in the Nomination Committee Report on page 92.

Members of the Board are assisted with their continuous professional development through regular updates from the Company Secretary. Members are also encouraged to update and refresh their skills and knowledge by attending external seminars and briefings. This year additional training was undertaken by the Board on various matters including an overview of market developments and ESG, related party transactions, takeover consideration and mergers and acquisitions. Presentations from senior management on particular topics, such as digital, technology, information security, data retention and the Group's ESG plan, also increase the Board's knowledge and familiarity with the business.

The Company Secretary is available to all Directors whenever needed and ensures that both Directors and Committees have access to independent professional advice (at the Group's expense) if they deem it necessary to carry out their role effectively.

Induction

Each new Director undertakes an induction programme based on the framework set out to the left. The framework is then adapted according to the new Director's experience and needs. As part of the induction, new Directors are provided with a Directors' Manual which sets out relevant information on the Company's approach to governance, information on key Group policies and day-to-day administrative matters.

Where possible, a site visit is also arranged to one of our DCs so that each new Director can experience first-hand how our distribution facilities operate and better understand the culture of the business. During the year under review, as travel was restricted and no external parties were allowed into our DCs due to COVID-19, no site visits were arranged but insight was provided with overviews of the respective businesses given by members of the SMT.

Our induction framework: ensuring our Directors understand the business and the landscape in which we operate**Governance**

Overview of our governance framework and to understand the UK governance landscape, including directors' remuneration.

Provided by:

- Company Secretary and team
- Global Reward team

Legal and compliance

To understand our key Group policies and relevant legislation which applies to the business.

Provided by:

- Company Secretary and team
- Vice President of Group Legal

Finance and risk

To understand the finance requirement and capital structure of the Company and the risks that we face.

Provided by:

- CFO and, if a member of the Audit Committee, Group Financial Controller
- Vice President Group Operational Audit and Risk
- Chief Information Security and Compliance Officer
- External Auditors

Strategy and marketplace

To understand our journey to Destination 2025 and gain specific knowledge of the marketplace in which we operate.

Provided by:

- CEO, CFO and COO
- Presidents of EMEA and Asia Pacific RS Components and Allied
- Presidents of IESA and OKdo
- Senior Vice President, Corporate Development
- External brokers

Supply chain and ESG

To understand our supply chain capabilities and how we are driven to provide an innovative and sustainable market-leading service.

Provided by:

- President, Global Supply Chain
- VP Social Responsibility and Sustainability

Digital and technology

To understand the digital transformation across the business and the technology infrastructure.

Provided by:

- Chief Technology Officer
- Chief Digital Officer

Culture and people

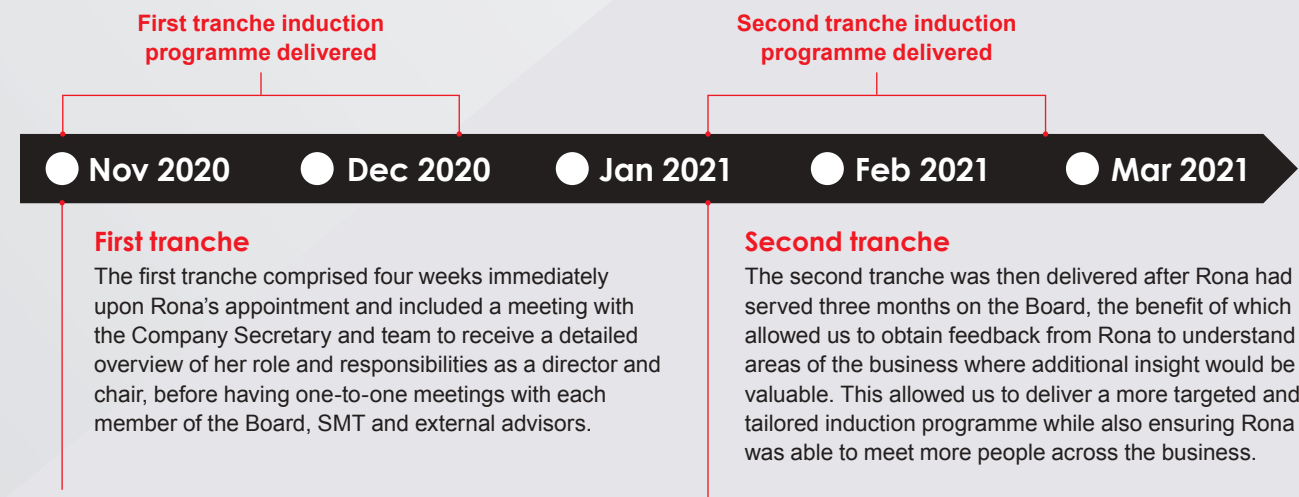
Meeting teams across the business and to experience and understand the culture.

Provided by:

- President, Group Professional Services and People and team
- Site visits

Rona's induction timeline

During the year, Rona Fairhead undertook a tailored induction programme following her appointment in November 2020. Her induction was divided into two tranches.

**Evaluation**

The Board recognises the benefit of an evaluation which it believes provides meaningful insight and objectivity to its Committees and Directors, enabling it to improve its leadership, effectiveness and focus.

The Board undertakes an evaluation on an annual basis. This year we undertook an internal evaluation which was led by the SID and facilitated by the Company Secretary through an online questionnaire. The questionnaire covered the Board, its Committees, the Chair, SID and the Company Secretary. The questions sought to obtain views on certain key corporate governance areas as well as to gauge its own effectiveness, this year particularly around how effective the Board and its Committees functioned during the COVID-19 pandemic. It also gave the Directors an opportunity to provide their candid thoughts on what was being done well and what needed to be improved.

Our approach to Board evaluation**1 Design and planning**

The Chair of the Nomination Committee and the Company Secretary discuss and agree the scope of the evaluation, reflecting on the activities undertaken and focus of the Board and Committees during the year. Each Committee Chair also provides feedback on specific areas of the Committee evaluation on which to focus.

2 Formulate questionnaire

The Company Secretary prepares an online questionnaire which includes a combination of rating scale and open-ended questions. All feedback from the Directors are provided on a no-name basis. A number of questions from the previous internal evaluation are also included to ensure progress can be monitored.

3 Evaluate and report

The Company Secretary analyses the responses and prepares separate reports of the findings for the Chair, the SID and the Chair of each Committee. The report identifies strengths, challenges and priorities. The SID analyses the responses relating to the Company Secretary. A number of recommendations are also included for discussion by the Board and each of the Committees.

4 Agree actions

The Company Secretary presents reports of the findings and recommendations from the Board evaluation to the Nomination Committee. Each Committee also considers each of their reports of findings. These reports are then discussed and any relevant actions are agreed for the year ahead.

The questionnaire covered the following areas:

- Effectiveness of the Board and Committee meetings
- Contributions of the Board and its Committees
- Relationships with the SMT around the direction and values of the organisation and the decision-making process
- Delivery of strategy against performance measures
- The Board's understanding of the Company's journey and developing culture
- Risk management
- Succession and talent management

As Rona had only just joined the Board, her feedback was not included in the evaluation. However, with the support of the SID and the Company Secretary, Rona held one-to-one meetings with each member of the Board to discuss Board dynamics and effectiveness as well as any areas of concern.

The overall results of this year's evaluation were positive and there was a consensus about the challenges ahead and the areas of focus for the Board (see page 83).

Our three year evaluation cycle:



Actions undertaken from the 2019/20 external evaluation

Key outcomes from 2019/20	Actions in 2020/21
Succession planning	
<ul style="list-style-type: none">• To ensure sufficient time is allocated to implement a successful transition and handover of responsibilities to the new Chair.• To ensure there is a robust succession plan in place for the SMT and their direct reports.	<ul style="list-style-type: none">• One-to-one sessions between Rona and Peter were held following her appointment to the Board. Regular one-to-one sessions were also arranged between Rona and the CEO, CFO and members of the SMT.• A detailed overview was provided on succession plans and the pipeline for the SMT and their direct reports.
Culture and purpose	
<ul style="list-style-type: none">• To ensure that the culture of the Company is more prominently brought into the Boardroom.• To define a long-term strategy for the employment engagement survey, MyVoice.	<ul style="list-style-type: none">• Senior managers from across the business were brought into the virtual boardroom and Group conference videos were shared with the Board to provide insight into the virtual working life of employees.• Regular updates were provided to the Board on employee engagement helping to inform the long-term strategy. This included the Group results of MyVoice and regional details provided to the Non-Executive Director responsible for employee engagement.
Strategy	
<ul style="list-style-type: none">• SMT to provide the Board with greater visibility and insight on the implementation of Destination 2025 against measurable milestones.• To identify opportunities to leverage talent and expertise globally.	<ul style="list-style-type: none">• Agendas included more frequent items relating to Destination 2025 with Board papers, including the COO reports, providing progress updates.• IESA's talent was leveraged in the acquisition process of Synovos, Inc.

Re-election

Notwithstanding the provisions of the Company's Articles of Association (Articles), all Directors are required to retire and stand for re-election at each Annual General Meeting (AGM). As illustrated on pages 72 and 73, the Board has a diverse and appropriate range of skills and experience and works effectively in its role. The external commitments of our Directors is kept under review to ensure they have the time to effectively contribute to the activities of the Board and all its Committees throughout the year.

The Board, following the internal evaluation process, also considers whether each Director performs effectively and demonstrates their commitment to the role. With the exception of Bertrand Bodson who will stand down on 31 May 2021, the Board recommends that the Directors be re-elected at this year's AGM.

Audit, risk and internal control

The Board is responsible for ensuring the risks facing the Group are effectively identified and controlled through the work of internal and external audit activities. The Board has continued to monitor the established risk management and internal control procedures to ensure that they

continue to be appropriate and effective within the specific context of the Group's activities.

The Audit Committee regularly reviews the effectiveness of the Group's internal control and risk management systems. This role is managed by various processes including:

- Monthly reporting by all material locations of their key internal financial controls (this frequency was increased from quarterly due to the changed working practices during the COVID-19 pandemic).
- An annual review by all business locations and functions of their operational risks and associated controls with a supporting review and assessment by the Group's internal audit team.
- The cycle of internal audits throughout the year, all of which are reported to the Audit Committee.

Further detail on these activities is set out in the Audit Committee Report on pages 85, 88 and 89. The analysis of the principal risks to the Group, the procedures for identifying emerging risks, and how they are managed and mitigated are set out in the Strategic Report on pages 44 to 51.

Going concern and viability

The Board is responsible for assessing the Group's long-term viability and deciding if it is appropriate to adopt the going concern basis in preparing the Group and Company accounts.

The Audit Committee reviews and challenges, where necessary, the Group's assumptions, process and assessment of its going concern and viability. Further detail on these activities are set out in the Audit Committee Report on page 86.

The Board's statements on going concern and viability can be found in the Strategic Report on pages 50 and 51.

Remuneration

The Board retains overall responsibility for ensuring that the remuneration practices of the business are aligned to the established purpose and values, and linked to the successful delivery of the Company's long-term strategy. Full details of the Remuneration Committee's work in this area is set out on pages 94 to 112.

Outcomes from the 2020/21 internal evaluation

Key outcomes from 2020/21	Actions for 2021/22
Board effectiveness and process	
<ul style="list-style-type: none">• Positive support for the way in which the CEO has led the agenda items and way in which discussions at meetings are set up.• Recognition that the Board has adapted well and remained agile during COVID-19 when physical meetings could not take place.• While the impact of COVID-19 highlighted the strength in efficiency and allowed all members to contribute in virtual meetings, it was identified that Board members, particularly newcomers, would benefit from more face-to-face meetings including informal gatherings and site visits once travel is permitted.	<ul style="list-style-type: none">• Ensure there remains a balance between the number of items on the agenda and the length of the Board meetings.• Subject to travel restrictions, site visits to be organised for members of the Board.
Strategy	
<ul style="list-style-type: none">• Visible year-on-year improvements in the quality of strategy execution and status updates.• Detailed views provided in relation to areas of the strategy to be a focus for future Board meetings.• Satisfaction with the Group's approach to ESG and recognition that there was a good ESG plan in place.	<ul style="list-style-type: none">• Continue shaping the agenda to ensure regular strategy execution and status updates are provided.• Enhance updates on the Group's competitor landscape and market dynamics affecting the Group.• Increase Board's awareness and understanding of the Company's approach to digital and customer experience.• Ensure that ESG remains a continued focus for the Board.
Composition and succession	
<ul style="list-style-type: none">• Strong satisfaction with the balance and diversity of Board, with a continued desire for increasing the diversity on the Board.• Identification of skills and experience to strengthen the Board.• Succession planning.	<ul style="list-style-type: none">• Increase the knowledge and skills of the Board including digital, sustainability, commercial / customer and strategy, with a view to ensuring appropriate diversity on the Board.• Continue to review succession planning and pipeline for executive management.

Audit Committee



2020/21 highlights

- Reviewed how the Group's processes and systems were maintained and adapted throughout the COVID-19 pandemic
- Enhanced reviews of the Group's viability and going concern
- A continued focus on development of the Group's information security strategy
- Oversight and accounting treatment of the RISE programme
- Fair value determination and initial integration of acquisitions
- External effectiveness review of Internal Audit

2021/22 priorities

- Continue to monitor the Group's control and risk framework as the COVID-19 pandemic evolves
- Review the integration process for acquisitions and the effectiveness of their internal control systems
- Monitor proposals for companies to establish an audit and assurance policy as recommended by the Brydon Review and the audit reform proposal being recommended by the UK's Department of Business, Energy & Industrial Strategy

internal audit team and PwC, communications have been well maintained and we have continued to see professional, comprehensive and robust work being undertaken by all teams. This has meant that, throughout the year, the Committee has been able to discharge its obligations seamlessly. Of particular note was the early action taken by the internal audit team to assess the adequacy of the Group's internal controls as many of our employees switched to working from home.

The Committee has continued to focus on the Group's financial reporting, especially around the accounting impacts of COVID-19 and the Group's going concern and viability statements. It has reviewed and challenged papers from management, including the various complex financial modelling scenarios and stress testing performed relating to the ongoing COVID-19 pandemic and other principal risks, as explained further in this Report. It has also continued to focus on the key accounting matters set out on pages 86 and 87. All such matters were conducted to the satisfaction of the Committee and PwC. While we believe the Group is resilient and its performance has remained robust over the past year, monitoring and assessing the impact of COVID-19 will continue to be an area of focus for the Committee.

During the year, the Committee has also overseen the preparations that needed to be implemented in readiness for the end of the transition period following the UK's exit from the EU (Brexit), ensuring that our controls and processes could run smoothly during and after the transition. The Group has been faced with several external pressures and costs due to longer border and customs controls, but these are anticipated to reduce following the extension to our German distribution centre (DC) in 2021.

The Committee has continued to review the Group's cyber security and data protection controls and further information on this review can be found on page 89. The Committee has also reviewed the purchase price allocations and the initial integration of the three new acquisitions: Needlers Holdings Limited, Synovos, Inc. and John Liscombe Limited. Further information can be found on page 87 of this Report and about the acquisitions themselves on page 27 of the Strategic Report. The Committee has also reviewed the definitions of alternative performance measures and the disclosure of the implementation costs of the RISE programme as substantial reorganisation costs which are excluded from adjusted performance measures.

The composition of the Committee changed during the year as a result of Karen Guerra stepping down from the Board in December 2020. I would like to express my personal thanks to Karen for her dedicated contribution to this Committee and its work.

On behalf of the Committee, I would like to thank our internal audit and finance teams and PwC for their continued support over the past year, particularly in such challenging circumstances.

I will be available at this year's Annual General Meeting to answer any shareholder questions in relation to audit matters.

Louisa Burdett

Chair of the Audit Committee
24 May 2021

Composition of the Committee

On 31 December 2020, Karen Guerra stepped down from the Board and therefore the Committee. There were no other changes to its composition. All members are independent Non-Executive Directors and the Board continues to be satisfied that the Chair of the Committee has current and relevant financial and accounting experience as required by the provisions of the UK Corporate Governance Code 2018 (Code). The Board is further satisfied that the other members of the Committee have sufficiently wide-ranging business experience, expertise and competence for the Committee to fulfil its responsibilities effectively. Biographies for the various Committee members are set out on pages 72 and 73.

Meetings of the Committee are scheduled to take place four times a year and occur in line with the financial and reporting cycles of the Company. Meetings are generally held prior to Board meetings so that optimum collaboration with the Board is maintained. Members and their attendance at meetings during the year are set out on page 74. All of the Committee's meetings were held via Microsoft Teams in the interests of operating within COVID-19 compliance obligations.

The Committee Chair extends invitations to certain other key individuals to attend meetings, including the Chair of the Board, other Non-Executive Directors who are not members of the Committee, the Chief Executive Officer (CEO), Chief Financial Officer (CFO), the Company Secretary, Group Financial Controller, Vice President Group Operational Audit and Risk (VP Audit and Risk) and the external Auditor, PwC. The Chief Information Security and Compliance Officer (CISO) also attends to provide regular updates on the Group's information security strategy. The Data Protection Officer attends meetings twice a year to give updates on data protection matters.

The Committee has independent access to the internal audit team and to the external Auditor without the presence of management. The VP Audit and Risk and the external Auditor have direct access to the Chair of the Committee outside formal Committee meetings.

The Chair provides updates to the Board on the proceedings, considerations and findings of each meeting.

Activities during the year

The core functions of the Committee include:

- Supporting the Board in ensuring the integrity of the financial and corporate reporting and auditing processes.
- Assisting the Board by reviewing and challenging the stress testing performed, based on plausible scenarios arising from selected principal risks, in assessing the long-term viability of the Group.
- Advising the Board on whether the half-year and full-year financial reports present a fair, balanced and understandable assessment of the Group's position and prospects.
- Ensuring effective internal control and risk management systems are in place.
- Measuring the Group's effectiveness in managing risk and reviewing the risk identification process.
- Approving the remit of the internal audit function and reviewing its effectiveness and findings.
- Ensuring that an appropriate relationship is maintained between the Group and its external Auditor, including the recommendation to the Board to approve its appointment and remuneration.

- Monitoring progress of the Group's information security strategy to mitigate its major risks.
- Reviewing the scope and effectiveness of the external audit process.
- Reviewing whistleblowing, fraud and data protection procedures.

The main activities of the Committee during the course of the year are set out on the following pages of this Report. Further information can also be found in the corporate governance section of our corporate website.

Financial reporting

The primary role of the Committee in relation to financial reporting is to monitor the integrity of the Group's published financial information including reviewing its full-year and half-year financial results. The Committee undertakes this with both management and PwC and concentrates on ensuring compliance with the relevant financial and governance reporting requirements. The Committee considers the principal accounting policies that are used when preparing these results as well as reviewing the significant accounting issues and areas of judgements made as noted on page 86 and other key areas of focus as noted on page 87. The Committee receives regular reports from the CFO and the Group Financial Controller to support this work.

Fair, balanced and understandable

The Board is required to confirm to the Company's stakeholders that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information and key messages to enable shareholders and other stakeholders to assess the Group and the Company's position and performance, business model and strategy. When assessing whether the Committee could make its recommendation to the Board in this regard, the Committee undertook its regular, robust approach which is:

- Ensuring regulatory requirements for the Annual Report and Accounts were thoroughly understood.
- Reviewing draft copies of the Annual Report and Accounts early in the reporting process to assess and advise on direction and key messages, with a near final version provided to the Committee and Board prior to sign-off of the Annual Report and Accounts.
- Assessing management's fair, balanced and understandable verification process and reviewing its results. This included a cascaded sign-off across the Group to determine the accuracy, consistency and clarity of the data, information and language.
- Reviewing the use and disclosure of alternative performance measures and confirming its belief that separate disclosure of these measures enables readers of the Annual Report and Accounts to better understand the underlying financial and operating performance of the Group. The alternative performance measures are consistent with prior years except for an updated calculation of return on capital which is now based on monthly average capital employed and adjusted measures which, as a result of the acquisitions in the year, have been updated to exclude acquisition-related items and not just amortisation of intangible assets arising on acquisition of businesses. The definitions and reconciliations of alternative performance measures are set out in Note 3 on pages 131 to 135. The Committee reviewed the costs associated with the RISE programme and agreed that they amounted to substantial reorganisation costs which are excluded from adjusted performance measures and with their disclosure in Note 7 on page 137.
- Ensuring that a thorough review of the Annual Report and Accounts was undertaken by all appropriate parties including external advisors.

Audit Committee report continued

The Committee has reviewed the Annual Report and Accounts for the year ended 31 March 2021 and has advised the Board that, in its opinion, the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Group's position and performance, business model and strategy. The Committee also believes the Annual Report and Accounts includes sufficient disclosure of the impact during the year and expected future impacts of the COVID-19 pandemic and the ending of the transition period following Brexit.

Significant accounting issues and areas of judgement

Management is required to exercise judgement in a number of areas when preparing the Group accounts. The Committee focuses in particular on any significant areas of judgement that may materially impact the Group's and Company's reported results and assesses and challenges, if appropriate, whether these judgements are reasonable and appropriate. The Committee also reviews the clarity and transparency of the related disclosures.

The significant accounting issues and areas of judgement considered by the Committee during the year, and how these were addressed, are set out below.

Significant accounting issues and areas of judgement	How the Committee addressed these matters and conclusions reached
Retirement benefit obligations The Group has a material defined benefit pension scheme in the UK and smaller defined benefit schemes in the Republic of Ireland, Germany, France and Italy. At 31 March 2021, the total net deficit in relation to these retirement benefit obligations was £55.7 million (2019/20: £55.8 million), of which the UK was £41.2 million (2019/20: £43.3 million). Key judgements are made in relation to the assumptions used when valuing the retirement benefit obligations. See Note 10 on pages 140 to 144.	Small changes to the assumptions used to value the UK retirement benefit obligation, particularly changes in bond yields used to determine the discount rate, can have a significant impact on the financial position and results of the Group. The assumptions put forward by the actuaries, Head of Group Pensions and Group Financial Controller were reviewed by the Committee. The Committee also reviewed the external Auditor's comparisons of the assumptions with those of other similar schemes. After discussion, the Committee agreed the reasonableness of the assumptions used in valuing the retirement benefit obligations.
Inventories valuation Inventories represent a material proportion of the Group's net assets. At 31 March 2021, the Group had £419.8 million (2019/20: £419.0 million) of inventories on the balance sheet. Judgements are made in estimating the net realisable value of inventories. At 31 March 2021, inventory provisions were £40.6 million (2019/20: £27.6 million). Sensitivity analysis on the assumptions was performed which indicates that any reasonably likely change in assumptions, including the continuing COVID-19 pandemic, is not expected to have a material impact on the current net realisable value of inventories. See Note 18 on page 151. From an International Accounting Standard (IAS) 1 'Presentation of Financial Statements' perspective, the judgements involved in estimating the net realisable value of inventories do not have a significant risk of resulting in a material adjustment to the carrying amount of inventories within the next year. However, the Committee believes that inventories and their management are so critical to the Group's operating model that areas of judgement in inventories valuation are significant and require its particular focus.	The Group estimates the net realisable value of inventories in order to determine the value of any provision required. The judgements made in the methodology used to estimate the net realisable value relate to the number of years of sales there are in inventories of each article and the value recoverable from these inventories. These assumptions are based on recent experience and knowledge of the products on hand and are reviewed regularly. The impact of the COVID-19 pandemic on these assumptions was considered and the assumptions were adjusted where necessary to ensure they remain appropriate. The latest review was presented to the Committee and it reviewed and agreed the reasonableness of the assumptions. The Committee also reviewed and agreed provisions made during the year outside the standard methodology described above for certain of the Group's personal protective equipment (PPE) range bought at the start of the COVID-19 pandemic as a result of their significant decline in selling price. In order to reach these conclusions, the Committee also discussed with senior managers the inventory management process and the improvements made during the year.

Going concern and viability statements

As part of the Committee's responsibility to provide advice to the Board, the Committee reviewed and challenged the Group's going concern assumptions at the half year and full year and reviewed and challenged the process and assessment of the Group's longer-term viability at the full year.

As a result of the impact of the COVID-19 pandemic on many companies, management decided to include a detailed going concern statement in the Group's half-year report. The Committee reviewed the process conducted to prepare this statement including the assumptions used in the modelling of the various scenarios, stress tests and reverse stress tests. It recommended to the Board that it was appropriate to continue to adopt the going concern basis in the half-year results. The Committee also reviewed and agreed the wording of the going concern statement and recommended its approval to the Board.

For the viability statement in the Annual Report and Accounts, the Committee reviewed the determined assessment period and the assumptions used in the stress testing performed which was based on plausible scenarios arising from selected principal risks, including the prolonged effects of the ongoing COVID-19 pandemic. The Committee recommended to the Board that it is able to confirm the Group's viability statement and the going concern statement. Details of these statements can be found on pages 50 and 51 of the Strategic Report.

Other key areas of focus

The Committee also reviews a number of other key areas that require management to exercise judgement. These judgements have not had a significant effect on the amounts recognised in the accounts in the year ended 31 March 2021 nor are they significant estimates which have a significant risk of resulting in a material adjustment to the carrying amounts of the Group's assets and liabilities within the next year. However, the Committee focuses on these areas to ensure these judgements are also reasonable and appropriate and to ensure they have not become significant.

These other key areas of focus in the year were:

Other key area of focus	How the Committee addressed these matters and conclusions reached
Taxation The Group operates across many different tax jurisdictions and is subject to periodic challenges by local tax authorities on a range of matters during the normal course of business. These challenges currently include transfer pricing. Judgements are made in assessing the levels of tax contingencies required for current challenges, recoverability of losses and areas of potential risk where the precise impact of tax laws and regulations is unclear. The Group's taxation provision was £7.0 million as at 31 March 2021 (2019/20: £7.0 million). See Note 11 on pages 144 to 146.	The Committee receives regular updates on challenges by local tax authorities and any other areas of potential risk. It reviews the effective tax rate, the balance sheet provision at the half year and full year and relevant disclosures, and discusses the position with senior managers as well as the external Auditor. The Committee agreed the reasonableness of the tax provision and that the disclosures were reasonable and appropriate.
Fair values and goodwill on acquisition of businesses The Group completed the acquisition of Needlers Holdings Limited (and its subsidiaries) on 9 December 2020 for cash consideration of £42.4 million. The purchase price allocation resulted in goodwill of £16.8 million and other intangible assets of £21.0 million. The Group completed the acquisition of Synovos, Inc. (and its subsidiaries) on 12 January 2021 for cash consideration of £103.6 million less £2.5 million due to be refunded. The purchase price allocation resulted in goodwill of £71.4 million and other intangible assets of £40.8 million. The Group completed the acquisition of John Liscombe Limited (and its subsidiary) on 28 February 2021 for cash consideration of £11.5 million plus an accrual of £0.3 million. The purchase price allocation resulted in goodwill of £1.8 million and other intangible assets of £1.9 million. Judgements are made in relation to the assumptions and data used in determining the fair values of the intangible assets acquired and the goodwill arising. See Note 28 on page 161.	The Group reviewed the net assets acquired, identifying and fair valuing all the assets and liabilities. For larger acquisitions the Group engages external professional advisors for the identification and calculation of fair values of intangible assets while ensuring that the assumptions and forecast cash flows used in the valuation models are reasonable. The Committee reviewed the process, discussed it with management and the external Auditor and assessed the results of the work undertaken. The Committee concluded that it is satisfied with the fair values and goodwill arising on acquisition of businesses.
Impairment of goodwill and other assets There is £310.0 million of goodwill on the balance sheet at 31 March 2021 (2019/20: £241.1 million). Judgements are made in relation to the assumptions used in the value-in-use models which are used to assess impairment of goodwill and other assets when there are indicators that they may be impaired.	The value of goodwill is reviewed regularly for impairment using value-in-use models using cash flows and discount rates as set out in Note 14 on pages 147 and 148. The Committee reviews these impairment tests every year, including the main assumptions. It agrees with the tests' confirmation that there remains adequate headroom in place and no impairment provision is required. Other assets are regularly reviewed to ensure there are no indicators that they may be impaired. If any significant impairments are found, the Committee will also review these impairment tests, including the main assumptions, confirming that the valuation is reasonable. In the light of the continued impact of the COVID-19 pandemic, the Committee also reviewed and agreed with the trade receivable impairment allowance and disclosure in Note 23 on pages 156 and 157.

Other matters

The Committee also carried out a range of other activities in relation to financial reporting during the year which included:

- Agreeing with management's assessment that the RISE programme and acquisitions do not change the Group's operating segments.
- Reviewing the impact of amendments to accounting standards adopted during the year.
- Reviewing and agreeing the accounting treatment and disclosure of any potential post-balance sheet events at both the half year and full year.

During the year, the Company received two letters from the Corporate Reporting Review team of the Financial Reporting Council (FRC). The first was to inform the Company that an extract of the Annual Report and Accounts for the year ended 31 March 2020 was to be included in the FRC's thematic review of cash flow and liquidity disclosures as an example of better practice. The second was in respect of a review they had carried out of the Annual Report and Accounts for the year ended 31 March 2020. The review was based solely on the report and accounts and did not benefit from detailed knowledge of the business or an understanding of the underlying transactions entered into. This letter raised no questions or queries that required a response to the FRC but detailed a few improvements that could be made to benefit users of the accounts. These have been acknowledged and incorporated into this Annual Report and Accounts.

Audit Committee report continued

Internal control and risk management

Reports from the VP Audit and Risk are provided on a quarterly basis to the Committee and cover the performance of the Group's system of internal control and its effectiveness in managing the Group's principal risks and in identifying any control failings or weaknesses. They highlight anything which might impact the delivery of the Group's key strategic objectives or that indicate improvement is required in any of the Group's processes or controls. The Committee carefully considers these findings and discuss appropriate actions where necessary.

An annual review of the Group's risk management process is undertaken by the Committee, as required by the Code, the FRC Guidance on Audit Committees and the recommendations of the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. These reviews include material controls which cover financial, operational and compliance controls and risk management systems. This year, the Committee also considered the Group's risk identification process itself. The outcomes of these reviews are shared with the Board. These, in combination with other updates to the Board on the Group's principal risks, allowed the Board to assess the effectiveness of the Group's systems of internal control and residual risk prior to making its statement in this Annual Report and Accounts. Further information regarding the Group's principal risks can be found on pages 46 to 49 of the Strategic Report.

The internal control system and risk management process have been in place during the year. In the event weaknesses are identified in the internal control system, plans for strengthening them are put in place and then regularly monitored. Some weaknesses were identified around IT access controls and documentation of other IT controls for one of the Group's core

IT systems. Actions have already been implemented to resolve these weaknesses and prevent any reoccurrence. These are not believed to have had any material impacts on the Group's financial results.

There were no other material control failings or weaknesses identified during the year.

Internal financial controls

Internal financial controls are the systems that the Group employs to support the Board in discharging its responsibilities for financial matters and the financial reporting process as described on page 115.

The main elements include:

- Assessments by Internal Audit on the effectiveness of operational controls.
- Clear terms of reference setting out the duties of the Board and its Committees, with delegation to management in all locations.
- Group Finance and Group Treasury manuals outlining accounting policies, processes and controls.
- Weekly, monthly and annual reporting cycles, including targets approved by the Board and regular forecast updates.
- Local leadership teams reviewing results against forecast and agreed performance metrics and targets with overall performance reviewed at region and Group levels.
- Specific reporting systems covering treasury operations, major investment projects and legal and insurance activities, which are reviewed by the Board and its Committees on a regular basis.
- Whistleblowing procedures allowing individuals to report fraud or financial irregularities and other matters of concern.
- Data protection policies to detect breaches and other issues.

Internal audit

The work of the internal audit function spans the whole Group including, as and when relevant, acquired businesses and provides independent and objective assurance over the Group's systems of internal controls through a risk-based approach. The Committee annually reviews and approves the scope and resourcing of the internal audit plan with the VP Audit and Risk. The scope of the plan is determined by reference to the Group's operating risks and strategic priorities as well as perceived geographic, functional and external risks. The Committee reviews:

- The level and skills of resources allocated to the internal audit function to conduct this programme of work.
- The summary of the results of each audit and the business team's resolution of any control issues identified.
- The effectiveness of the internal audit function.

The VP Audit and Risk has regular, open access to the Chair of the Committee via various media, including by phone, Microsoft Teams and face-to-face meetings. Discussions focus on audit planning and matters noted during internal audit assignments. Other members of the Committee are also available as required. The Committee meets with the VP Audit and Risk without the presence of management at least once a year.

Other activities

During the year, the Committee continued its focus on enhancing the Group's information security strategy via regular updates from the CISO. In May 2020, the Committee received a further update from the CISO in relation to the Group's response. This included a description of the different risks associated with the bulk of the Group's employees working from home as well as details of additional actions taken since March 2020. Throughout the year, the Committee also received updates on specific information security risks and improvement actions unrelated to COVID-19.

The Committee continued with its reviews of the data protection compliance programme through reports from the Data Protection Officer and meeting with the data retention project team. The Committee has continued to carry out oversight of the Group's compliance with laws regarding the protection of personal data across its operations, including the General Data Protection Regulations. The Committee receives regular reports from the Data Protection Officer, highlighting ongoing compliance work such as training and awareness campaigns to embed a culture of privacy by design, as well as assessments of the impact of material changes to the Group's operations on its handling of personal data (such as acquisitions and significant changes to systems). The Committee also received and considered an operational audit report on data protection compliance, as well as updates on the implementation of data retention controls across the Group.

The Committee reviewed the specific COVID-19-related audits which had been undertaken by the internal audit team across both functions and geographies and reviewed the output from an external quality review of the Group's internal audit team.

During the year, the Committee also reviewed the preparations that were required in relation to Brexit. These included ensuring that the Group's controls and processes could continue to run smoothly during and after the transition period. While the Group has been faced with several external pressures and costs as a result of longer border and custom controls, these are anticipated to reduce once we complete the extension to our German DC at Bad Hersfeld in 2021.

Auditor

Effectiveness and independence

The Committee is responsible for reviewing the performance and effectiveness of the external Auditor PwC, as well as its appointment and remuneration.

A review of the external Auditor's performance and effectiveness is undertaken by the Committee each year. The review includes looking at qualification, expertise, resources and reappointment of the external Auditor, as well as ensuring that no issues have arisen which might adversely affect its independence and objectivity. The review also considers how robust the audit itself has been, as well as the quality of delivery. It also addresses the FRC's Audit Quality Inspection Report on PwC as well as any feedback received from the Group's senior managers.

How well the external Auditor has exercised professional scepticism and whether it has provided an appropriate degree of constructive challenge to management is assessed by the Committee and, as part of risk evaluation planning, the Committee also considers the risk of PwC withdrawing from the market. For example, the external Auditor demonstrated professional scepticism and challenge on the purchase price allocation assumptions used in determining the fair value of the acquisitions' net assets, as well as recoverability of receivables and assumptions in the viability assessment due to the ongoing uncertainty caused by COVID-19.

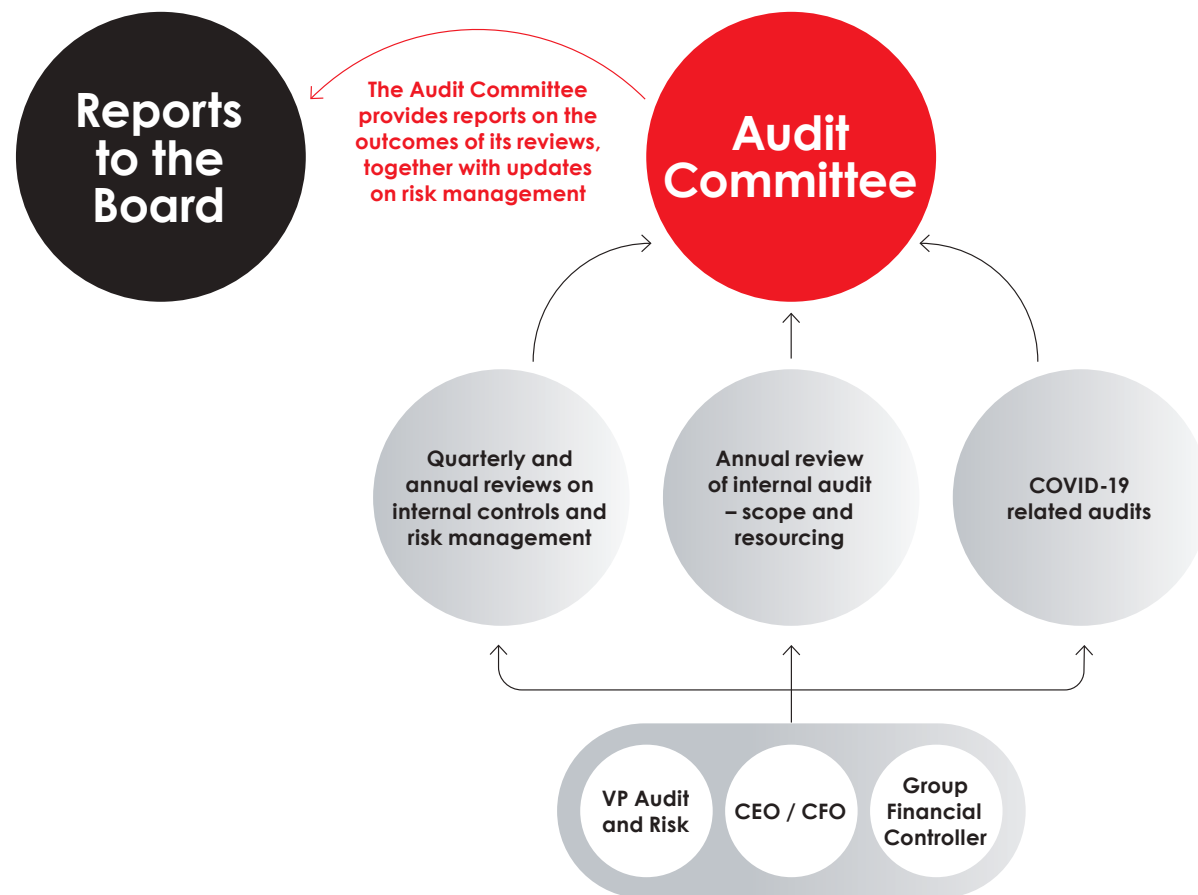
During the year, the Senior Statutory Audit Partner, Sandeep Dhillon, together with other relevant and appropriate members of the PwC audit team, attended all the Committee's meetings and provided reports and PwC's conclusions on the Group's key accounting judgements, internal control processes, Annual Report and Accounts and half-year report.

Following its review, the Committee concluded that it would recommend to the Board PwC's reappointment as external Auditor. The Board accepted this recommendation and a resolution will therefore be put to shareholders at the forthcoming Annual General Meeting to reappoint PwC.

Further details of how the Committee and PwC work together, as well as how PwC's independence is maintained, can be found in the corporate governance section of our corporate website. As in previous years' reports, the Committee can confirm that the Group does not engage PwC to undertake any work that could threaten this independence.

The Committee has satisfied itself that the Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014, published by the Competition and Markets Authority on 26 September 2014.

Audit Committee reviews of internal control and risk management



Tender and rotation

Following an external tender process in 2014, PwC was appointed as the Group’s external Auditor. It remains the Company’s intention to retender the audit at the latest in 2024. This is in accordance with the EU Audit Regulation and Directive, and the Companies Act 2006, which states that there should be a public tender every 10 years and a change of external Auditor at least every 20 years. The Committee will continue to keep this under review and wishes to assure shareholders that, in their best interests, the tender process will be conducted at the most conducive time. No contractual obligations exist that might restrict the Committee’s choice of external Auditor.

Sandeep Dhillon, Senior Statutory Audit Partner, is due for rotation after the 2024 audit.

Non-audit assignments undertaken by the Auditor

The Group operates a policy to ensure that the provision of non-audit services does not impair the external Auditor’s independence or objectivity. In determining this policy, the Committee took into account possible threats to the external Auditor’s independence and objectivity.

The policy on non-audit services includes:

- In providing a non-audit service, the external Auditor should not:
 - Audit their own work
 - Make management decisions for the Group
 - Create a mutuality of interest
 - Find themselves in the role of advocate for the Group
- The total non-audit fees for any financial year should not exceed 70% of the average of the external audit fee over the last three years. In practice the non-audit fees are normally significantly below this level.

The policy also states that the Committee has pre-approved the CFO to have authority to commission the external Auditor to undertake non-audit work (not covered above) where there is a specific project with a cost that is not expected to exceed £50,000.

Full details of our policy in relation to non-audit services can be found in the corporate governance section of our corporate website. This policy was again reviewed by the Committee during the year, taking into account the FRC’s Revised Ethical Standard 2019, and no changes were required.

During the year under review there were no non-audit fees for PwC compared to audit fees of £1.9 million plus audit-related assurance services of £0.1 million. Further information on fees payable to PwC are included in Note 5 on page 136.

The Committee has satisfied itself that the external Auditor complies with both the Code and the FRC’s Ethical and Auditing Standards regarding the scope and level of non-audit work and non-audit fees incurred by the Group.

Committee evaluation

This year, the Board underwent an internal evaluation of its performance and the activities of the Committee were reviewed as part of this process. The results of the evaluation demonstrated that the Committee operated effectively and provided sufficient challenge.

Further details of the evaluation process can be found in the Corporate Governance Report on pages 81 to 83.

Fraud

The Committee is responsible for reviewing the Group’s procedures for the prevention and detection of fraud. Suspected cases of fraud must be reported to the Company Secretary within 48 hours and investigated by operational management or Internal Audit, as appropriate. The outcome of any investigation is reported to the Company Secretary and the CFO. A register of all suspected fraudulent activity and the outcome of any investigation is kept and is circulated to the Board on a regular basis, with the Committee also receiving regular updates. The Group takes steps in line with good business practice to detect and prevent fraudulent activity. The Committee is pleased to report that there were no frauds of a material nature discovered during the year, although the Group is subject to various attempts at external and low-level credit card and online fraud.

Whistleblowing

In accordance with the provisions of the Code of Conduct, the Committee is responsible for reviewing the arrangements whereby all staff may, in confidence, raise concerns about illegal, unethical or improper behaviour or other matters and for ensuring that these concerns are investigated and escalated as appropriate. Reports may be raised directly to senior management or through an external third party reporting tool (except in Germany where local regulations restrict this and an in-house alternative has been established). The external reporting tool was updated during the year, providing easier access for reports to be made, more efficient investigatory processes and increased reporting capabilities. Whistleblowing is referred to internally as Speak Up and is available to all employees. The Committee receives aggregated reports on matters raised through these services and monitors their resolution.

Terms of Reference

The Committee’s Terms of Reference were reviewed and updated in November 2020 and are available in the corporate governance section on the corporate website: [electrocomponents.com](https://www.electrocomponents.com).

Nomination Committee



2020/21 highlights

- Supported the smooth transition to a new Chair
- Continued oversight of the Group’s initiatives on diversity and inclusion
- Employee engagement
- Launched Non-Executive Director search process

Committee responsibilities

- Reviewing the structure, skills, knowledge, experience and diversity of the Board
- Identifying and nominating, for the approval of the Board, candidates to fill vacancies
- Succession planning for both Executive and Non-Executive Directors and the Senior Management Team (SMT)

Dear fellow shareholder

I am delighted to be presenting my first report as Chair of the Nomination Committee.

It has been a busy year for the Committee which was, until the beginning of February 2021, chaired by David Sleath. Under David’s stewardship, the Committee carried out a Board evaluation, continued its oversight of the Group’s activities on diversity and inclusion (D&I) and oversaw our employee engagement programme. Additionally, it undertook a search for a candidate to become Chair of the Board when Peter Johnson stepped down in 2021. That search resulted in my appointment as a Non-Executive Director, with a view to my becoming Chair of the Board at the end of Peter’s tenure.

Peter stood down from the Committee on 1 February 2021, having stepped down from the Board as Chair on that date. I would like to thank him for his immense commitment to and ambition for the Group throughout his tenure, and on a personal level, for the integrity and constructive approach he showed during our handover period. I and the entire Board wish him every success in the future.

The Committee recommended that I should become Chair of the Committee on 1 February 2021, at the same time as becoming Chair of the Board.

David has been an exemplary Committee Chair and I both thank him most sincerely and look forward to working with him as an ongoing Committee member and as our Senior Independent Director.

Further changes to the Committee include the departure of Karen Guerra who stepped down from the Board in December 2020 and the planned departure of Bertrand Bodson in May 2021. Both have made enormous contributions to the Committee – and the Group more generally – and we wish them well in the years ahead.

The Committee has launched a process to identify one or two new Non-Executive Directors, the details of which can be found within this Report.

In the coming year, we will continue to oversee the nominations of individuals who can help us achieve our strategy and strengthen the Group’s talent pipeline to enable us to achieve our growth ambitions. We support a constructive, inclusive and entrepreneurial culture which welcomes diversity and a workplace which allows people to bring their true selves to work each day.

In closing, I would like to thank the members of the Committee for all their efforts in support of the Board and the SMT.

Rona Fairhead
Chair of the Nomination Committee
24 May 2021

Nomination Committee report continued

Composition of the Committee

There were three changes during the year to the composition of the Committee. Rona Fairhead was appointed as a member of the Committee in November 2020 when she first joined the Board as a Non-Executive Director. She then took over the role of Chair of the Committee from David Sleath on 1 February 2021 at the same time as she became Chair of the Board. A further change was that of Karen Guerra who stepped down from the Board and the Committee on 31 December 2020.

During the year, the Committee reviewed the balance of skills, experience and independence of Board members, including reviewing any individual Director conflict authorisations as necessary. In order to inform its view of Director independence when reviewing conflicts, consideration was also given to external appointments held by the Directors. The Committee and the Board is satisfied that, as at the date of this Report, all Non-Executive Directors are independent. The skills and experience of the Committee members are set out on pages 72 and 73.

Regular attendees at meetings of the Committee have included the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the President, Group Professional Services and People.

Board membership

As set out in our Annual Report and Accounts for the year ended 31 March 2020, Peter Johnson remained as Chair of the Board beyond nine years as part of a careful and phased transition between himself and a successor in order to retain business momentum. The key work of the Committee during the year focused on finding a suitable individual to join the Board and take on the role of Chair in 2021. After shortlisting a selection of firms, it was agreed that Russell Reynolds Associates be engaged to commence a search in the spring of 2020. Russell Reynolds Associates has no other connection with the Company.

After considering several candidates over the course of the late summer, the Committee recommended the appointment of Rona Fairhead to the Board. This recommendation was accepted by the Board and Rona was appointed a Non-Executive Director on 1 November 2020 with the agreement that she become Chair of the Board on 1 February 2021 after a suitable handover period with Peter. As required by the UK Corporate Governance Code 2018 (Code), Peter did not take part in these discussions concerning her appointment.

In December 2020, Bertrand Bodson announced his intention to leave the Board at the end of May 2021 after six years. Further search firms were shortlisted and MWM Consulting Limited was selected to search for Bertrand's replacement. MWM Consulting Limited has no other connection with the Company.

Committee evaluation

As required by the Code, an internal evaluation of the performance of the Board and its Committees was undertaken this year and was facilitated by an online questionnaire. The next external evaluation is due in 2022/23. As Rona had only just joined the Board, her feedback was not included in the evaluation process. Overall, the feedback on the Board's effectiveness was strong, and a summary of the findings on its performance can be found on page 83. Findings on the Committee's performance were complimentary, describing the meetings as being chaired and run professionally, openly and transparently, with meetings being suitably effective, collaborative and decisive.

There was a call for the Committee to increase its focus on both talent and broader succession planning since, while it had handled Board succession very well, there was still more to be done with regards to the senior management pipeline. A recommendation was also made for the Committee to establish ways to take Board diversity further.

Succession planning

The Committee has continued to build on its work to ensure there is a robust and diversified talent pipeline for both executive management and the SMT, including considering the successors for both the CEO and CFO. This effort will continue throughout the coming year as the Group looks to maintain and further develop teams that will deliver on its transformational journey.

Employee engagement

In 2018, Karen Guerra took on the role of Non-Executive Director responsible for the Group's Board employee engagement initiative. Details of Karen's work during 2020 can be found on page 79. With Karen's departure in December 2020, Bertrand Bodson has hosted two sessions via Management Matters in May 2021 to ascertain employees' thoughts on our enhanced customer experience / data led approach and how to accelerate our digital and technological plans to drive ongoing improving customer experience. Going forward, and subject to COVID-19 restrictions, face-to-face meetings and site visits will be resumed. We have also decided, following Karen's departure, to split the role of Board-appointed representation as follows:

- Bessie Lee will lead the initiative in Asia Pacific
- Joan Wainwright will lead the initiative in Americas
- Bessie and Joan will each share responsibility for EMEA

Our Chair and Non-Executive Directors are encouraged to visit our sites when circumstances allow and we will aim to hold employee meetings whenever possible.

Diversity and inclusion

As reported last year, the Committee maintains its Policy Statement emphasising its adherence to the Group Diversity Policy in considering succession planning and recruitment at Board level.

The purpose of our D&I policy is to:

- Attract, develop, motivate and retain a diverse workforce.
- Develop a culture where people feel able to give their best; where their views, opinions and talents are respected, whoever and wherever they are.

This policy applies to the Board, the SMT, senior leadership team, D&I Steering Committee and all employees (including prospective employees) and contractors.

This policy applies globally and is intended to complement local statutory provisions to ensure the promotion of D&I. We are committed to compliance with all applicable laws, regulations and codes of practice in the markets where we operate. This policy is not intended to prevail over local laws, regulations and codes of practice; if this policy is in conflict, local legislation should prevail.

We are committed to ensuring that existing and prospective employees are treated fairly and with respect in an environment that is free from any form of discrimination. We will ensure that:

- All employment, including recruitment, promotion, reward, working conditions, and performance management related policies, practices and procedures are applied impartially, fairly and objectively.
- We have equality of opportunity for all, and we will provide employees with the opportunity to develop and realise their full potential.
- Respect is a right – we will inspire trust through honesty and openness.

Our D&I policy can be found on our corporate website.

The Committee, as part of its objectives for the coming year, will be looking at ways in which to further broaden D&I at Board level and will challenge search firms on the parameters which they set to ensure as diverse a range of candidates as possible may be considered including with regards to gender, socio-economic background and ethnicity.

In line with the Code, the Committee has responsibility for ensuring there is a fit and proper succession pipeline below Board level. It is therefore crucial that D&I is embedded throughout the Group to ensure that this succession pipeline is diverse.

Enabling people to bring their true self to work every day is the foundation of our diversity and inclusion strategy. We aim to create a culture and employer brand that attracts, develops and retains the best, most diverse talent. Our key successes during 2020/21 have been addressing the wellbeing and mental health of our people as they adapt to working remotely for prolonged periods of time. We have provided mental health first aider and manager training and continue to roll this out across our global business. In 2020 we were acknowledged for the progress we had made in diversity over the last 18 months with being listed in the Top 50 Most Diverse Employers in the UK and, as announced in February 2021, have been shortlisted for the ITV National Diversity Awards.

Looking ahead, data, policy and training are key for us to ensure we continue to meet the objectives of our inclusion strategy. We continue to expand our strategy around racial inclusion and how we do this on a global scale but recognising the nuances in each geography. Over the next 12-24 months we need to move our business from awareness around our D&I priorities – wellbeing, mental health and disability, LGBTQ+, gender and race – to being in our DNA. This means becoming more representative of our customer base and leading our suppliers in that direction as well.

Terms of appointment

Executive Directors have one-year rolling contracts. Non-Executive Directors do not have service contracts but instead have letters of appointment setting out expected time commitments. Such time commitments can involve peaks of activity at particular times of year and when material Group projects are being considered.

Details of the Company's policy on Executive Directors' service contracts and terms of appointment for Non-Executive Directors are set out in the Directors' Remuneration Report on page 112.

Non-Executive Directors are expected to serve for six years on the condition that they maintain independence, honour their commitments and contribute to Board and Committee discussions in a meaningful and effective way. They may be invited to serve for a longer period, such extension being on an annual basis. However, this would be subject to rigorous annual review by, and at the recommendation of, the Committee as well as at the Board's discretion. Any extension beyond the nine years recommended by the Code is considered on a purely exceptional basis and only if proven to be in the best interests of the Board, the Company and its stakeholders, such as when assisting in any necessary succession planning activity.

All Directors of the Board must stand for re-election at each annual general meeting unless they are stepping down from the Board before the next one.

Terms of appointment for the Board members are available for inspection at the Company's registered office.

Terms of reference

The Committee's Terms of Reference are available in the corporate governance section on the corporate website: [electrocomponents.com](https://www.electrocomponents.com).

Remuneration Committee



Highlights of 2020/21

- Set incentive targets and assessed performance against the background of COVID-19 and Brexit uncertainty, to appropriately drive and reward strong short and long-term absolute and relative performance for all stakeholders.
- Ensured that 2020/21 short and long-term incentive outcomes reflected the absolute and relative performance of the business and the experience of all our stakeholders over the performance measurement period.
- Committed to reduce pension allowance for incumbent Executive Directors (EDs) to the employee rate by the end of December 2022.
- Continued to monitor market developments recognising the need to provide a market competitive level of absolute and potential compensation, to attract and retain employees in a global talent market place, that reflects the increasing ambition, scale and complexity of the Group.

Priorities for 2021/22

- Review of our Remuneration Policy to ensure that the remuneration framework for our EDs and Senior Management Team (SMT) reflects evolving best practice while remaining effective in aligning reward with excellent stakeholder outcomes. This is particularly important in the increasingly global executive talent market as we continue to make strategic progress and accelerate realisation of our potential. We will engage with shareholders in respect of any proposed changes to the Remuneration Policy in advance of presenting it for approval at the 2022 Annual General Meeting (AGM).
- Ensure that short and long-term incentive outcomes continue to reflect the relative performance of the business, the experience of all our stakeholders and support accelerating effective execution of our business strategy.

Committee responsibilities

- Maintaining a strong alignment between shareholder outcomes and ED and senior management total reward.
- Ensuring that the Directors' Remuneration Policy remains fit for purpose and aligned with strategic delivery.
- Reviewing reward outcomes for the EDs and the SMT to ensure they reflect underlying performance, as well as absolute delivery against stretch targets, which have been developed, approved and communicated to it by the Board.
- Oversight of key reward matters including EDs pay ratio and reward outcomes relative to those of the broader employee population globally.

Dear fellow shareholder

On behalf of the Remuneration Committee (Committee), I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2021.

It has been a challenging year for the Company as it has had to navigate through an unprecedented trading environment created by both government actions to address the COVID-19 pandemic, as well as the UK's exit from the EU (Brexit), while continuing to execute on our strategy and drive underlying performance. Against this background, we have needed to consider carefully both formulaic remuneration outcomes for the year ended 31 March 2021 as well as structures, measures and targets for the year ending 31 March 2022. The Committee considered in detail management's effective response to the difficult trading environment as well as the Group's strong relative performance, while considering the impact on our different stakeholder groups including our customers, suppliers, our people, communities and shareholders. In conjunction with the Board, the Committee recognised that although the external environment was very challenging, the business demonstrated it had a robust business model which avoided the need for UK government support while continuing to look after its employees during such unprecedented times. The way in which we have managed these matters is explained in more detail below and later in this Report.

During the year, we operated under the terms of our Remuneration Policy which was approved by shareholders at the 2019 AGM. A summary of the Remuneration Policy is provided on pages 98 to 102. The remainder of the Report, which summarises the outcomes for 2020/21 and our proposed approach to 2021/22, constitutes our Annual report on remuneration which will be subject to an advisory vote at this year's AGM.

Committee changes

There was one change to the Committee during the year. Karen Guerra stepped down from the Committee on 31 December 2020, having stepped down from the Board on that date. I would like to thank Karen for all her hard work with the Committee and I wish her well for the future.

Performance and business context

Throughout 2020/21, our top priority was the health and wellbeing of our employees and we introduced a number of initiatives through our employee benefits packages to support our people in this difficult time. Further details can be found in this letter and on pages 61 to 63 of the Strategic Report.

As has been reported earlier in this Annual Report and Accounts, 2020/21 saw continued strategic progress for the Group. We increased our market share while also making significant investment in the Group's growth initiatives. We entered the macroeconomic downturn, triggered by COVID-19, with a strong financial position and robust business model which helped mitigate the challenges caused by COVID-19.

Management and employees worked extremely hard throughout COVID-19 to mitigate its impact on stakeholders and continued to deliver on our commitments. Equally, our management teams and employees also navigated Brexit-driven challenges, so that there was minimal disruption to our customers and suppliers.

Management took a number of measures in light of the uncertainty and limited visibility created by COVID-19 to safeguard the financial strength of the business, including a general freeze on pay increases and payment of all of the Executive Directors' and SMT's annual bonus in deferred shares. As a result, the business did not need to call on UK government support in terms of use of furlough grants and paid an additional interim dividend to replace the deferred 2019/20 final dividend in December 2020. This resilience is also reflected in our broader performance and the sustained increase in the share price over the financial year.

The strong underlying performance of the business and the effective way management dealt with COVID-19 and Brexit disruption was also reflected in the positive experience of our broader stakeholder groups:

- Customers: during COVID-19 we provided improved customer interactions (including via sourcing, product range, marketing, sales sprints and regional commercial initiatives) and we accelerated, through IESA, the launch of RS MyMRO. There was a dip in the Group rolling 12-month Net Promoter Score (NPS) in the last quarter of 2020/21 due to post Brexit issues and we have increased our customer service support in markets to help deal with the challenges.
- Our people: the health and wellbeing of our people is our first priority and, while we put people on furlough (or local equivalent), we did not claim government funds in the UK. We retained our employees during the pandemic, with the only redundancies being made as part of the structurally-driven RISE programme. We launched various employee initiatives including mental health training for our top 300 leaders. We also made an additional deficit payment into the UK defined benefit pension scheme of £12.5 million during the year in line with the recovery plan agreed with the board of the pension trustee.
- Communities: through the creation of 3D print farms, we provided 20,000 visor frames to frontline workers, and we were asked to join a working group under the UK's Office for Product Safety & Standards for additive manufacturing (3D printing) personal protective equipment (PPE). OKdo launched a 'Kits for Kids' initiative offering educational kits with learning resources to parents, and DesignSpark ran two design challenges: one for children (Extraordinary Engineering) and one for students (Connect the Community).

- Shareholders: our share price materially outperformed the FTSE 250 by 49.9 percentage points. We resumed our normal dividend policy and we paid an additional interim dividend to replace the deferred 2019/20 final dividend, as well as an increased interim dividend in 2020/21.
- Strong financial performance: we have delivered a performance ahead of consensus despite the uncertainties caused by COVID-19.
- Strategic delivery: we made good strategic progress and executed the RISE programme during the year supporting the simplification of the business. The programme is delivering to plan and we realised £7 million of operational savings this year. We also made three strategically important acquisitions – Needlers Holdings Limited, Synovos, Inc. and John Liscombe Limited. Further details can be found in the Strategic Report.
- Overall: we have been shortlisted in the Company of the Year category of the plc awards, sponsored by Barclays in association with the London Stock Exchange and BlackRock.

Remuneration approach for the year ended 31 March 2021

In terms of reward, the Board assessed business performance in its broadest sense throughout the entire financial year relative to markets, competitors and results delivered for all the Company's stakeholders. Based on that assessment, the Committee determined the outcomes against targets which had been set, including considering whether formulaic reward outcomes were balanced, equitable and proportionate and whether it was appropriate to exercise discretion to increase or decrease the outcomes.

As disclosed last year, as a result of the unprecedented market and trading uncertainty which prevented setting fair and robust full year targets at the time, the bonus for 2020/21 was based on targets for each half of the year. The Committee retained discretion to ensure the overall outcome of the annual bonus (being the sum of the two independent financial half years) appropriately reflected the annual performance of the Group, including consideration of the experience of the Group's stakeholders, namely customers, suppliers, our people, communities and shareholders, as described to the left. The overall formulaic outcome of the annual bonus based on this framework was 80.8% of maximum and no discretion has been applied. This outcome is in line with the annual bonus to be paid to senior leaders in the Group annual bonus plan. Further detail of the targets and the performance delivered are set out on page 106.

The 2018 Long Term Incentive Plan (LTIP) award, which was based on performance over the three years ended 31 March 2021, will vest at 74.7% of maximum based on performance against the total shareholder return (TSR), adjusted earnings per share (EPS) and return on capital employed (ROCE) performance targets. The strong TSR performance of ninth out of 32 companies over the period was positioned just below the upper quartile of the peer group, resulting in a vesting of 93.2% for that element. The delivery of cumulative EPS growth of 106.0p and average ROCE of 23.5%, will result in vesting of these elements at 85.0% and 35.6% of maximum respectively. The EPS target for the multiplier in the 2018 LTIP award (under which vesting could be increased by up to 1.5x) was not met and this element of the award lapsed in full. The vested shares will be subject to a two-year holding period in line with our Remuneration policy. Further details regarding the performance targets and how they were met are provided on page 106.

As explained in last year's report, the grant of the 2020 LTIP award was delayed to ensure that the targets set were sufficiently robust and stretching. These awards were granted in November 2020, with stretching EPS targets which reflect exceptional levels of performance from the delivery of strategic objectives which transform long-term financial performance. Further detail can be found on page 107. The awards were made at the level of 250% of salary to both Executive Directors, in accordance with our Remuneration Policy. We increased the award level for David Egan, Chief Financial Officer (CFO), to further incentivise exceptional performance after taking into account a number of factors including market data and robust business performance, as well as his increasingly broader role in driving and delivering a transformational agenda and helping navigate the business through the challenges of COVID-19. In recognition of the award size, the Committee has also approved a corresponding increase in David's shareholding requirement to 250% of salary.

Board succession

During the year, Rona Fairhead succeeded Peter Johnson as Company Chair. Rona was initially appointed to the Board in November 2020 and took over the role of Chair on 1 February 2021, at which point Peter stepped down as Chair from the Board. Rona's fee was set at a level of £350,000 per annum, which the Committee determined to be market competitive. Peter continued to be paid his usual fees while in the role of Chair. On 21 January 2021, he then received a payment of £49,154, representing the outstanding two months of his notice period and which was paid to him as a lump sum. Further details are set out on page 108 of this Report. Throughout Peter's time with the Group, he demonstrated excellent commitment and contribution in overseeing the business returning to value creating growth as well as setting the Group up for the next phase of its development, which Rona will lead us through.

Remuneration approach for the year ending 31 March 2022

The Committee undertook the annual review of Executive Director salaries, taking into account a range of reference points in line with the provisions of our Remuneration Policy. The Committee noted the exceptionally strong personal performance of both Executive Directors, leading the organisational transformation, driving both organic and inorganic growth, mitigating the impact of COVID-19 and Brexit and delivering strong and resilient business performance for all our stakeholders (as referred to above). This translated to a significant and sustained increase in our share price over the year, reaching historic highs for the Company, creating over £2 billion of additional value for our shareholders, and continuing our upward trajectory through the FTSE 250 and towards the FTSE 100. The Committee also reflected on the market positioning of salaries, taking into account this significant growth in size and complexity of the business over the period. For the wider UK employee population, we continued to apply a performance-based salary framework, under which strong performers received an increase between 2% and 3% while the increase for top performers was 3.2% to 5%. Reflecting on all of these factors, the Committee agreed to increase the salary of both Executive Directors by 4% with effect from 1 June 2021, which the Committee believes a fair and appropriate reflection of performance, market data and consistency with the framework which applies to the broader employee population.

The Committee has agreed to return to an annual plan for 2021/22 and the bonus measures will remain adjusted profit before tax (PBT), revenue, adjusted free cash flow and NPS. However, the weightings will be adjusted to have an increased weighting on profit (40%), then revenue (30%), followed by NPS (20%) and cash (10%).

The Committee has decided to continue with the current performance measures and weightings for the 2021 LTIP awards. The bespoke TSR peer group of 16 of the Group's global peers (as set out on page 107) will remain unchanged. In light of the ongoing market and trading uncertainty, the adjusted EPS targets for this award had not been finalised by the Committee as at the date of this Report. However, they will be published in the corporate governance section of the Group's website in advance of the 2021 Annual General Meeting.

Incentive opportunities for the Executive Directors, for both bonus and LTIP, will remain unchanged and in line with our current Policy.

As set out on pages 52 to 67, the Board is developing a plan around environmental, social and governance (ESG). The Committee recognises the importance of ensuring that the incentives framework aligns to the key strategic objectives of the business, including in respect of ESG. As part of the forthcoming Policy review, the Committee will consider how best to address this, with a view to inclusion in the incentive framework with effect from the year ending 31 March 2023 (the first year of the new Remuneration Policy).

Executive Directors' pensions

As noted in previous reports, we are committed to providing Executive Directors with remuneration packages which are market competitive, include a balance of fixed and performance-linked components and provide a total compensation opportunity which appropriately rewards them for exceptional performance. The Committee recognises that pension entitlement is an important part of the market competitive fixed remuneration for the Executive Directors. The current Executive Directors receive pension contributions as a percentage of base salary, which was a contractual commitment entered into when they were appointed in 2015 and 2016. The Committee is very conscious of its contractual commitments to all employees, including Executive Directors. The Executive Directors' contractual entitlement to pension contributions was reduced in 2020/21 from 20% to 18% without any associated compensation.

The Committee, however, also recognises the desire of shareholders to align executive directors' pension entitlements with those of the wider workforce. Indeed, under the terms of our current Remuneration Policy, any new Executive Director would receive a maximum pension contribution in line with the wider workforce (currently 10.5% of salary).

The Committee has now determined that the pension contribution for our two Executive Directors will be aligned with the prevailing rate for the wider employee population by the end of December 2022, in line with shareholder guidance. We remain committed to providing total compensation packages that are appropriately market competitive. The alignment of pension contributions will therefore be implemented by the Committee as part of a wider assessment of the competitiveness of our overall remuneration framework, which we will undertake later this year as part of the Remuneration Policy review in advance of the 2022 AGM.

Dialogue with shareholders

Finally, the Committee will continue to maintain a dialogue with shareholders and keep market practice and governance developments under review. I look forward to engaging with many of our major shareholders as we develop our next Remuneration Policy during the coming year.

Simon Pryce

Chair of the Remuneration Committee
24 May 2021

Directors’ Remuneration Policy

A summary of the 2019 Remuneration Policy for our Executive and Non-Executive Directors is reproduced below for information only. This represents an extract of the Remuneration Policy, approved by shareholders on 17 July 2019, save for updates to reflect changes in operation (which are duly noted). A Remuneration Policy report is contained on pages 81 to 88 of the Annual Report and Accounts for the year ended 31 March 2019 which is available on our corporate website: **electrocomponents.com**.

Component: Base salary	
Objective	To provide a broadly market-competitive level of fixed pay reflecting the scale and complexity of our business enabling us to attract and retain global talent.
Operation	Generally reviewed each year, with increases normally effective from 1 June. Salaries are set by the Committee to reflect factors which include the scale and complexity of the Group, the scope and responsibilities of the role, the skills and experience of the individual, and the Committee's assessment of the competitive environment including consideration of appropriate market data for companies of broadly similar size, sector and international scope to Electrocomponents plc.
Opportunity	There is no prescribed maximum salary. Salaries effective at the end of the year under review (and changes occurring in the following year) are disclosed in the Annual Report on Remuneration. Base salary increases are applied in line with the outcome of the annual review. Factors that are considered include increases for other employees, changes in role and responsibilities, market levels, and individual and Company performance. Salary increases will not normally be materially different to those given to other senior managers in the Group.
Performance measures	Not applicable.
Component: Pension	
Objective	To provide a level of retirement benefit that is competitive in the relevant market.
Operation	Executive Directors may participate in the defined contribution section of the Electrocomponents Group Pension Scheme (Scheme) or receive a cash supplement in lieu. The defined benefit section of the Scheme is closed to new entrants.
Opportunity	A maximum contribution or cash supplement of 20% ¹ of base salary for current Executive Directors. Base salary is the only element of remuneration that is pensionable. Newly appointed Executive Directors will have a maximum opportunity in line with the wider workforce. The current maximum opportunity for the wider workforce is 10.5% of base salary.
Performance measures	Not applicable.
Component: Benefits	
Objective	To provide benefits in line with the relevant market.
Operation	Executive Directors are provided with a company car (or a cash allowance in lieu thereof), fuel allowance and medical insurance. Other benefits may be provided or introduced from time to time to ensure the benefits package is appropriately competitive and reflects the circumstances of the individual Director.
Opportunity	Whilst there is no prescribed maximum, Executive Directors do not normally receive total taxable benefits exceeding 10% of salary and it is not currently anticipated that the cost of benefits provided will exceed this level in the financial years over which this policy will apply. The Committee retains the discretion to approve a higher cost where appropriate (for example, relocation expenses or expatriation allowance) or in circumstances where factors outside the Company's control have changed materially (for example, market increases in insurance costs).
Performance measures	Not applicable.

1. The current pension rate for incumbent directors has already been reduced to 18%, the Committee has determined that this will be further reduced to 10.5% of base salary by the end of December 2022 in line with shareholder guidance.

Component: Annual bonus	
Objective	To focus Executive Directors on achieving demanding annual targets relating to Company performance. The deferral element ensures focus on our longer-term business goals.
Operation	Performance targets are normally set at the start of the financial year taking into account the annual targets agreed by the Board. After the end of the financial year, the Committee determines the extent to which these targets have been achieved. A proportion of the total bonus payment (currently one-third) is delivered in the form of deferred shares in the Company under the Deferred Share Bonus Plan (DSBP). These shares normally vest after a period of two years, subject to continued employment. Dividend equivalents may be payable on shares which vest and will be delivered in the form of shares. The remainder is paid in cash after the year end. Malus and clawback provisions apply to all elements of the annual bonus (see notes to this table). The Committee will operate the deferred bonus in accordance with the rules of the plan.
Opportunity	Maximum opportunity in respect of a financial year: 150% of base salary.
Performance measures	Payment is determined by reference to performance, assessed over one financial year based on financial and strategic performance measures which the Committee considers to be aligned to the annual strategy and the creation of shareholder value. Such measures may include: <ul style="list-style-type: none">• Revenue growth• Adjusted profit before tax (PBT)• Cash flow• Net Promoter Score The weightings of these performance measures are normally agreed by the Committee at the start of each year, according to annual business priorities. The overall framework will normally be weighted towards financial measures of performance. The Committee retains discretion to use different or additional measures and weightings to ensure that the bonus framework appropriately supports the business strategy and objectives for the relevant year. Before any bonus may pay out, a threshold level of adjusted PBT must be achieved. The Committee has discretion to adjust the formulaic bonus outcomes (including down to zero) to ensure alignment of pay with performance and fairness to shareholders and participants. The Committee also has the discretion to adjust targets for any exceptional events that may occur during the year. Any such discretion will be within the limits of the plan and will be fully disclosed in the relevant Annual Report on Remuneration. For threshold performance, the bonus payout will normally be nil, but in no circumstances will it exceed 10% of the maximum opportunity. For target performance, the bonus payout will typically be 50% of the maximum opportunity.

Directors' remuneration report continued

Component: LTIP	
Objective	To link the largest part of Executive Director remuneration with long-term business performance. Performance metrics are aligned with shareholders' interests, and the holding period ensures a focus on sustainable performance.
Operation	<p>A conditional award of shares (Award) may be made annually under the Company's Long Term Incentive Plan.</p> <p>Awards vest after a performance period of at least three years, subject to the satisfaction of the performance measures and to continued employment with the Group. Dividend equivalents may be payable on any shares vesting and will be delivered in the form of shares.</p> <p>There will be a further holding period of two years following vesting. Malus and clawback provisions apply (see notes to this table).</p> <p>The Committee will operate the LTIP in accordance with the rules of the plan.</p>
Opportunity	The maximum annual award size under the LTIP in respect of a financial year will be 250% of salary.
Performance measures	<p>Vesting is determined by reference to performance assessed over a period of at least three years, based on performance measures which the Committee considers to be aligned with the delivery of strategy and long-term shareholder value.</p> <p>The performance measures for Awards are determined annually and will include metrics linked to profitability, shareholder value and capital efficiency.</p> <p>The performance measures for Awards in respect of 2020/21 are as follows:</p> <ul style="list-style-type: none"> Adjusted EPS – 50% Comparative TSR – 50% The LTIP will also be subject to a ROCE underpin. If the underpin is not met at the end of the performance period, the Committee retains the discretion to review the formulaic level of vesting and consider whether any reduction should be applied. <p>Additionally, for the Award to vest, the Committee must be satisfied that there has been a sustained improvement in the Company's underlying financial performance. The Committee has discretion to adjust the formulaic LTIP outcomes to ensure the outcome is aligned with value creation for shareholders and that it is a fair reflection of the Company's performance. The Committee also has discretion to adjust targets for any exceptional events that may occur during the performance period.</p>

Component: All employee share plans	
Objective	To encourage the ownership of Electrocomponents plc shares.
Operation	Executive Directors will be eligible to participate in all employee share plans on the same basis as other employees.
Opportunity	Maximum opportunity will be in line with other employees and HMRC approved limits, where appropriate.
Performance measures	Not applicable.

Component: Share ownership	
Objective	To align Executive Director and shareholder interests and reinforce long-term decision making.
Operation	<p>Executive Directors are expected to retain at least 50% of any share awards that vest (net of tax) in order to help build up the following required personal holdings of Electrocomponents plc shares:</p> <ul style="list-style-type: none"> CEO: 250% of salary CFO: 250% of salary¹
Opportunity	Not applicable.
Performance measures	Not applicable.

Component: Post-employment shareholdings	
Objective	To align Executive Director and shareholder interests after they have left the Group.
Operation	<p>Unvested LTIP awards will continue to the normal vesting date (subject to leaver status).</p> <p>Once LTIP awards vest the two-year holding period will continue to apply post-employment.</p>
Opportunity	Not applicable.
Performance measures	Not applicable.

1. Note that the Remuneration Policy requirement for the CFO is 210% of salary. This was increased by the Remuneration Committee to 250% of salary in line with the level of LTIP award. Further detail is available on page 107.

Notes to the 2019 Remuneration Policy table

Malus and clawback provisions

All elements of the annual bonus and the LTIP are subject to malus and clawback provisions. In the event of misconduct of the participant or their team or materially adverse misstatement of the Company's financial statements, the Committee has discretion to apply the following malus and clawback provisions in respect of the annual bonus (including DSBP) and the LTIP. The Committee may:

- Require a participant to return a cash bonus at any time up to the second anniversary of payment
- Reduce (including down to zero) a DSBP award prior to vesting
- Reduce (including down to zero) an LTIP award prior to vesting and / or require, at any time prior to the end of the holding period, a participant to return part or all of the value of the LTIP award received

Chair and Non-Executive Director remuneration policy

Non-Executive Directors do not have service agreements, but instead have letters of engagement providing for an initial three-year term. The Chair's letter of engagement provides a three-month notice period and the Non-Executive Directors' letters have a three-month notice period. All Directors are subject to re-election annually at the AGM.

Neither the Chair nor the Non-Executive Directors are eligible to participate in any of the Company's bonus, long-term incentive or pension plans. Details of the policy on fees paid to the Company's Non-Executive Directors are set out in the table below.

Chair and Non-Executive Directors

Component: Fees	
Objective	To attract and retain Non-Executive Directors of the highest calibre with broad commercial experience relevant to the Group.
Operation	<p>The fees paid to Non-Executive Directors are determined by the Board of Directors as a whole and the fee paid to the Chair is determined by the Remuneration Committee.</p> <p>Non-Executive Directors and the Chair receive a single base fee. Additional fees may be payable for additional Board duties, such as acting as Chair of the Audit, Nomination and Remuneration Committees, and to the Senior Independent Director.</p> <p>Fee levels are normally reviewed annually, with any adjustments made typically effective from 1 April. Fees are reviewed by taking into account best practice and appropriate market data including fee levels at other companies of broadly similar size, sector and international scope to Electrocomponents plc. Time commitment and responsibility are also taken into account when reviewing fees.</p> <p>The Chair and the Non-Executive Directors may be provided with accommodation and travel expenses in order to carry out their duties. This may include the settlement by the Company of any associated tax liabilities in relation to these expenses. Other benefits arising from the performance of duties may be provided.</p>
Opportunity	<p>Aggregate ordinary fees for Directors are limited to £800,000¹ by the Company's Articles of Association.</p> <p>The fees paid to Non-Executive Directors in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration.</p>
Performance measures	Not applicable.

1. A proposal to increase the aggregate ordinary fees for Directors to £1.2 million will be put to the 2021 AGM. The aggregate amount was last reviewed in 2017, therefore revising the current limit should ensure the level remains fit for purpose for the next five years.

Compliance with Provision 40 and 41 of the UK Corporate Governance Code

The Committee considers that the executive remuneration framework appropriately addresses the following factors under Provision 40 of the UK Corporate Governance Code (the Code).

As well as a focus on Executive Director remuneration, the Committee has oversight for the remuneration policies of the Group to ensure alignment with the business strategy and values of the Group. We value the contribution employees make to the success of the Group and charge management with the responsibility for ensuring a sustainable approach to employee remuneration.

It is important to the Committee that all employees are paid at a fair level reflecting the skills they bring to the Group. We use benchmarking information to ensure we pay competitively to attract and retain talent.

Part of building a sustainable Group is about ensuring employees have an opportunity to share in the success they help create. How this is achieved is outlined in the CEO Pay Ratio reporting section on page 109.

We engage regularly with employees on remuneration in general. Over the past year we have held regular sessions for employees on financial planning, ranging from basic budgeting to savings, and our bonus plan. We have a regular communication cadence to highlight the range of benefits available to employees, including our medical, employee discounts and fleet offerings.

Factors under Provision 40

Clarity	We provide open and transparent disclosures of our Executive Directors' remuneration arrangements including undertaking engagement with key shareholders when considering changes to our Remuneration Policy.
Simplicity	We aim to ensure that remuneration arrangements for both our Executive Directors and the wider workforce are as simple as possible to drive understanding and engagement, and we take time to engage with participants and shareholders.
Predictability	Our Remuneration Policy contains details of maximum opportunity levels for each component of pay, with actual incentive outcomes varying depending on the level of performance achieved against specific measures.
Proportionality, risk and alignment to culture	<p>The metrics used to measure performance for annual bonus and LTIP awards drive behaviours that are consistent with the business strategy and values of the organisation.</p> <p>The annual bonus and LTIP structures do not encourage inappropriate risk-taking. They are subject to the achievement of stretching performance targets, and the Committee has the ability to apply discretion to the formulaic outcomes. Malus and clawback provisions also apply for both the annual bonus and LTIP. Annual bonus deferral, LTIP holding periods and our shareholding guidelines provide a clear link to the ongoing performance of the business and are therefore aligned with shareholder interests.</p>

With regard to provision 41 the Remuneration Policy operated as intended in terms of Company performance and quantum.

Annual report on remuneration

Implementation of the 2019 Remuneration Policy for the year ending 31 March 2022

Base salary

Base salaries for the Executive Directors effective from 1 June 2021 (with the prior year comparator and the change) are shown below:

	Salary effective 1 June 2021	Salary effective 1 June 2020	Change
Lindsley Ruth	£668,203	£642,503	4%
David Egan	£436,497	£419,709	4%

To reward the exceptionally strong personal performance of both Executive Directors, leading the organisational transformation, driving both organic and inorganic growth, mitigating the impact of COVID-19 and Brexit and delivering strong and resilient business performance for all our stakeholders, the Executive Directors will each receive a 4% base salary increase. Further detail regarding the performance can be found on pages 94 and 95.

Benefits

Benefits will be provided in accordance with the approved 2019 Remuneration Policy.

Pension

Executive Directors' pension will remain at 18% of base salary for the year. As explained on page 97, the Committee has agreed that the pension rate for incumbent Executive Directors will be aligned with the prevailing rate for the wider employee population (currently 10.5% of base salary) by the end of December 2022, in line with shareholder guidance.

Performance-related annual bonus

The maximum annual bonus opportunity for Executive Directors will remain unchanged (at 150% of base salary). The bonus outcomes for Executive Directors will be based on the following performance measures:

Performance Measure	Weighting
Adjusted PBT	40%
Like-for-like Group revenue growth	30%
Adjusted free cash flow	10%
Group NPS	20%

There is one change to the performance measures of the 2021/22 annual bonus plan which is the modification of the weightings of the four elements, to have the greatest weighting on profit, with less emphasis on the cash flow and NPS measures.

A return will be made to a single annual bonus target for 2021/22. Annual bonus targets are considered to be commercially sensitive as they may reveal information that damages our competitive advantage. Accordingly, they will not be disclosed in advance but, to the extent the Directors consider them to no longer be sensitive, are disclosed retrospectively in the Annual Report on Remuneration for the relevant year.

The Committee retains the discretion within our Remuneration Policy to adjust the overall bonus outcome to ensure alignment of pay with performance and fairness to shareholders and participants.

In accordance with the 2019 Remuneration Policy, before any bonus may be paid, a threshold level of adjusted PBT must be achieved.

One-third of any bonus earned will be deferred into shares for a further two years under the DSBP.

LTIP
Lindsley Ruth and David Egan will receive 2021 LTIP awards of 250% of salary in accordance with the 2019 Remuneration Policy.

The Committee has decided to continue with the current performance measures and weightings for the 2021 LTIP awards. The bespoke TSR peer group of 16 of the Group's global peers (as set out on page 107) will remain unchanged. In light of the ongoing market and trading uncertainty, the adjusted EPS targets for this award had not been finalised by the Committee as at the date of this Report. However, they will be published in the corporate governance section of the Group's website in advance of the 2021 Annual General Meeting.

Vesting of these awards will be determined in accordance with the agreed performance targets measured over the three years ending 31 March 2024.

All employee share plans
Executive Directors are able to participate in any all employee share schemes offered to all employees on identical terms.

Implementation of Chair and Non-Executive 2019 Remuneration Policy for the year ending 31 March 2022

The Chair's fees were determined when Rona Fairhead stepped into the role in February 2021 and were set at £350,000, following a market review. There will be no change to the Chair's fees during the year ahead.

To maintain market competitiveness, Non-Executive Directors’ fees were increased from £60,000 to £61,700 and the additional fees for Committee Chairs and the Senior Independent Director were increased from £10,000 to £15,000 with effect from 1 April 2021.

Implementation of Chair and Non-Executive 2019 Remuneration Policy for the year ended 31 March 2021
Single figure for total remuneration for Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 March 2021 and the prior year:

	Total fees	
	2021	2020
Peter Johnson ¹	£225,000	£270,000
Rona Fairhead ²	£73,333	–
Bertrand Bodson	£60,000	£60,000
Louisa Burdett	£70,000	£70,000
Karen Guerra ³	£52,500	£68,333
Bessie Lee	£60,000	£60,000
Simon Pryce	£70,000	£70,000
David Sleath ⁴	£78,333	£59,166
Joan Wainwright	£60,000	£25,000

1. Peter Johnson stepped down as Chairman of the Board of Directors on 1 February 2021, at which point his successor, Rona Fairhead assumed the role.
2. Rona Fairhead was appointed to the Board on 1 November 2020 as a Non-Executive Director and received the Non-Executive Director base fee until she became Chair of the Board and the Nomination Committee on 1 February 2021 at which point her fee was increased to the Chair's fee of £350,000.
3. Karen Guerra stepped down from the Board on 31 December 2020.
4. David Sleath stepped down as Chair of the Nomination Committee on 31 January 2021.

The Non-Executive Directors received base fees of £60,000 per annum. Their fees were not increased for the year ended 31 March 2021. David Sleath received an additional fee of £10,000 per annum for his role as Senior Independent Director and an additional fee of £10,000 per annum as Chair of the Nomination Committee until he stepped down from this role on 31 January 2021. Fees were paid on a pro rata basis reflecting length of time in the role. Louisa Burdett received an additional fee of £10,000 as Chair of the Audit Committee and Simon Pryce received an additional fee of £10,000 as Chair of the Remuneration Committee. Karen Guerra received an additional fee of £10,000 per annum for her role as the Board's representative on employee engagement. This was paid on a pro rata basis to reflect the time in the role as she stood down from the Board on 31 December 2020. This amount of £10,000 will now be split equally between Bessie Lee and Joan Wainwright who are now jointly appointed Board representatives for employee engagement.

Implementation of Executive Director 2019 Remuneration Policy for the year ended 31 March 2021
Single figure for total remuneration for Executive Directors (audited)

The following table provides a single figure for total remuneration of the Executive Directors for the year ended 31 March 2021 and the prior year. The value of the annual bonus includes the element of bonus deferred under the DSBP, where relevant.

	2021	2020
Lindsley Ruth		
Base salary	£642,503	£639,485
Taxable benefits ¹	£17,649	£17,649
Pension benefit ²	£115,650	£128,501
Total fixed	£775,802	£785,635
Annual bonus ³	£778,714	£208,846
LTIP ^{4, 5}	£975,898	£1,556,126
Total variable	£1,754,612	£1,764,972
Total	£2,530,414	£2,550,607
David Egan		
Base salary	£419,709	£417,738
Taxable benefits ¹	£16,139	£16,139
Pension benefit ²	£75,542	£83,942
Additional amount for interim CEO role ⁶	–	£60,000
Total fixed	£511,390	£577,819
Annual bonus ³	£508,687	£136,426
LTIP ^{4, 5}	£531,242	£863,546
Total variable	£1,039,929	£999,972
Total	£1,551,319	£1,577,791

1. Taxable benefits consist of medical insurance, company car (or allowance) and personal fuel allowance.
2. Each of the Executive Directors received the amounts shown above as a cash supplement in lieu of pension (the cash amount reduced from 20% to 18% of base salary during the year and the actual amount received is provided). No Executive Director has prospective benefit under a defined benefit pension relating to qualifying service.
3. Annual bonus shows the full value of the annual bonus in respect of each year. For 2021, this value will be delivered as one third shares and two thirds cash. For 2020, the value was delivered solely in the form of deferred shares which will vest after two years. Further detail can be found on page 106 for 2021 and page 107 for 2020.
4. The LTIP value for 2021 shows the value of LTIP awards made on 7 June 2018 which will vest in June 2021. The plan will vest at 74.7% of maximum. The value on vesting of the LTIP performance award has been calculated using the share price of 956.57p, being the average share price over the three months to 31 March 2021 and will be updated in the 2021/22 Annual Remuneration Report based on the actual share price on the date of vesting. The figure includes a dividend equivalent payment of £43,195 for Lindsley Ruth and £23,514 for David Egan in respect of the shares vesting which will be delivered in the form of cash. £276,271 of the total value for Lindsley Ruth and £150,391 of the total value for David Egan is in respect of the share price growth and dividends over the period since grant, based on the assumed share price of 956.57p. Based on the increase in the share price from the date of grant to that used for the valuation above, the increase in the share price for each share vesting was 239.04p. The proportion of the value disclosed in the single figure attributable to share price appreciation is £233,076 for Lindsley Ruth and £126,878 for David Egan. The Committee did not exercise any discretion in respect of this share price appreciation. Further detail can be found on page 106.
5. The LTIP value for 2020 shows the value of LTIP awards made on 26 May 2017 which vested on 9 June 2020. The value on vesting of the LTIP award has been restated based on the share price on the date of vesting of 677.58p. The figure includes dividend equivalent payments of £74,018 to Lindsley Ruth and £41,075 to David Egan in respect of the shares vesting. £218,134 of the total value for Lindsley Ruth and £121,046 of the total value for David Egan is in respect of the share price growth and dividends over the period between grant and vesting.
6. This relates to the performance of additional interim CEO duties and responsibilities for a period of three months during 2019/20. This value was delivered in the form of shares on 29 June 2020 and was calculated using the share price of 671.83p per share, being the average share price over the three days preceding 29 June 2020.

Incentive outcomes for the year ended 31 March 2021 (audited)

Annual bonus in respect of performance for the year ended 31 March 2021

The performance measures attached to the 2020/21 annual bonus plan were like-for-like Group revenue growth, adjusted PBT, adjusted free cash flow and NPS. Targeted performance was calibrated to deliver a bonus of 75% of salary for the Executive Directors, with bonus payments worth up to 150% of salary for achieving stretch performance targets.

As disclosed last year, as a result of the unprecedented market and trading uncertainty which prevented setting fair and robust full year targets at the time, the bonus for 2020/21 was based on targets for each half of the year.

Based on the Group's performance in 2020/21, a bonus outcome of 80.8% was achieved. The Committee believes this outcome is an appropriate reflection of the performance of the business and the experience of our stakeholders in respect to the year, further background is provided in the Strategic Report on pages 1 to 43.

Full details of the target ranges for both halves of the financial year and performance against each of the metrics, are as follows:

Measure and weighting	Performance level	Payout (% of max bonus)	First half target	First half actual performance	First half earned bonus (% of max)	Second half target	Second half actual performance	Second half earned bonus (% of max)	Full year earned bonus (% of max)
Like-for-like Group revenue growth (25% weighting)	Threshold	0%	(19.4%)	(7.3%)	25.0%	(5.2%)	10.2%	25.0%	25.0%
	Target	12.5%	(14.4%)						
	Maximum	25%	(9.4%)						
Adjusted PBT (25% weighting)	Threshold	0%	£39.6m	£74.3m	25.0%	£84.8m	£107.4m	24.2%	24.6%
	Target	12.5%	£45.0m						
	Maximum	25%	£50.4m						
Adjusted free cash flow (25% weighting) ¹	Threshold	0%	£20.7m	£95.5m	25.0%	£40.2m	£71.4m	25.0%	25.0%
	Target	12.5%	£25.7m						
	Maximum	25%	£30.7m						
Group NPS (25% weighting)	Threshold	0%	55.7	56.3	12.4%	55.7	54.4	0%	6.2%
	Target	12.5%	56.3						
	Maximum	25%	56.9						
Total				87.4%	74.2%				80.8%

1. In 2020/21 adjusted free cash flow was £145.4 million and in the first half of 2020/21 it was £85.0 million. These were adjusted to exclude the additional capital expenditure on the expansion of the German distribution centre and in the first half the US distribution centre as the targets also excluded this expenditure.

The final bonus outcome was 80.8% resulting in payments for Lindsley Ruth of £778,714 and £508,687 for David Egan. The amounts will be paid as one-third deferred shares and two-thirds cash. The shares will be deferred for a period of two years in accordance with the Remuneration Policy. Dividend equivalents will be deferred in the form of shares. These shares have not been awarded at the date of this Annual Report on Remuneration. The number of deferred shares awarded, the date of award and the share price used will be disclosed in the Annual Report and the Accounts for the year ending 31 March 2022.

2018 LTIP awards vesting

An award of shares was made under the LTIP in June 2018 to Lindsley Ruth over 195,795 shares and to David Egan over 106,584 shares. These awards included a base award which was subject to vesting based 50% on cumulative adjusted EPS, 25% on the Company's relative TSR versus the industrial / electronics peer group and 25% on average ROCE over the three years ended 31 March 2021. The awards also included a multiplier of up to 1.5 times the base award based on additional EPS targets.

Performance targets, and actual performance against these, is summarised in the table below:

Base LTIP targets					
Measure ¹	Weight	Threshold (25% of base)	Maximum (100% of base)	Performance achieved	Vesting (% of maximum)
Adjusted EPS (cumulative 2018/19, 2019/20, 2020/21)	50.0%	98p	108p	106.0p	42.5%
TSR (vs industrial / electronic peer group)	25.0%	Median	Upper quartile	9th of 32	23.3%
ROCE (average over 2018/19, 2019/20, 2020/21) ²	25.0%	22.9%	26.9%	23.5%	8.9%
Total base LTIP vesting					74.7%

	Threshold (1x base vesting)	Maximum (1.5x base vesting)	Performance achieved	Vesting (% of maximum)
Adjusted EPS Multiplier (cumulative 2018/19, 2019/20, 2020/21)	112p	119p	106.0p	0%
Total vesting				74.7%

1. Straight-line vesting between measurement points (Base LTIP and Multiplier). Vested awards will be subject to a two-year holding period.
2. ROCE targets have been adjusted for the impact of the adoption of IFRS16 'leases' in 2019/20. This was a technical adjustment to the targets in order to retain the same level of stretch in the targets following the change in accounting standard. As a result of the acquisitions in the year, the calculation of ROCE has been updated elsewhere in this Annual Report and Accounts to be based on the monthly average capital employed rather than closing capital employed (see Note 3 on page 134). However, as the ROCE targets were set using closing capital employed, the ROCE performance achieved is calculated using closing capital employed for each year with the ROCE for 2020/21 adjusted to exclude the impact of acquisitions.

Following the end of the performance period, the Committee considered the level of vesting in the context of the value creation for shareholders, the underlying financial performance of the Company over the performance period and considered whether any discretion should be applied. The Committee considered the level of vesting to be appropriate.

Scheme interests awarded during the year ended 31 March 2021 (audited)

DSBP

During the year under review the decision was taken to deliver the annual bonus earned for the Executive Directors and SMT fully in deferred shares, for performance over the year ended 31 March 2020. The shares have a two-year vesting period and are subject to two-years continuous employment. These awards were dependent upon payment of the deferred 2019/20 final dividend to shareholders. This condition has been fulfilled with the payment of an additional interim dividend to replace the deferred 2019/20 final dividend to shareholders on 18 December 2020.

	Lindsley Ruth	David Egan
Basis of award	100% of earned bonus	100% of earned bonus
Number of shares awarded	30,216	19,738
Award date face value (691.167p per share) ¹	£208,846	£136,422
Performance conditions	None	None

1. The awards were made using the average of the share prices for the three dealing days immediately preceding 8 June 2020, the date the shares were awarded.

LTIP

As outlined in the Chair's letter on page 96, one of the measures taken in our response to COVID-19 was to delay the 2020 LTIP award grant from June 2020 to November 2020 to assess the impact on performance and to set appropriate targets for the three-year performance period. The awards, which are conditional awards (as set out below), were made at the level of 250% of salary to both Executive Directors, in accordance with our Remuneration Policy. David Egan's award level was increased to further incentivise exceptional performance after taking into account a number of factors including market data, robust business performance, as well as his increasingly broader role in driving and delivering a transformational agenda (including acting as interim CEO for some of the year ended 31 March 2020) and helping navigate the business through the challenges of COVID-19 in the year ended 31 March 2021. In recognition of the award size, the Committee has also approved a corresponding increase in David Egan's shareholding requirement to 250% of salary.

The following 2020 LTIP awards were made to the Executive Directors:

	Lindsley Ruth	David Egan
Basis of award (% of base salary) ¹	250%	250%
Number of performance shares awarded	195,486	127,699
Award date face value (821.67p per share) ²	£1,606,250	£1,049,264
Performance period	1 April 2020 – 31 March 2023	
Threshold vesting outcome	25%	
Post-vesting holding period	Two years	

1. In recognition of David Egan covering the CEO role for a period of the year under review and his expanded role, his 2020 LTIP award was granted at 250% of salary. David Egan's shareholder requirement was also increased to 250% to align with the increased LTIP grant.
2. The awards were made using the average of the share prices for the three dealing days immediately preceding 19 November 2020, the date the shares were awarded.

The performance conditions were as follows:

LTIP targets			
Measure	Weight	Threshold (25% of base)	Maximum (100% of base)
Adjusted EPS (cumulative 2020/21, 2021/22, 2022/23) ¹	50%	105p	130p
TSR (vs Industrial / Electronic peer group) ^{1,2}	50%	Median	Upper quartile
ROCE (average over 2020/21, 2021/22, 2022/23)	Underpin	Set at 20%. If the underpin is not met, the Committee will review the formulaic level of vesting and consider whether it would be appropriate to use its discretion to reduce the level of vesting.	

1. Straight-line vesting between measurement points.
2. Comprises ABB, Arrow Electronics, Avnet, Bunzl, Datwyler, Essentra, Fastenal, Ferguson, MSC Industrial Supply, Rexel, Rockwell, Schneider, Siemens, TE Connectivity, WESCO International and WW Grainger.

Save As You Earn (SAYE)

During the year under review, an SAYE award was granted to Lindsley Ruth.

Basis of award	Savings related option
Number of options granted	5,235
Grant date	7 September 2020
Grant date face value (715.50p) per share	£37,456
Exercise price	573.00p (20% discount to grant price)
Normal vesting date	1 November 2025
Normal expiration date	30 April 2026
Performance conditions	None
Threshold vesting income	N/A

Total pension entitlements (audited)

Lindsley Ruth and David Egan are able to participate in the defined contribution section of the Scheme. Under contractual agreements, both Lindsley and David have chosen to take a cash allowance of base salary instead. Under their contracts, they were both entitled to a cash allowance of 20% of base salary and this was reduced to a cash allowance of 18%, the value of which is captured in the single figure for total remuneration (table on page 105). As explained on page 103, the Committee has agreed that the pension rate for incumbent Executive Directors will be aligned with the prevailing rate for the wider workforce (currently 10.5% of salary) by the end of December 2022, in line with shareholder guidance. Executive Directors have no prospective entitlement to a defined benefit pension by reason of qualifying service.

Payments to past Directors (audited)

On 6 October 2020, the Company announced that Peter Johnson would stand down as Chair of the Board of Directors on 1 February 2021. Under the terms of his appointment, Peter Johnson was entitled to six months' notice period, such notice commencing on 6 October 2020 and which ended on 5 April 2021. Peter continued to be paid his usual fees whilst in the role of Chair. On 21 January 2021, he then received a lump sum payment of £49,154, representing the outstanding two months of his notice period, and which was paid to him as a lump sum. This payment was in accordance with the Company's Remuneration Policy. No further payments were or will be made to Peter.

External appointments

Lindsley Ruth was appointed non-executive director of Ashtead Group plc on 1 May 2019. His fees for this role in 2020/21 were £60,000.

Percentage change in remuneration of the Directors and employees

The table below shows the percentage change in the annual cash remuneration of the Directors' (comprising base salary / fees, the value of taxable benefits and earned annual bonus), as disclosed in the single figure for total remuneration (tables on pages 104 and 105) from the prior year compared with the average percentage change for all employees of the Electrocomponents Group. If the Directors did not serve a full year their base salary / fee is annualised. In line with the change in reporting requirements, this group consists of 2,253 UK based SMT and employees. There was no annual salary review across the Group in the year, however, the small increase in the broader employee base pay reflects promotions and job changes. The large upward change in bonus reflects the strong performance of 2020/21 bonus plans across the Group. Benefits provided for broader employees include medical insurance and for some employees vehicle or vehicle allowance. The reduction in benefits for broader employees is explained by employees changing medical coverage levels or opting out of the plan.

	Base salary / fees	Taxable benefits	Annual bonus
	Change 2019/20 – 2020/21	Change 2019/20 – 2020/21	Change 2019/20 – 2020/21
Lindsley Ruth	0%	0%	272.9%
David Egan	0%	0%	272.9%
Peter Johnson ¹	0%	N/A	N/A
Rona Fairhead ²	N/A	N/A	N/A
Bertrand Bodson	0%	N/A	N/A
Louisa Burdett	0%	N/A	N/A
Karen Guerra ³	0%	N/A	N/A
Bessie Lee	0%	N/A	N/A
Simon Pryce	0%	N/A	N/A
David Sleath ⁴	0%	N/A	N/A
Joan Wainwright ⁵	0%	N/A	N/A
UK based SMT and employee population	1.3%	(1.5)%	114.5%

1. Peter Johnson stepped down as Chairman of the Board of Directors on 1 February 2021, at which point his successor, Rona Fairhead assumed the role.
2. Rona Fairhead was appointed to the Board on 1 November 2020 as a Non-Executive Director and received the Non-Executive Director base fee until she became Chair of the Board and the Nomination Committee on 1 February 2021 at which point her fee was increased to the Chair's fee of £350,000.
3. Karen Guerra stepped down from the Board on 31 December 2020.
4. David Sleath joined the Board on 1 June 2019, was appointed SID on 1 September 2019 and was Chair of the Nomination Committee from 13 December 2019 to 31 January 2021.
5. Joan Wainwright was appointed to the Board on 1 November 2019.

CEO Pay Ratio reporting

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021 pay ratio reporting ¹	A	99:1	88:1	49:1
2020 pay ratio reporting	A	207:1	166:1	105:1

1. UK-based employee data was taken from 31 January 2021. CEO data was taken from the single figure for total remuneration as published in the 2019/20 Directors' Remuneration Report.

The Company adopted Option A in the regulations to calculate the pay ratios because this is considered to be the most statistically robust methodology. Under Option A the total pay and benefits has been calculated on a full-time equivalent basis to identify the 25th percentile, median and 75th percentile employees. No elements of pay have been omitted from the calculation and there has been no deviation from the single figure methodology.

CEO pay was significantly lower in 2021 pay ratio reporting than the prior year, resulting in a steep decline in ratio. This was largely driven by the lower LTIP vest value, compared to 2020 pay ratio reporting and the reduced bonus performance of 21.7% of maximum paid in June 2020. It should be noted that a significant portion of CEO pay is delivered via the LTIP, the value of which is variable and linked to long-term performance targets and to the Company's share price movements over the longer term. In 2021 pay ratio reporting, 61% of the CEO's ratio was based on LTIP as it vested at 136.9% of maximum opportunity.

The ratios will depend significantly on the outcomes of the LTIP and may fluctuate from one year to the next. The greater the performance the business delivers to our shareholders the higher the ratio is likely to be.

It is important that our employees also have the opportunity to share in the success of the business that they help create. We achieve this through:

- Providing a SAYE plan to help our UK employees become business owners.
- Providing a phantom share save plan in those countries outside the UK where it is legally possible to do so (which is cash settled for participants).
- Providing the opportunity to more than 90% of our employees at all levels of the organisation to participate in an annual bonus programme.

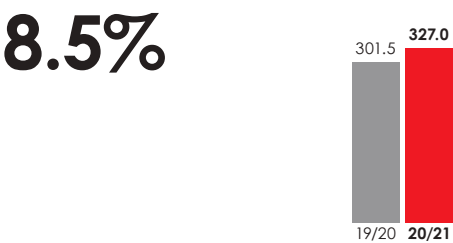
Relative importance of spend on pay

The graphs below show total dividend paid by the Company to shareholders and expenditure on total employee pay for the year and the prior year, and the percentage change year-on-year.

Dividend (£m)



Total employee pay expenditure (£m)



The total employee pay expenditure figures above include labour exit costs set out in Note 8 on page 137.

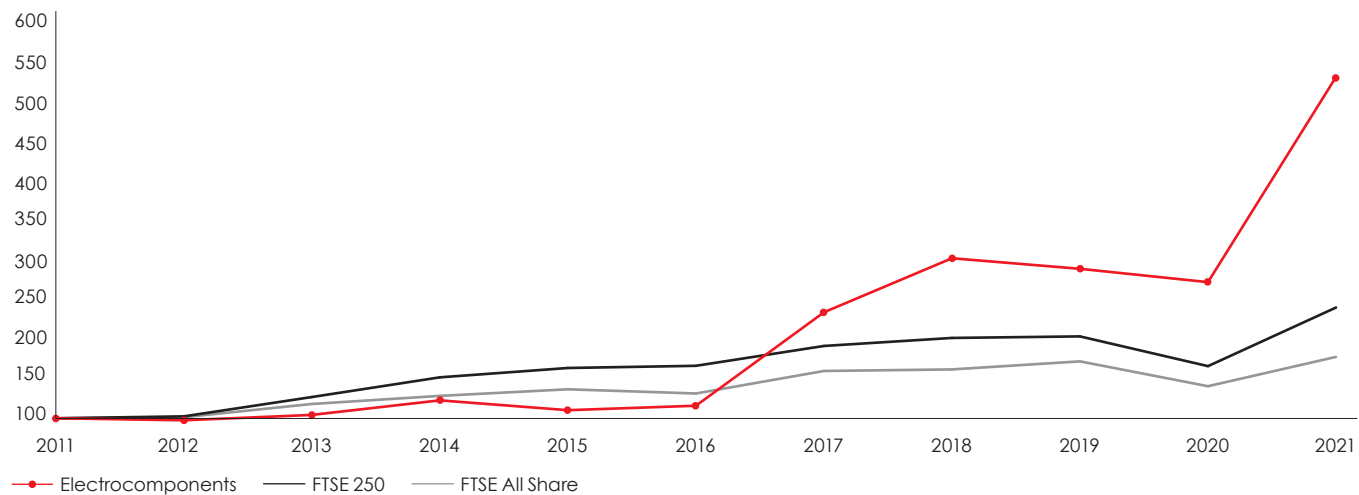
Directors' remuneration report continued

Performance graph and table

The following graph shows the 10-year TSR performance of the Company relative to the FTSE 250 and All Share Indices. The FTSE All Share and FTSE 250 are broad equity market indices of which Electrocomponents plc is a member. The table below details the CEO's single figure of remuneration for the same period.

Total shareholder return

(Value of £100 invested on 31 March 2011)



CEO single figure of remuneration (£000)	Year ended 31 March 2012	Year ended 31 March 2013	Year ended 31 March 2014	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2018	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2021
	Ian Mason	Ian Mason	Ian Mason	Ian Mason	Lindsley Ruth	Lindsley Ruth	Lindsley Ruth	Lindsley Ruth	Lindsley Ruth	Lindsley Ruth
CEO total remuneration	1,176	1,223	1,287	891	2,072	1,401	4,410	4,421	2,551	2,530
Annual bonus award (as a % of maximum opportunity)	28.2%	3.7%	89.1%	16.9%	23.8%	82.5%	90.1%	68.0%	21.7%	80.8%
LTIP vesting (as a % of maximum opportunity)	20.5%	55.5%	0%	0%	N/A ¹	N/A ¹	100%	100%	91.3%	74.7%

1. Lindsley Ruth joined the Company in 2015 and therefore did not receive any vested LTIP awards in 2016 and 2017.

Director shareholdings (audited)

The interests of the Directors and their connected persons in the Company's ordinary shares are shown below, together with total share awards and share options and information on whether the Executive Directors had met their shareholding requirements at 31 March 2021. Under the Remuneration Policy, Executive Directors are expected to build up a personal holding of 250% of salary in Electrocomponents shares.

	Shares held				Share awards held		Options held
	Owned Outright ¹	Shareholding guideline % base salary	Current holding % salary	Guideline met?	LTIP unvested, subject to performance (A)	DSBP unvested, not subject to performance (B)	SAYE unvested, but not subject to performance (C)
Lindsley Ruth	894,368	250%	1,331%	Yes	661,240	65,068	5,235
David Egan	317,491	250%	723%	Yes	382,416	42,505	13,100
Bertrand Bodson	20,000						
Louisa Burdett	–						
Rona Fairhead	49,976						
Karen Guerra	–						
Peter Johnson	159,400						
Bessie Lee	–						
Simon Pryce	28,000						
David Sleath	10,590						
Joan Wainwright	–						

1. The number of shares is shown as at 31 March 2021 or, where relevant, the date of cessation.

The value of the shares used to calculate whether the shareholding guideline is met is 956.57p, being the average share price over the three months ended 31 March 2021. Between the year end and the date of this Annual Report and Accounts, there has been no movement in Directors' shareholdings. Details of the scheme interests contained in columns A–C are provided in the table to the right.

Directors' share scheme interests (audited)

Share awards

				Shares awarded at 1 April 2020	Awarded during the year	Vested during the year	Lapsed during the year	Shares awarded at 31 March 2021	Normal vesting date
	Scheme	Notes	Date of award						
Lindsley Ruth	LTIP	1	26 May 17	238,927	–	218,021	20,906	–	9 Jun 20
			7 Jun 18	195,795	–	–	–	195,795	7 Jun 21
			18 Jul 19	269,959	–	–	–	269,959	18 Jul 22
			19 Nov 20	–	195,486	–	–	195,486	4 Jun 23
	DSBP	2	7 Jun 18	37,336	–	37,336	–	–	9 Jun 20
			3 Jun 19	34,852	–	–	–	34,852	3 Jun 21
			8 Jun 20	–	30,216	–	–	30,216	8 Jun 22
			Total			776,869	225,702	255,357	20,906
David Egan	LTIP	1	26 May 17	132,589	–	120,987	11,602	–	9 Jun 20
			7 Jun 18	106,584	–	–	–	106,584	7 Jun 21
			18 Jul 19	148,133	–	–	–	148,133	18 Jul 22
			19 Nov 20	–	127,699	–	–	127,699	4 Jun 23
	DSBP	2	7 Jun 18	24,863	–	24,863	–	–	9 Jun 20
			3 Jun 19	22,767	–	–	–	22,767	3 Jun 21
			8 Jun 20	–	19,738	–	–	19,738	8 Jun 22
			Total			434,936	147,437	145,850	11,602

1. All awards made to the Executive Directors under the LTIP are subject to the performance conditions set out on page 100. The normal vesting date for the LTIP is the third anniversary of grant.
2. DSBP awards are subject to the terms set out on page 99.

Share options

	Scheme	Date of grant	Vesting date	Expiration date	Exercise price	Shares under option 1 Apr 2020	Granted during the year	Exercised during the year	Lapsed during the year	Shares under option 31 March 2021
Lindsley Ruth ¹	SAYE	24 Jun 15	1 Sep 20	28 Feb 21	191.00p	15,706	–	15,706	–	–
	SAYE	7 Sep 20	1 Nov 25	30 Apr 26	573.00p	–	5,235	–	–	5,235
Total						15,706	5,235	15,706	–	5,235
David Egan	SAYE	22 Jun 16	1 Sep 21	28 Feb 22	229.00p	13,100	–	–	–	13,100
Total						13,100	–	–	–	13,100

1. Lindsley Ruth sold all of his SAYE shares granted in June 2015 on exercise at a price of £6.65 per share.

Remuneration Committee

The task of the Committee is to consider the remuneration packages designed to promote the long-term success of the Company and to ensure that Executive Directors and other senior employees are compensated appropriately for their contributions to the Group's performance. The Committee also considers the remuneration of the Company Chair. The Board as a whole considers and determines the remuneration of the Non-Executive Directors. No individual was present while decisions were made regarding their own remuneration. During the year under review, the following Non-Executive Directors were members of the Remuneration Committee:

- Simon Pryce (Chair)
- Louisa Burdett
- Karen Guerra (until 31 December 2020)
- David Sleath

Details of the skills and experience of the Committee members are given in their biographies on pages 72 and 73. In addition, the Company Chair, CEO, CFO, other Board members and President, Group Professional Services and People were invited to attend Committee meetings to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of senior managers, other than in relation to their own remuneration. The Company Secretary acts as Secretary to the Committee.

Further details of matters discussed at Committee meetings which took place during the year are available in the corporate governance section of our corporate website, and attendance by individual Committee members at meetings is detailed on page 74.

Directors' remuneration report continued

Advisors

Deloitte LLP was appointed by the Committee following a tender process and has provided independent advice to it since 2015. Deloitte is a founding member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consultancy in the UK (details of which can be found at www.remunerationconsultantsgroup.com).

During the year Deloitte provided advice in a number of areas, including:

- Independent advice to support the Committee in setting performance targets.
- Support in drafting the Directors' Remuneration Reports for the years ended 31 March 2020 and 2021.
- Updates to the Committee on regulatory changes and the investor environment.

Deloitte provides advice to the Company regarding globally mobile employees, but the Committee does not consider that this jeopardises the independence of Deloitte, which operates in line with the Code of Conduct described above. Deloitte's fees for the provision of executive remuneration consultancy services to the Committee during the year, charged on a time and materials basis, totalled £37,500.

Directors' service contracts

Executive Directors' service contracts contain a 12-month notice period as set out in the Directors' 2019 Remuneration Policy. The date of appointment to the Board for Lindsley Ruth was 1 April 2015 and for David Egan was 1 March 2016.

Non-Executive Directors have letters of engagement which set out their duties and time commitment expected. Details of length of service are set out below:

Name	Date of appointment	Length of service as at 31 March 2021	
		Years	Months
Bertrand Bodson	1 Jun 15	5	10
Louisa Burdett	1 Feb 17	4	2
Rona Fairhead	1 Nov 20	–	5
Bessie Lee	1 Mar 19	2	1
Simon Pryce	26 Sep 16	4	6
David Sleath	1 Jun 19	1	10
Joan Wainwright	1 Nov 19	1	5

Committee evaluation

In compliance with the Code, the Board underwent an internal evaluation this year. As part of this process, the activities of the Committee were also reviewed. The findings for the Committee were strongly positive with members supporting the way the Committee operated with the Chair of the Committee encouraging open and constructive challenge. All members of the Committee also agreed that during the COVID-19 pandemic, the Committee was kept well informed of market practice and the impact COVID-19 had on remuneration. There was also a request to receive more regular updates on the market in general from the remuneration advisors.

Summary of shareholder voting

Summarised below are the results at the 2020 AGM of the vote on the Annual Report on Remuneration:

2020 vote on Annual Report on Remuneration	Total number of votes	% of votes cast
For (including discretionary)	383,075,471	96.46
Against	14,067,496	3.54
Total votes cast (excluding withheld votes)	397,142,967	
Votes withheld	171,994	
Total votes (including withheld votes)	397,314,961	

The Committee welcomes the support received from shareholders at the AGM for remuneration at Electrocomponents plc.

Terms of Reference

The Remuneration Committee responsibilities are set out in its Terms of Reference, which can be found in the corporate governance section of the Company's corporate website: electrocomponents.com.

Additional Disclosures

The Directors present their report and the audited financial statements of Electrocomponents plc (Company) together with its subsidiary undertakings (Group) for the year ended 31 March 2021.

This section (together with the information on pages 70 to 112 and other information cross-referenced by this section which is incorporated by reference) constitutes the Directors' Report for the purposes of the Companies Act 2006 (Companies Act).

The Directors' Report together with the Strategic Report on pages 1 to 69 form the management report for the purposes of Rule 4.1.8R of the Disclosure Guidance and Transparency Rules. The Company has chosen, in accordance with the Companies Act section 414C(11), to include the disclosure of likely future developments in the Strategic Report.

A summary of general disclosures (incorporated in this Directors' Report)

The following information required to be disclosed in this Directors' Report (in accordance with Listing Rule (LR) 9.8.4R and otherwise) is set out on the page numbers below:

	Page numbers
Likely future developments	4, 16 to 19
Policy on disability ¹	66
Employee engagement ¹	28, 29, 62, 76 to 79
Other stakeholder engagement	28, 29, 76 to 78
Greenhouse gas emissions ¹	58
Names of Directors who served during the year	72 and 73
Details of employee share schemes	100, 137 to 140
Subsidiary and associated undertakings and branches	162 to 165
Risk management (including hedging) and financial instruments	152 to 159
Activity on Company culture	71
Interest capitalised by the Group	149
Long-term incentive schemes	100, 137 and 138

1. Information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and included in the Strategic Report.

Results and dividends

Results for the year are set out in the Group income statement on page 124. The Directors have declared dividends as follows:

Ordinary Shares

Paid interim dividend of 6.1p per share (paid on 29 January 2021)	2019/20: 5.9p per share
Proposed final dividend of 9.8p per share (to be paid on 23 July 2021)	2019/20: 9.5p per share ¹
Total ordinary dividend of 15.9p per share for year ended 31 March 2021	2019/20: 15.4p per share

1. As a result of the resilience the Group has shown during the COVID-19 pandemic, our robust trading position and strong balance sheet, after due care and consideration the Board decided to pay a final dividend for the year ended 31 March 2020 at the same level as the March 2019 final dividend of 9.5p per share. As it was no longer possible for this dividend to be approved by shareholders at the Annual General Meeting, it was paid as an additional interim dividend for the year ended 31 March 2020 on 18 December 2020.

The trustees of the Electrocomponents plc Employee Benefit Trust have waived their right to receive dividends over their total holding of 168,214 ordinary shares as at 31 March 2021.

Share capital

As at 31 March 2021, the Company's issued share capital comprised a single class of 469,943,362 ordinary shares of 10p each, totalling £46,994,336.

Full details of share options, awards and shares issued under the terms of the Company's share incentive plans can be found in Note 9 on pages 137 to 140.

The Company was authorised by shareholders at the Annual General Meeting (AGM) held on 16 July 2020 to purchase up to 5% of its ordinary share capital in the market. The Company did not make use of this authority during the year. This authority will expire at the end of the 2021 AGM and the Company is proposing a resolution to renew it for another year.

Directors' indemnities

In accordance with the relevant provisions of the Companies Act and the Company's Articles of Association (Articles), the Company entered into a deed in 2007 to indemnify the Directors and officers (from time to time) of the Company to the extent permitted by law. A copy of this indemnity (which remains in force as of the date on which this Directors' Report was approved) is available at the registered office of the Company.

The Company purchased and maintained Directors' and Officers' liability insurance throughout 2020/21, which was renewed for 2021/22. Neither the indemnity nor insurance provides cover in the event that a Director or Officer is proved to have acted fraudulently.

Political contributions

In the year ended 31 March 2021, the Group made no political donations or contributions.

AGM

The Notice of AGM is set out in a separate circular. The AGM will be held at 12.00pm on Thursday, 15 July 2021 at Allen & Overy LLP, One Bishops Square, London E1 6AD. In light of COVID-19 and in the interest of the health and safety of our people, shareholders and other stakeholders, we are offering shareholders an electronic audio platform to participate remotely in this year's AGM. This platform will enable shareholders to listen to the proceedings and ask questions during the meeting. We encourage all shareholders to make use of this facility. Voting

will not be possible through the electronic platform, therefore shareholders are encouraged to vote by proxy and submit questions relating to the business of the meeting in advance to RCompanySecretarial@electrocomponents.com. Further information is set out in the Notice of AGM. Voting will be on a poll.

Disclosure of information to Auditor

The Directors who held office at the date of approval of this Directors' Report each confirm that, so far as they are aware, there is no relevant audit information of which the Auditor is unaware and that each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

Conflicts of interest

The Company's Articles give the Board power to authorise situations that might give rise to Directors' conflicts of interest. The Board has in place a formal conflicts of interest management procedure. The Board is responsible for considering whether authorisation is required, and if it can be given, in relation to new situations as they arise. The Board reviews annually any conflict authorisations it has given and any limitations that have been applied.

Important events since 31 March 2021

In the period between 1 April 2021 to 24 May 2021, no important events have taken place that materially impact the Group.

Substantial shareholders

The Company had been advised under the Financial Conduct Authority's Listing Rules and Disclosure Guidelines and Transparency Rules, or had ascertained from its own analysis, the following shareholders held interests in the voting rights of the Company's issued share capital as at 31 March 2021 and up to the date of this Report:

Shareholder	Number of shares	Percentage held
Columbia Threadneedle Investments	76,725,066	16.33%
BlackRock, Inc.	37,945,010	8.07%
Jupiter Asset Management	24,835,608	5.28%
The Vanguard Group, Inc	21,157,445	4.50%
Mawer Investment Management	20,797,879	4.43%
Majedie Asset Management	20,697,140	4.40%
Standard Life Aberdeen	18,805,087	4.00%
M&G Investments Management	17,593,380	3.74%

A full breakdown of our major shareholders ascertained by our own analysis is available on our corporate website.

Restrictions on voting rights

A member is not entitled to vote (in person or by proxy) at any general meeting or class meeting if either: (i) any call or other sum then payable by that member in respect of that share remains unpaid; or (ii) that member has been served with a notice after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act. Voting rights may be exercised in person, by proxy or, in relation to corporate members, by a corporate representative. Proxy forms must be submitted not less than 48 hours before the time of the meeting or adjourned meeting.

Restrictions on transfer of shares

The Directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully paid shares) provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The Directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly, in which case notice of the refusal must be sent to the allottee or transferee within two months after the date on which the letter of allotment or transfer was lodged with the Company. A shareholder does not need to obtain the approval of the Company, or of other shareholders in the Company, for a transfer of shares to take place.

Appointment and replacement of Directors

Directors shall be no less than three and no more than 12 in number. A Director is not required to hold any shares of the Company by way of qualification. The Company may by ordinary resolution increase or reduce the maximum or minimum number of Directors. Each Director (other than the Chair and any Director holding an executive office) shall retire at each AGM following the ninth anniversary of the date on which they were elected. A retiring Director is eligible for re-election. The Board may appoint any person to be a Director (so long as the total number of Directors does not exceed the limit prescribed in the Articles). Any such Director shall hold office only until the next AGM and shall then be eligible for re-election.

Powers of the Directors

Subject to the Articles, the Companies Act and any directions given by special resolution, the business of the Company will be managed by the Board, who may exercise all the powers of the Company. The Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertaking, property and uncalled capital and to issue debentures other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Significant agreements: change of control

The Company has a number of contractual arrangements which it considers essential to the business of the Company. Specifically, these are committed loan facilities from a number of banks and arrangements with third party providers of administrative services. A change of control of the Company may cause some agreements to which the Company is a party to alter or terminate. These include bank facility agreements and employee share plans, which would normally vest and become exercisable on a change of control subject to the satisfaction of any performance conditions at that time. The Group had committed facilities totalling £447.4 million as at 31 March 2021 which contain clauses which require lender consent for any change of control. Should consent not be given, a change of control would trigger mandatory repayment of the said facilities.

Amendment of Articles of Association

Any amendments to the Articles of the Company may be made in accordance with the provisions of the Companies Act by way of a special resolution. The Articles have been reviewed and updated this year, a special resolution will be proposed at this year's AGM.

The Directors' Report was approved by the Board on 24 May 2021 and signed on its behalf by:

Ian Haslegrave
Company Secretary

Directors' responsibility statement

Responsibility of Directors for annual report and accounts

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulation.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have prepared the Group accounts in accordance with international accounting standards in conformity with the Companies Act 2006 and prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and Company accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the accounts, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable IFRS as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the Group accounts and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the Company accounts, subject to any material departures disclosed and explained in the accounts;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the accounts and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group accounts, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 72 and 73 confirm that, to the best of their knowledge:

- The Company accounts, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- The Group accounts, which have been prepared in accordance with IFRS as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's Auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's Auditors are aware of that information.

By order of the Board:

Lindsley Ruth
Chief Executive Officer

David Egan
Chief Financial Officer

Independent Auditors' report to the members of Electrocomponents plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Electrocomponents plc's Group accounts and Company accounts (the financial statements) give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2021 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group accounts have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company accounts have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the Annual Report), which comprise: the Group and Company balance sheets as at 31 March 2021; the Group income statement and Group statement of comprehensive income, the Group cash flow statement, and the Group and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the Group accounts, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group accounts have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 5 to the Group accounts, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- We identified 8 reporting units which, in our view, required a full scope audit based on their size or risk.
- We used component teams in 6 countries to perform full scope audits and, in addition, to perform audit procedures on specific financial statement line items of 3 components, with the Group engagement team performing the remainder of our procedures.
- The Group consolidation, financial statement disclosures and a number of other items (including taxation, Group bonus accrual, goodwill, treasury, share-based payments, UK retirement benefit obligations and acquisition accounting) prepared by the head office finance function, were audited by the Group engagement team.
- The components that are part of our audit scope as set out above account for 78% of Group revenue and 81% of Group profit before tax, substantial reorganisation costs, substantial asset write-downs (nil in 2020/21) and acquisition-related items.

Key audit matters

- Inventory obsolescence provision (Group)
- Tax provisioning (Group)
- Fair value of acquired intangibles (Group)
- Defined benefit pension scheme liabilities (Group)
- Impact of COVID-19 pandemic (Group and Company)

Materiality

- Overall Group materiality: £9.70 million (2019/20: £10.50 million) based on 5% of the three-year average Group profit before tax, substantial reorganisation costs, substantial asset write-downs (nil in 2020/21) and acquisition-related items.
- Overall Company materiality: £4.50 million (2019/20: £3.40 million) based on 0.5% of net assets.
- Performance materiality: £7.28 million (Group) and £3.38 million (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

'Fair value of acquired intangibles' and 'defined benefit pension scheme liabilities' are new key audit matters this year. 'Revenue cut-off', which was a key audit matter last year, is no longer included because of the risk of material misstatement having reduced in this area. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p>Inventory obsolescence provision (Group)</p> <p>Refer to page 86 (Audit Committee Report), page 128 (Note 1 Basis of preparation) and page 151 (Note 18 Inventories).</p> <p>The balance of gross inventories at 31 March 2021 was £460.4 million (2019/20: £446.6 million), against which a provision of £40.6 million (2019/20: £27.6 million) was held.</p> <p>Electrocomponents' business model is based on having the broadest range in the industry and delivering products on time, often the next day. This results in large quantities of inventory comprising many different types of product, being held for long periods of time which raises the risk of inventory obsolescence.</p> <p>The inventory provision is calculated on an inventory cover basis with the underlying calculation based on appropriate product categorisation and assumptions over historic sales trends, provision rates and recoverable amounts.</p> <p>The inventory provision is calculated within the Group's accounting systems using an automated process. Where necessary, manual overlays are applied to this provision to account for unusual circumstances that may have arisen during the year or where there is a right of return in place.</p>	<p>For the year-end inventory provision, we assessed the completeness of the data used by the Group's accounting system to calculate the provision by agreeing the sub-ledger to the general ledger. We recalculated the provision to ensure mathematical accuracy and consistency of application with the methodology. We noted no material exceptions.</p> <p>We assessed the reasonableness of management's estimates regarding the future annual sales and the obsolescence percentage applied by comparing these assumptions to historical sales and historical write-offs. We found the assumptions to be reasonable.</p> <p>We tested manual overlays to the automated calculation by validating the circumstances relating to the adjustments or whether there was a right of return under the contractual arrangements. We noted no material exceptions.</p> <p>In assessing management's consideration of the estimation sensitivity within the inventory obsolescence provisioning, we reviewed management's assessment which considered an increase in inventory cover days and provisioning rates. Based on our review, we did not disagree with management's conclusions that based on the information available at the time of the Board's approval of the financial statements, such sensitivities would not result in a material change to the inventory provision.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Tax provisioning (Group) Refer to page 87 (Audit Committee Report), page 128 (Note 1 Basis of preparation) and pages 144 to 146 (Note 11 Taxation).</p> <p>Due to the Group operating across a number of different tax jurisdictions it is subjected to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. These challenges include transaction related tax matters and financing and transfer pricing arrangements arising from centralised functions that drive value across a number of different countries.</p> <p>The Group continues to provide for uncertain tax positions in respect of transfer pricing and other matters. The provision is based on the estimates of the potential outcome of audits by tax authorities in jurisdictions in which the Group operates and totals £ 7.0 million (2019/20: £7.0 million).</p>	<p>In relation to the uncertain tax positions for territories within the Group's transfer pricing policy, we reviewed management's calculation of the tax provision, which considers the risk from the overseas countries' perspective.</p> <p>We have reassessed this for developments in the year and noted that it remains consistent with the conclusions reached by our own transfer pricing specialists. We have also considered the position on transfer pricing with respect to entities outside the Group's transfer pricing policy.</p> <p>We assessed key country technical tax issues and risks related to the business and legislative developments using, where applicable, our local and international tax specialists. We also considered any new developments in the application of these laws based on our knowledge of tax legislation and the current position adopted by tax authorities on similar matters. We further performed analysis on the provisions to assess the risk that challenge on transfer pricing could arise from opposing territories.</p> <p>Where individual countries' tax authorities have either started enquiries or concluded on the Group's tax position in key jurisdictions, we have reviewed the associated correspondence and utilised our own specialists to assess the accuracy of management's estimates.</p> <p>We also considered the progress of audits during the year to assess the accuracy of management's estimates of potential tax exposures. We found management's judgements on likely exposure and overall position to be supportable.</p> <p>We also evaluated whether the liabilities and potential exposures were appropriately disclosed in the Group accounts and found the relevant disclosures to be appropriate.</p>
<p>Fair value of acquired intangibles (Group) Refer to page 87 (Audit Committee Report), page 128 (Note 1 Basis of preparation) and page 161 (Note 28 Acquisitions).</p> <p>The Group completed the acquisitions of 100% of the share capital of Synovos, Inc. and its subsidiaries (Synovos), Needlers Holdings Limited and its subsidiaries (Needlers), and John Liscombe Limited and its subsidiary (Liscombe) for purchase considerations of £101.1 million, £42.4 million and £11.8 million respectively.</p> <p>The acquisitions resulted in the recognition of £153.7 million of intangible assets at the acquisition dates, made up of goodwill of £90.0 million, customer contracts and relationships of £53.7 million, brand of £4.0 million, and software of £6.0 million.</p> <p>Management determined the acquisition date fair values of intangible assets with the help of Ernst & Young LLP valuation experts. The calculation of these fair values involves judgements and estimates regarding forecasts and other assumptions used in the valuation models.</p>	<p>We reviewed the share purchase agreements and noted no unusual terms.</p> <p>We agreed the consideration to the share purchase agreements and reconciled the amount to bank statements for the element paid by year end and to receivables / payables for any consideration refundable / payable.</p> <p>We audited the assumptions and bases of the valuations utilising the assistance of our specialist valuation team and performed work to test the bases and mechanical accuracy of the models, the application of valuation methodology, appropriateness of the key assumptions and inputs applied, including discount rates, attrition rates of customers, royalty rates and contributory asset charges. Based on this work we did not identify any issues.</p> <p>We have performed an independent recalculation of the overall weighted average cost of capital (WACC) used in the valuation models and found management's WACC to be within a reasonable range.</p> <p>We have reviewed the cash flow forecasts and agreed these back to financial forecasts used in the due diligence. We also reviewed the forecasts and evidence for related key inputs such as customer attrition rates relative to the historical performance of the business and consider these to be reasonable.</p> <p>We examined the disclosures in respect of the acquisitions and found them to be appropriate, providing a fair reflection of the accounting including estimates and judgements made in the valuations.</p> <p>Overall, based on our work performed, we consider the fair values of acquired intangibles and the related disclosures in the Group accounts to be appropriate.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Defined benefit pension scheme liabilities (Group) Refer to page 86 (Audit Committee Report), page 128 (Note 1 Basis of preparation) and pages 140 to 144 (Note 10 Retirement benefit obligations).</p> <p>The Group has net retirement benefit obligations of £55.7 million at 31 March 2021 (2019/20: £55.8 million), which are significant in the context of the overall balance sheet. £41.2 million (2019/20: £43.3 million) of these relate to the UK defined benefit obligations and the balance is made up immaterial amounts in respect of other European defined benefit pension and retirement indemnity schemes.</p> <p>The valuation of pension plan liabilities requires estimation in determining appropriate assumptions such as salary increases, mortality rates, discount rates and inflation levels. Movement in these assumptions can have a material impact on the determination of the liabilities. Management uses external actuaries to assist in determining these assumptions.</p>	<p>We used our actuarial experts to assess whether the assumptions used in calculating the defined benefit liabilities for the UK were reasonable. We assessed whether salary increases and mortality rates assumptions were consistent with the specifics of each plan and, where applicable, with relevant national benchmarks.</p> <p>We also assessed whether the discount rate and inflation rates were consistent with our internally developed benchmarks and in line with other companies' recent external reporting. We evaluated the calculations prepared by the external actuaries to assess the consistency of the assumptions and methodologies applied.</p> <p>Based on our procedures, we noted that the assumptions in respect of future improvements in mortality, discount rate and commutation assumptions are at the optimistic end of an acceptable range. We also assessed the in-year experience adjustments including the impact of actual inflationary increases to pension payments and noted no material issues. Overall, we consider valuation of the UK defined benefit scheme liabilities to be reasonable.</p> <p>We reviewed the related disclosures in Note 10 of the Group accounts which also included the sensitivity analyses in respect of changes in significant assumptions and consider these disclosures to be appropriate.</p>
<p>Impact of COVID-19 pandemic (Group and Company) COVID-19 has had a significant impact on most businesses during 2020 and this continues into 2021. The Directors have considered the impact of COVID-19 on the Group's operations throughout the Annual Report but specifically on pages 17, 46 and 47.</p> <p>Although COVID-19 did not have a material impact on the financial statements, we have performed additional procedures in our audit work in order to adequately respond to risks related to COVID-19. The main areas that we considered included, but were not limited to:</p> <ul style="list-style-type: none">Any potential impact on the provisioning for trade receivables and inventory;Any potential impairment of assets;Going concern and whether COVID-19 affected the ability of the Group and Company to prepare the financial statements on a going concern basis, management's considerations for which have been disclosed within the relevant sections of the Annual Report;Management's ways of working, including the operation of controls. A large number of employees have been working remotely and using technology enabled working practices. This has meant virtual review meetings and electronic review processes (in place of hardcopy reviews) have been performed instead of meetings which were physically attended; andPwC's ways of working, including but not limited to impact of travel restrictions on our plans for component oversight and other physical aspects of the audit e.g. inventory counts.	<p>We have considered the impact of COVID-19 in the following key areas:</p> <ul style="list-style-type: none">We have challenged management, with the help of our component teams, on the level of provisioning for trade receivables (expected credit losses) and inventory. We satisfied ourselves that management's estimates were within acceptable and reasonable ranges;We have reviewed management's impairment assessments for goodwill and intangible assets, considering the impact of COVID-19 on future cash flows and management's assumptions. No material issues have been noted in these areas;As part of our work over the going concern and viability assessment, we have considered the impact of COVID-19 on future cash flows. Note that we have assessed going concern as a normal risk area due to the relatively minimal impact on the Group's performance for the year. See 'Conclusions relating to going concern' section below for details of the procedures performed and our conclusions in respect of going concern;Where we relied on controls, we ensured beforehand that the change in management's ways of working did not impact the effectiveness of the controls; andIn the prior year we modified our ways of working in response to COVID-19 and continued with the same approach this year. Particularly, in relation to the oversight of our component teams, we used video conferencing and remote workpaper reviews to satisfy ourselves as to the appropriateness of audit work performed at the significant and material components. <p>Overall, we have been cognisant of the impact of COVID-19 on all areas of the financial statements and our audit plan. We have performed audit procedures to respond to all the risks in an appropriate way.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group's accounting process is structured around a local finance function in most of the Group's country reporting units. These functions maintain their own accounting records and controls (although transactional processing and certain controls for many reporting units are performed at the Group's EMEA, Americas and Asia Pacific centres of expertise) and report to the head office finance team through an integrated consolidation system.

In establishing the overall approach to the Group audit, we determined that we needed to conduct audit work over the complete financial information of RS UK, RS Germany, RS France, RS Italy, RS Shanghai, Allied Electronics, Inc, IESA Limited and Electrocomponents plc. In each country we used PwC component auditors to audit and report on the aggregated financial information of that component. This work is supplemented by audit procedures over specific balances performed on Synovos, Inc., RS Australia and RS Hong Kong and procedures performed centrally on the Group consolidation, financial statement disclosures, taxation, Group bonus accrual, goodwill, treasury, share-based payments, UK retirement benefit obligations, acquisition accounting and certain component balances not covered by local country component teams.

Independent Auditors' report continued

Where the work was performed by component auditors, under our instruction, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group accounts as a whole. We maintained regular communication with the local teams, before, during and after their audit. We directed the work of component teams, reviewed their approach and findings, and participated in the closing meetings of the significant and material components.

The components that are part of our audit scope as set out above account for 78% of Group revenue and 81% of Group profit before tax, substantial reorganisation costs, substantial asset write-downs (nil in 2020/21) and acquisition-related items.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - Group	Financial statements - Company
Overall materiality	£9.70 million (2019/20: £10.50 million).	£4.50 million (2019/20: £3.40 million).
How we determined it	5% of the three-year average Group profit before tax, substantial reorganisation costs, substantial asset write-downs (nil in 2020/21) and acquisition-related items.	0.5% of net assets.
Rationale for benchmark applied	We believe that profit before tax adjusted for one-off items is the key measure used by the shareholders as a body in assessing the Group's performance. We consider that excluding the substantial reorganisation costs, substantial asset write-downs (nil in 2020/21) and acquisition-related items is appropriate as this provides us with a consistent year-on-year basis for determining materiality by eliminating the non-recurring impact of these items.	We believe that net assets is the primary measure used by the shareholders in assessing the performance and position of the entity as it reflects the Company's principal activity as a holding company and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.5 million and £4.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £7.28 million for the Group accounts and £3.38 million for the Company accounts.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.485 million (Group audit) (2019/20: £0.5 million) and £0.225 million (Company audit) (2019/20: £0.168 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- understanding of the mechanics and key inputs into the going concern model and holding discussions with Group management and regional finance to obtain an understanding of the trading performance and future outlook for their respective markets;
- agreeing management's cash flow projections to the latest Board approved forecasts, assessing how the forecasts have been compiled and assessing the accuracy of management's forecasts;
- evaluating the key assumptions within the forecasts;
- reviewing the terms of the existing debt and facilities;
- considering the potential downside sensitivities that management had applied and their likelihood and whether more severe scenarios could apply and the associated impact on available liquidity;
- assessing management's stress testing and whether this appropriately considered the principal risks facing the business and the likelihood of events arising that could erode liquidity within the forecast period;
- assessing the performance of the Group since year end and comparing it with the Board approved cash flow forecasts; and
- reviewing the disclosures within the Annual Report and validating that it accurately described management's going concern considerations.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate Governance Report, is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent Auditors' report continued

Our review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the UK Corporate Governance Code does not properly disclose a departure from a relevant provision of the UK Corporate Governance Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Listing Rules of the Financial Conduct Authority (FCA), pensions legislations, UK and other relevant tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and / or component auditors included:

- discussions with management, legal counsel and the internal audit function, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- assessment of matters reported on the Group's whistleblowing helpline and results of management's investigation of such matters;
- challenging assumptions made by management in its significant accounting estimates in particular in relation to defined benefit pension scheme liabilities, inventory obsolescence provisions, uncertain tax positions and fair values of intangibles arising on acquisition (see related key audit matters);
- identifying and testing higher risk journal entries, in particular any journal entries posted with unusual account combinations, journals posted by senior management, or unauthorised users or super-user access and consolidation journals.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company accounts and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 11 August 2014 to audit the financial statements for the year ended 31 March 2015 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31 March 2015 to 31 March 2021.

Sandeep Dhillon (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

24 May 2021

Group accounts

Group income statement

For the year ended 31 March 2021

	Notes	2021 £m	2020 £m
Revenue	2,3,4	2,002.7	1,953.8
Cost of sales	5	(1,146.7)	(1,099.1)
Gross profit		856.0	854.7
Distribution and marketing expenses		(630.1)	(596.2)
Administrative expenses		(58.7)	(53.2)
Operating profit	2,3,5	167.2	205.3
Finance income	6	1.8	3.3
Finance costs	6	(8.6)	(9.2)
Share of profit of joint venture	17	0.2	0.2
Profit before tax		160.6	199.6
Income tax expense	11	(35.1)	(44.9)
Profit for the year attributable to owners of the Company		125.5	154.7
Earnings per share			
Basic	12	27.7p	34.7p
Diluted	12	27.5p	34.6p

Group statement of comprehensive income

For the year ended 31 March 2021

	Notes	2021 £m	2020 £m
Profit for the year		125.5	154.7
Other comprehensive income			
Items that will not be reclassified subsequently to the income statement			
Remeasurement of retirement benefit obligations	10	(22.5)	21.1
Income tax on items that will not be reclassified to the income statement	11	4.3	(1.9)
		(18.2)	19.2
Items that may be reclassified subsequently to the income statement			
Foreign exchange translation differences of joint venture		(0.1)	(0.1)
Foreign exchange translation differences		(42.4)	20.5
Movement in cash flow hedges		(4.5)	4.3
Income tax on items that may be reclassified to the income statement	11	1.0	(0.5)
		(46.0)	24.2
Other comprehensive (expense) / income for the year		(64.2)	43.4
Total comprehensive income for the year attributable to owners of the Company		61.3	198.1

The Notes on pages 128 to 165 form part of these Group accounts.

Group balance sheet

As at 31 March 2021

Company number: 647788

	Notes	2021 £m	2020 £m
Non-current assets			
Intangible assets	14	468.9	329.6
Property, plant and equipment	15	170.2	167.5
Right-of-use assets	16	58.6	54.4
Investment in joint venture	17	1.1	1.0
Other receivables	19	2.9	0.9
Interest rate swaps	22	1.1	1.0
Retirement benefit net assets	10	0.8	1.9
Deferred tax assets	11	9.9	17.1
Total non-current assets		713.5	573.4
Current assets			
Inventories	18	419.8	419.0
Trade and other receivables	19	492.4	406.6
Cash and cash equivalents – cash and short-term deposits	22	197.9	200.8
Other derivative assets	21	2.2	4.3
Current income tax receivables		21.3	13.6
Total current assets		1,133.6	1,044.3
Total assets		1,847.1	1,617.7
Current liabilities			
Trade and other payables	20	(475.3)	(358.7)
Cash and cash equivalents – bank overdrafts	22	(111.5)	(166.0)
Other borrowings	22	(0.7)	(7.5)
Lease liabilities	16,22	(17.4)	(15.0)
Other derivative liabilities	21	(2.0)	(2.4)
Provisions	24	(4.9)	(2.6)
Current income tax liabilities		(19.2)	(18.2)
Total current liabilities		(631.0)	(570.4)
Non-current liabilities			
Other payables	20	(6.8)	(5.8)
Retirement benefit obligations	10	(56.5)	(57.7)
Borrowings	22	(147.3)	(161.8)
Lease liabilities	16,22	(44.1)	(41.3)
Provisions	24	(1.6)	(1.5)
Deferred tax liabilities	11	(60.4)	(59.3)
Total non-current liabilities		(316.7)	(327.4)
Total liabilities		(947.7)	(897.8)
Net assets		899.4	719.9
Equity			
Share capital	25	47.0	44.6
Share premium account	25	228.5	51.4
Hedging reserve		(1.4)	–
Own shares held by Employee Benefit Trust (EBT)	25	(1.5)	(0.7)
Cumulative translation reserve		39.0	81.5
Retained earnings		587.8	543.1
Equity attributable to owners of the Company		899.4	719.9

The Notes on pages 128 to 165 form part of these Group accounts.

These Group accounts were approved by the Board of Directors on 24 May 2021 and signed on its behalf by:

David Egan

Chief Financial Officer

Group accounts continued

Group cash flow statement

For the year ended 31 March 2021

	Notes	2021 £m	2020 £m
Cash flows from operating activities			
Profit before tax		160.6	199.6
Depreciation and amortisation	2	56.5	50.9
Loss on disposal of non-current assets		0.3	0.1
Equity-settled share-based payments	8,9	7.0	3.4
Net finance costs		6.8	5.9
Share of profit of and dividends received from joint venture	17	(0.2)	(0.2)
Increase in inventories		(4.4)	(25.2)
(Increase) / decrease in trade and other receivables		(32.6)	10.0
Increase / (decrease) in trade and other payables		35.5	(36.0)
Increase / (decrease) in provisions		1.6	(5.3)
Cash generated from operations		231.1	203.2
Interest received		1.8	3.4
Interest paid		(10.1)	(9.6)
Income tax paid		(35.2)	(49.9)
Net cash from operating activities		187.6	147.1
Cash flows from investing activities			
Acquisition of businesses	28	(157.5)	(0.2)
Cash and cash equivalents acquired with businesses	28	22.0	–
Purchase of intangible assets, property, plant and equipment		(54.7)	(74.7)
Net cash used in investing activities		(190.2)	(74.9)
Cash flows from financing activities			
Proceeds from the issue of share capital		179.5	2.0
Purchase of own shares by EBT		(1.6)	(0.9)
Loans drawn down		–	162.7
Loans repaid		(24.3)	(178.6)
Settlement of interest rate swap		–	2.6
Payment of lease liabilities		(16.4)	(14.8)
Dividends paid	13	(71.2)	(68.5)
Net cash generated from / (used in) financing activities		66.0	(95.5)
Net increase / (decrease) in cash and cash equivalents		63.4	(23.3)
Cash and cash equivalents at the beginning of the year		34.8	51.1
Effect of exchange rate changes		(11.8)	7.0
Cash and cash equivalents at the end of the year	22	86.4	34.8

The Notes on pages 128 to 165 form part of these Group accounts.

Group statement of changes in equity

For the year ended 31 March 2021

	Share capital £m	Share premium account £m	Hedging reserve £m	Own shares held by EBT £m	Cumulative translation reserve £m	Retained earnings £m	Total £m
At 1 April 2019	44.4	49.6	0.2	(1.2)	61.1	434.8	588.9
Profit for the year	–	–	–	–	–	154.7	154.7
Remeasurement of retirement benefit obligations	–	–	–	–	–	21.1	21.1
Foreign exchange translation differences	–	–	–	–	22.6	–	22.6
Fair value loss on net investment hedges	–	–	–	–	(2.2)	–	(2.2)
Cash flow hedging gains taken to equity	–	–	5.5	–	–	–	5.5
Cash flow hedging gains transferred to income statement	–	–	(0.9)	–	–	–	(0.9)
Cash flow hedging gains transferred to administrative expenses as hedged future cash flows no longer expected to occur	–	–	(0.3)	–	–	–	(0.3)
Tax on other comprehensive income (Note 11)	–	–	(0.5)	–	–	(1.9)	(2.4)
Total comprehensive income	–	–	3.8	–	20.4	173.9	198.1
Cash flow hedging gains transferred to inventories	–	–	(5.0)	–	–	–	(5.0)
Tax on cash flow hedging gains transferred to inventories	–	–	1.0	–	–	–	1.0
Dividends (Note 13)	–	–	–	–	–	(68.5)	(68.5)
Equity-settled share-based payments (Notes 8 and 9)	–	–	–	–	–	3.4	3.4
Settlement of share awards	0.2	1.8	–	1.4	–	(1.4)	2.0
Purchase of own shares by EBT	–	–	–	(0.9)	–	–	(0.9)
Tax on equity-settled share-based payments	–	–	–	–	–	0.9	0.9
At 31 March 2020	44.6	51.4	–	(0.7)	81.5	543.1	719.9
Profit for the year	–	–	–	–	–	125.5	125.5
Remeasurement of retirement benefit obligations	–	–	–	–	–	(22.5)	(22.5)
Foreign exchange translation differences	–	–	–	–	(44.7)	–	(44.7)
Fair value gain on net investment hedges	–	–	–	–	2.2	–	2.2
Cash flow hedging losses taken to equity	–	–	(3.2)	–	–	–	(3.2)
Cash flow hedging gains transferred to income statement	–	–	(1.4)	–	–	–	(1.4)
Cash flow hedging losses transferred to administrative expenses as hedged future cash flows no longer expected to occur	–	–	0.1	–	–	–	0.1
Tax on other comprehensive income (Note 11)	–	–	1.0	–	–	4.3	5.3
Total comprehensive (expense) / income	–	–	(3.5)	–	(42.5)	107.3	61.3
Cash flow hedging losses transferred to inventories	–	–	2.7	–	–	–	2.7
Tax on cash flow hedging losses transferred to inventories	–	–	(0.6)	–	–	–	(0.6)
Dividends (Note 13)	–	–	–	–	–	(71.2)	(71.2)
Equity-settled share-based payments (Notes 8 and 9)	–	–	–	–	–	7.0	7.0
Share placing, net of transaction costs (Note 25)	2.2	173.9	–	–	–	–	176.1
Settlement of share awards (Note 25)	0.2	3.2	–	0.8	–	(0.8)	3.4
Purchase of own shares by EBT	–	–	–	(1.6)	–	–	(1.6)
Tax on equity-settled share-based payments	–	–	–	–	–	2.4	2.4
At 31 March 2021	47.0	228.5	(1.4)	(1.5)	39.0	587.8	899.4

The Notes on pages 128 to 165 form part of these Group accounts.

Group accounts continued

Notes to the Group accounts

For the year ended 31 March 2021

1 Basis of preparation

Electrocomponents plc (the Company) is a public limited company registered in England and Wales and listed on the London Stock Exchange.

The Group accounts for the year ended 31 March 2021 are presented in sterling and rounded to £0.1 million. They are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The Group accounts have been prepared on a going concern basis under the historical cost convention, modified by the revaluation of retirement benefit obligations and certain financial assets and liabilities (including derivative financial instruments) as explained in the relevant notes. The principal accounting policies have been consistently applied unless otherwise stated.

Basis of consolidation

The Group accounts comprise the results, assets and liabilities of the Company and all its subsidiaries (together referred to as the Group) and include the Employee Benefit Trust (EBT) and the Group's interest in a joint venture. Subsidiaries are entities controlled by the Company. The joint venture is accounted for using the equity method of accounting.

The results of businesses acquired in the year are consolidated from the effective date of acquisition. The net assets of businesses acquired are incorporated in the Group accounts at their fair values at the date of acquisition.

Intra-group transactions and balances are eliminated in preparing the Group accounts and no profit or loss is recognised on intra-group transactions. Unrealised gains or losses arising from transactions with the joint venture are eliminated to the extent of the Group's interest in the entity.

Estimates and judgements

The preparation of accounts in accordance with IFRS requires the Group to make judgements and estimates that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Except for judgements involved in estimations, no judgements have been made in the process of applying the Group's accounting policies that have had a significant effect on the amounts recognised in the accounts. The judgements involved in estimations take account of the Group's latest assumptions of any likely further impact of the COVID-19 pandemic and of the likely impact of climate change.

Significant estimates are those that have a significant risk of resulting in a material adjustment to the carrying amounts of the Group's assets and liabilities within the next year. The significant estimates made in preparing the accounts were in relation to retirement benefit obligations and further details on the application of these estimates can be found in Note 10. While not significant estimates, the Group also focuses on estimates made in relation to inventories (Note 18), the fair values on acquisition of businesses (Note 28), uncertain tax positions (Note 11) and the review of intangibles and other assets for impairment (Note 14), as well as continuing to place more focus on the forward-looking adjustments used to calculate the impairment allowance for trade receivables as a result of the COVID-19 pandemic (Note 23). Further details are provided in the relevant notes.

Actual results in the longer term may differ from these estimates.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are recorded using the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rate ruling at that date and the gains and losses on translation are recognised in operating profit. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the rate ruling at the date the fair value was determined.

Translation of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at exchange rates ruling at the balance sheet date. The income statement and cash flows of foreign operations are translated at the average rate for the period.

Exchange differences arising from the translation of foreign operations, and of related qualifying hedges, are taken to other comprehensive income. They are reclassified to the income statement upon disposal of the net investment. The Group elected under IFRS 1 on transition to IFRS to set the cumulative translation differences balance at 1 April 2004 to £nil.

1 Basis of preparation continued

Standards and interpretations adopted in the year

The Group adopted the following standards, amendments to standards and interpretations on 1 April 2020.

Amendment to IFRS 16 'Covid-19-Related Rent Concessions'

With effect from 1 April 2020, the Group has early adopted Amendment to IFRS 16 'Covid-19-Related Rent Concessions'. This amendment allows lessees to elect not to treat a rent concession occurring as a direct consequence of the COVID-19 pandemic that reduces only payments before 30 June 2021 as a lease modification and effectively credit any change in lease payments to operating profit. There was no material impact on the reported results or financial position of the Group.

Other

Conceptual Framework for Financial Reporting, Amendments to References to the Conceptual Framework in IFRS Standards, Amendments to IFRS 3 'Definition of a Business' and Amendments to IAS 1 and IAS 8 'Definition of Material' were adopted in the year. There was no material impact on the reported results or financial position of the Group.

Standards or interpretations issued but not yet applied

The Group does not consider that any standards or interpretations issued by the International Accounting Standards Board, but not yet applicable, will have a significant impact on the accounts.

Group accounts continued

Notes to the Group accounts

continued

2 Segmental reporting

The Group's operating segments comprise three regions: EMEA, Americas and Asia Pacific. Their principal activities are described on pages 34 to 37. The operating segments' performance is assessed on revenue and adjusted operating profit on a monthly basis by the chief operating decision maker, who is the Chief Executive Officer. Inter-segment pricing is determined on an arm's length basis, comprising sales of product at cost and a handling charge included within distribution and marketing expenses.

Year ended 31 March 2021

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Revenue from external customers	1,277.4	517.0	208.3	2,002.7
Segmental operating profit	172.6	51.9	1.4	225.9
Central costs				(37.6)
Adjusted operating profit				188.3
Amortisation of acquired intangibles				(7.0)
Acquisition-related items (Note 3)				(2.9)
Substantial reorganisation costs (Note 7)				(11.2)
Operating profit				167.2
Net finance costs				(6.8)
Share of profit of joint venture				0.2
Profit before tax				160.6
Segmental capital expenditure	43.8	11.6	0.8	56.2
Central costs				—
Capital expenditure				56.2
Segmental depreciation and amortisation	35.7	8.8	3.5	48.0
Central costs				1.5
Amortisation of acquired intangibles				7.0
Depreciation and amortisation				56.5

Year ended 31 March 2020

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Revenue from external customers	1,239.8	515.7	198.3	1,953.8
Segmental operating profit	197.0	57.8	3.7	258.5
Central costs				(37.8)
Adjusted operating profit				220.7
Amortisation of acquired intangibles				(5.4)
Substantial asset write-downs (Note 23)				(7.3)
Substantial reorganisation costs (Note 7)				(2.7)
Operating profit				205.3
Net finance costs				(5.9)
Share of profit of joint venture				0.2
Profit before tax				199.6
Segmental capital expenditure	57.5	19.9	1.2	78.6
Central costs				—
Capital expenditure				78.6
Segmental depreciation and amortisation	34.5	6.5	3.1	44.1
Central costs				1.4
Amortisation of acquired intangibles				5.4
Depreciation and amortisation				50.9

2 Segmental reporting continued

Disaggregation of revenue

As a result of the RISE programme the Group has streamlined its operating model and now targets industrial customers with a wide range of product and service solutions which mainly have similar economic characteristics. The most significant difference in economic characteristic is whether it is an own-brand product or not and so, in the table below, revenue is now disaggregated by own-brand or branded and sales channels. The Group's largest own-brand is RS PRO and some of the Group's recent acquisitions also sell own-brand products. £1,973.8 million of revenue is recognised at a point in time (2019/20: £1,935.9 million) and £28.9 million over time (2019/20: £17.9 million).

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Year ended 31 March 2021				
Own-brand / branded products				
Own-brand products	248.5	3.6	27.7	279.8
Other product and service solutions	1,028.9	513.4	180.6	1,722.9
Group	1,277.4	517.0	208.3	2,002.7
Sales channel				
Digital	932.3	203.2	118.6	1,254.1
Offline	345.1	313.8	89.7	748.6
Group	1,277.4	517.0	208.3	2,002.7

Year ended 31 March 2020

Own-brand / branded products				
Own-brand products	220.4	3.0	25.2	248.6
Other product and service solutions	1,019.4	512.7	173.1	1,705.2
Group	1,239.8	515.7	198.3	1,953.8
Sales channel				
Digital	906.5	210.4	112.8	1,229.7
Offline	333.3	305.3	85.5	724.1
Group	1,239.8	515.7	198.3	1,953.8

Revenue and non-current assets by geographical location

In the table below, revenue is based on the location of the Group operation where the sales originated and non-current assets are based on the location of the assets. Non-current assets exclude interest rate swaps, other financial instruments, retirement benefit net assets and deferred tax assets.

	Revenue		Non-current assets	
	2021 £m	2020 £m	2021 £m	2020 £m
UK (country of domicile)	513.6	517.3	248.8	198.8
USA	489.2	490.1	368.4	275.9
France	251.3	237.2	9.6	9.8
Germany	148.3	148.2	53.5	45.6
Italy	96.1	86.5	6.0	6.6
Rest of world	504.2	474.5	14.3	15.8
Group	2,002.7	1,953.8	700.6	552.5

3 Alternative Performance Measures (APMs)

The Group uses a number of APMs in addition to those measures reported in accordance with IFRS. Such APMs are not defined terms under IFRS and are not intended to be a substitute for any IFRS measure. The Directors believe that the APMs are important when assessing the underlying financial and operating performance of the Group. The APMs are used internally for performance analysis and in employee incentive arrangements, as well as in discussions with the investment analyst community.

The APMs improve the comparability of information between reporting periods by adjusting for factors such as fluctuations in foreign exchange rates, number of trading days and items, such as reorganisation costs, that are substantial in scope and impact and do not form part of operational or management activities that the Directors would consider part of underlying performance. As a result of acquisitions of businesses in the year, the Group has updated its adjusted measures to exclude acquisition-related items as well as amortisation of intangible assets arising on acquisition of businesses. The Directors believe that excluding recent acquisitions and acquisition-related items aid comparison of the underlying performance between reporting periods and between businesses with similar assets that were internally generated.

Group accounts continued

Notes to the Group accounts

continued

3 Alternative Performance Measures (APMs) continued

The principal exchange rates applied in preparing the Group accounts and in calculating the following like-for-like measures are:

	2021 Average	2021 Closing	2020 Average	2020 Closing
US dollar	1.308	1.377	1.271	1.242
Euro	1.121	1.174	1.144	1.132

Base business

The Group's base business excludes acquisitions in the relevant years until they have been owned for a year, at which point they start to be included in both the current and comparative years for the same number of months.

	2021		
	Base business £m	Acquisitions £m	Group £m
Revenue			
EMEA	1,261.5	15.9	1,277.4
Americas	504.0	13.0	517.0
Asia Pacific	208.3	—	208.3
Group	1,973.8	28.9	2,002.7
Segmental operating profit			
EMEA	171.0	1.6	172.6
Americas	51.4	0.5	51.9
Asia Pacific	1.4	—	1.4
Segmental operating profit	223.8	2.1	225.9
Central costs	(37.6)	—	(37.6)
Adjusted operating profit	186.2	2.1	188.3
Adjusted profit before tax	179.7	2.0	181.7
Adjusted earnings per share	31.0p	0.3p	31.3p
Adjusted diluted earnings per share	30.8p	0.3p	31.1p

Like-for-like revenue change

Like-for-like revenue change is change in revenue adjusted to eliminate the impact of acquisitions and changes in exchange rates and trading days year on year. It is calculated by comparing the revenue of the base business for the current year with the prior year's revenue converted at the current year's average exchange rates and pro-rated for the same number of trading days as the current year. This measure enables management and investors to track more easily, and consistently, the underlying revenue performance.

	2021 base business £m	2020 £m	2020 at 2021 rates and trading days £m	Like-for-like change %
EMEA	1,261.5	1,239.8	1,249.6	1.0%
Americas	504.0	515.7	497.1	1.4%
Asia Pacific	208.3	198.3	199.1	4.6%
Group's base business	1,973.8	1,953.8	1,945.8	1.4%
£m				
Revenue for 2020				1,953.8
Effect of exchange rates				(3.2)
Effect of trading days				(4.8)
Revenue for 2020 at 2021 rates and trading days				1,945.8

Gross margin and like-for-like gross margin change

Gross margin is gross profit divided by revenue. Like-for-like change in gross margin is calculated by taking the difference between gross margin for the base business for the current year and gross margin for the prior year with revenue and gross profit converted at the current year's average exchange rates.

	2021 Group £m	2021 base business £m	2020 £m	2020 at 2021 rates £m	Like-for-like change pts
Revenue	2,002.7	1,973.8	1,953.8	1,950.6	
Gross profit	856.0	845.7	854.7	855.5	
Gross margin	42.7%	42.8%	43.7%	43.9%	(1.1) pts

3 Alternative Performance Measures (APMs) continued

Adjusted profit measures

These are the equivalent IFRS measures adjusted to exclude amortisation of intangible assets arising on acquisition of businesses, acquisition-related items, substantial reorganisation costs, substantial asset write-downs, one-off pension credits or costs, significant tax rate changes and, where relevant, associated tax effects.

	Operating costs ¹ £m	Operating profit £m	Operating profit margin ² %	Operating profit conversion ³ %	Profit before tax £m	Profit for the year £m	Basic earnings per share p	Diluted earnings per share p
Year ended 31 March 2021								
Reported	(688.8)	167.2	8.3%	19.5%	160.6	125.5	27.7p	27.5p
Amortisation of acquired intangibles	7.0	7.0			7.0	5.6	1.2p	1.2p
Acquisition-related items	2.9	2.9			2.9	2.5	0.5p	0.5p
Substantial reorganisation costs (Note 7)	11.2	11.2			11.2	8.5	1.9p	1.9p
Adjusted	(667.7)	188.3	9.4%	22.0%	181.7	142.1	31.3p	31.1p
Year ended 31 March 2020								
Reported	(649.4)	205.3	10.5%	24.0%	199.6	154.7	34.7p	34.6p
Amortisation of acquired intangibles	5.4	5.4			5.4	5.2	1.2p	1.2p
Substantial asset write-downs (Note 23)	7.3	7.3			7.3	5.9	1.3p	1.3p
Substantial reorganisation costs (Note 7)	2.7	2.7			2.7	2.3	0.5p	0.5p
Adjusted	(634.0)	220.7	11.3%	25.8%	215.0	168.1	37.7p	37.6p

1. Operating costs are distribution and marketing expenses and administrative expenses.
2. Operating profit margin is operating profit expressed as a percentage of revenue.
3. Operating profit conversion is operating profit expressed as a percentage of gross profit.

Acquisition-related items comprise transaction costs directly attributable to the acquisition of businesses and deferred consideration payments relating to the retention of former owners of businesses acquired.

Like-for-like profit change

Like-for-like change in profit is adjusted to exclude the effects of changes in exchange rates on translation of overseas profits. The change is calculated by comparing the base business for the current year with the prior year converted at the current year's average exchange rates.

	2021 base business £m	2020 £m	2020 at 2021 rates £m	Like-for-like change %
Segmental operating profit of base business				
EMEA	171.0	197.0	200.0	(14.5)%
Americas	51.4	57.8	56.1	(8.4)%
Asia Pacific	1.4	3.7	3.9	(64.1)%
Segmental operating profit for base business	223.8	258.5	260.0	(13.9)%
Central costs	(37.6)	(37.8)	(37.8)	0.5%
Adjusted operating profit for base business	186.2	220.7	222.2	(16.2)%
Adjusted profit before tax for base business	179.7	215.0	216.5	(17.0)%
Adjusted earnings per share for base business	31.0p	37.7p	38.0p	(18.4)%

Working capital as a percentage of revenue

Working capital is inventories, current trade and other receivables and current trade and other payables.

	2021 £m	2020 £m
Inventories	419.8	419.0
Current trade and other receivables	492.4	406.6
Current trade and other payables	(475.3)	(358.7)
Working capital	436.9	466.9
Revenue	2,002.7	1,953.8
Working capital as a percentage of revenue	21.8%	23.9%

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3 Alternative Performance Measures (APMs) continued

Earnings before interest, tax, depreciation and amortisation (EBITDA) and net debt to adjusted EBITDA

EBITDA is operating profit excluding depreciation and amortisation. Net debt to adjusted EBITDA is the ratio of net debt to EBITDA excluding acquisition-related items, substantial reorganisation costs, substantial asset write-downs and one-off pension credits or costs.

	2021 £m	2020 £m
Operating profit	167.2	205.3
Add back: depreciation and amortisation	56.5	50.9
EBITDA	223.7	256.2
Add back: substantial asset write-downs	–	7.3
Add back: substantial reorganisation costs	11.2	2.7
Add back: acquisition-related items	2.9	–
Adjusted EBITDA	237.8	266.2
Net debt (Note 22)	122.0	189.8
Net debt to adjusted EBITDA	0.5x	0.7x

Earnings before interest, tax and amortisation (EBITA) and EBITA to interest

EBITA is adjusted EBITDA after depreciation. EBITA to interest is the ratio of EBITA to finance costs including capitalised interest less finance income.

	2021 £m	2020 £m
Adjusted EBITDA	237.8	266.2
Less: depreciation	(32.5)	(27.6)
EBITA	205.3	238.6
Finance costs	8.6	9.2
Less: finance income	(1.8)	(3.3)
Add back: capitalised interest	0.9	1.2
Interest (per debt covenants)	7.7	7.1
EBITA to interest	26.7x	33.6x

Return on capital employed (ROCE)

As a result of the acquisitions in the year, the calculation of ROCE has been updated to be based on the monthly average capital employed rather than the closing capital employed. Therefore, ROCE is now adjusted operating profit expressed as a percentage of the monthly average net assets excluding net debt and retirement benefit obligations. The comparative has also been updated.

	2021 £m	2020 £m
Average net assets	791.0	650.9
Add back: average net debt	127.2	197.7
Add back: average retirement benefit net (assets) / obligations	53.8	69.2
Average capital employed	972.0	917.8
Adjusted operating profit	188.3	220.7
ROCE	19.4%	24.0%

Ratio of capital expenditure to depreciation

Ratio of capital expenditure to depreciation is capital expenditure divided by depreciation and amortisation excluding amortisation of acquired intangibles and depreciation of right-of-use assets.

	2021 £m	2020 £m
Depreciation and amortisation	56.5	50.9
Less: amortisation of acquired intangibles	(7.0)	(5.4)
Less: depreciation of right-of-use assets	(17.1)	(15.6)
Adjusted depreciation and amortisation	32.4	29.9
Capital expenditure	56.2	78.6
Ratio of capital expenditure to depreciation	1.7 times	2.6 times

3 Alternative Performance Measures (APMs) continued

Free cash flow, adjusted free cash flow and adjusted operating cash flow conversion

Free cash flow is the net movement in cash and cash equivalents before net cash used in financing activities, acquisition of businesses and cash and cash equivalents acquired with businesses. Adjusted free cash flow is free cash flow adjusted for the impact of substantial reorganisation and acquisition-related items cash flows. Adjusted operating cash flow conversion is adjusted free cash flow before income tax and net interest paid, expressed as a percentage of adjusted operating profit.

	2021 £m	2020 £m
Net increase / (decrease) in cash and cash equivalents	63.4	(23.3)
Add back: cash (generated from) / used in financing activities	(66.0)	95.5
Add back: cash used in acquisition of businesses	157.5	0.2
Less: cash and cash equivalents acquired with businesses	(22.0)	–
Free cash flow	132.9	72.4
Add back: impact of substantial reorganisation cash flows	9.6	8.5
Add back: impact of acquisition-related items cash flows	2.9	–
Adjusted free cash flow	145.4	80.9
Add back: income tax paid	35.2	49.9
Add back: net interest paid	8.3	6.2
Adjusted free cash flow before income tax and net interest paid	188.9	137.0
Adjusted operating profit	188.3	220.7
Adjusted operating cash flow conversion	100.3%	62.1%

Inventory turn

Inventory turn is cost of sales divided by inventories.

	2021 £m	2020 £m
Cost of sales	1,146.7	1,099.1
Inventories	419.8	419.0
Inventory turn	2.7	2.6

4 Revenue recognition

Revenue from the sale of goods is recognised in the income statement when control of the goods has transferred, which in most countries is contractually on delivery to the customer but in a few countries is contractually on collection from the Group's distribution centre by the delivery company. When the Group arranges the delivery of goods where control has transferred on collection, the customer is invoiced an amount to cover the cost of freight and this is included in revenue over time as the goods are shipped. Customers are invoiced on dispatch of the goods. Revenue is measured with reference to the amount invoiced to the customer, net of any immediate discounts applicable to the order. Obligations for retrospective customer volume discounts are calculated by estimating the expected discount percentage that will be achieved for the contractual period using historical data adjusted for current experience and applying that percentage to actual qualifying sales. When a customer has a right to return goods purchased, the Group estimates the obligation for the expected value of the refunds using recent experience. Obligations for both retrospective customer volume discounts and the expected value of refunds for returns are deducted from the revenue recognised when the goods are sold and included in other payables on the balance sheet and at 31 March 2021 were £9.6 million (2019/20: £10.5 million).

Revenue from the fees charged to clients for the provision of outsourced services is recognised either over time based on time elapsed for monthly management charges or when the related products are delivered for other management charges. Invoices are raised monthly for monthly management charges or when the invoices for the related products are invoiced for other management charges, normally on a weekly or monthly basis. The Group acts as an agent in relation to the products sourced for its clients under these outsourcing arrangements and so does not recognise the value of these products in revenue or cost of sales. Revenue is measured with reference to the amount invoiced to the customer for management charges. Licence fee income earned from suppliers for access to the Group's online procurement portals is recognised as their products are purchased by the Group's clients. Credit notes for licence fee income are received from suppliers depending on contractual terms with the least frequent being annual.

Revenue from the sale of calibration services is recognised when control of the services has transferred, which is upon delivery to the customer of the items which have been calibrated. Customers are invoiced on dispatch of the calibrated items. Revenue is measured with reference to the amount invoiced to the customer.

All revenue is recognised net of sales taxes and all payment terms are based on commercially reasonable terms for the respective markets and no element of financing is deemed present.

Remaining performance obligations (unsatisfied or partially unsatisfied) at the year end all relate to customer contracts that have an original expected duration of not more than one year or are invoiced based on time incurred. Therefore, as permitted under IFRS 15, the transaction price allocated to these remaining performance obligations is not disclosed.

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5 Cost of sales and operating profit

Cost of sales comprises the cost of goods delivered to customers and the write-down of inventories to net realisable value.

When a customer has a right to return goods, the Group estimates the expected value of the goods that are likely to be returned based on historical experience and the expected gross margin. It recognises an asset in other receivables for the right to recover these goods and deducts this from cost of sales when the goods are sold.

The Group receives rebates from certain suppliers relating mainly to the volume of purchases made in a specified time period. These rebates are recognised as a reduction in cost of sales to the extent that the inventories purchased from the supplier and eligible for rebates have been sold in the year. Rebates on purchases that remain in inventories are deducted from the cost of inventories, thus reducing cost of sales in the income statement in the period in which the inventories are expensed. The Group recognises the rebate only where there is evidence of a binding arrangement with the supplier, the amount can be estimated reliably and receipt is probable. The Group estimates whether the supplier rebates relate to products already sold or remaining in inventories, based on inventory turns. When estimating the value of supplier rebates earned but not yet received, the Group makes assumptions about the likely volume of eligible purchases to be made over the remaining rebate period. As at 31 March 2021, the Group has £4.7 million (2019/20: £4.1 million) of supplier rebates recognised within trade and other receivables.

Operating profit is stated after charging / (crediting):

	2021 £m	2020 £m
Fees payable to the Company's auditor for the audit of the Company and Group accounts	0.5	0.4
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries	1.4	1.2
Audit-related assurance services	0.1	0.1
Total fees payable to the Company's auditor and its associates	2.0	1.7
Depreciation of property, plant and equipment	15.4	12.0
Amortisation of intangible assets included in distribution and marketing expenses	17.0	17.9
Amortisation of intangible assets included in administrative expenses	7.0	5.4
Amortisation of government grants	(0.4)	(0.1)
Loss / (gain) on foreign exchange	1.7	(0.3)
Net losses / (gains) on forward foreign exchange contracts classified as fair value through profit or loss	0.5	(0.1)
Loss on disposal of intangible assets	0.1	–
Loss on disposal of property, plant and equipment	0.2	0.1

6 Finance income and costs

Finance costs that are directly attributable to the construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Other finance costs and finance income are calculated using the effective interest method and recognised in the income statement as incurred.

	2021 £m	2020 £m
Finance income		
Interest income on financial assets measured at amortised cost	1.2	3.2
Interest income on interest rate swaps	0.6	0.1
Finance income	1.8	3.3
Finance costs		
Interest expense on financial liabilities measured at amortised cost	(6.7)	(7.2)
Interest expense on lease liabilities	(1.0)	(1.1)
Interest expense on interest rate swaps	(0.4)	(0.1)
Interest on uncertain income tax positions	(0.3)	(0.7)
Invoice finance charges	(0.2)	(0.1)
Finance costs	(8.6)	(9.2)

Invoice finance charges relate to costs incurred when the Group makes use of its clients' supplier invoice financing options where this is commercially and administratively attractive. These options are used for some outsourced services clients where they give the Group access to the clients' invoice portals to simplify the invoice query reconciliation process and so speed up the receipt of payments.

7 Substantial reorganisation costs

In September 2020 the Group launched RISE to enable it to move faster to accelerate the delivery of its Destination 2025 strategy. Some small elements, which did not require consultation with collective bodies such as the Group's European Works Council, were initiated before then. It is a two-year evolutionary programme to simplify the Group's operating model, accelerate growth and reduce the cost to serve. Redundancy and associated costs of £11.2 million were incurred in the year ended 31 March 2021. These costs have been excluded from adjusted performance measures.

The conclusion of the second phase of the Performance Improvement Plan gave rise to substantial reorganisation costs of £2.7 million in the year ended 31 March 2020 which were excluded from adjusted performance measures.

8 Employees

Average number of employees	2021	2020
Management and administration	1,234	1,306
Distribution and marketing	5,572	5,738
	6,806	7,044
Employment costs	2021 £m	2020 £m
Wages and salaries	248.6	239.8
Social security costs	33.9	32.1
Share-based payments – equity-settled (Note 9)	7.0	3.4
Share-based payments – cash-settled (Note 9)	6.2	1.5
Defined contribution retirement benefit costs (Note 10)	15.8	15.2
Defined benefit retirement benefit costs (Note 10)	4.6	6.0
	316.1	298.0
Termination benefits	10.9	3.5
Total	327.0	301.5

Information on the Directors' remuneration is given in the Directors' Remuneration Report on pages 94 to 112.

9 Share-based payments

The Group operates several share-based payment schemes which are the Long Term Incentive Plan, the Deferred Share Bonus Plan and the Savings-Related Share Option Scheme.

Equity-settled share-based payments are measured at fair value at the grant date, calculated using an appropriate option pricing model. The fair value is expensed in the income statement with a corresponding increase in equity on a straight-line basis over the period that employees become unconditionally entitled to the awards. The income statement charge is adjusted to reflect expected and actual levels of vesting associated with non-market performance related criteria.

Cash-settled share-based payments are measured at fair value at the balance sheet date, taking into account the estimated number of awards that will actually vest and the relative completion of the vesting period. This fair value is included in liabilities and changes in the value of these liabilities are recognised in the income statement.

The EBT established to administer the schemes owns shares in the Company which are shown in equity.

Long Term Incentive Plan (LTIP) – equity settled and cash settled

The Group has two active LTIPs: the 2016 LTIP and the 2019 LTIP. Under the LTIPs, awards are made to plan participants subject to service conditions and performance conditions. At the vesting date, the award will either vest, in full or in part, or expire depending on the outcome of the performance conditions.

Those awards made under the 2016 LTIP in 2016 (vested in June 2019); 2017 (vested in June 2020); and 2018 are subject to a market performance condition based on total shareholder return (TSR) of the Group versus a defined comparator group (see the Directors' Remuneration Report for details) and non-market performance conditions based on cumulative growth in adjusted earnings per share (EPS) over the vesting period and Group ROCE. Awards under the 2016 LTIP may include a further award (a multiplier) that vests if the Group achieves exceptional adjusted EPS performance over the vesting period.

Under the 2019 LTIP, awards are normally subject to a market performance condition based on TSR of the Group versus a defined comparator group (see the Directors' Remuneration Report for details) and a non-market performance condition based on cumulative growth in adjusted EPS over the vesting period with a ROCE underpin.

Some of the awards are equity settled and some are cash settled. All awards have £nil exercise price and receive accrued dividends on settlement.

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9 Share-based payments continued

The fair value of equity-settled LTIP awards subject to market conditions was calculated at the grant date using a Monte Carlo model, with the assumptions below.

Equity-settled LTIPs	2021			2020	
	Dec 2020	Nov 2020	Jul 2020	Dec 2019	Jul 2019
Market performance conditions					
Awards granted	32,218	610,515	–	58,806	849,802
Fair value at grant date	400p	402p	–	285p	267p
Assumptions used:					
Share price	873p	822p	–	692p	594p
Expected volatility	32.1%	32.1%	–	27.2%	29.2%
	2 years	2 years	–	2 years	
Expected life	5 months	6 months	–	5 months	3 years
Risk-free interest rate	(0.07)%	(0.03)%	–	0.58%	0.49%
Other conditions					
Awards granted	41,410	610,515	37,936	58,806	854,844
Fair value at grant date	873p	822p	670p	692p	594p

Expected volatility was estimated based on the historical volatility of the Company's shares over the most recent period commensurate to the expected life of the award. The risk-free interest rate represents the yield, at the grant date, of UK government bonds with duration commensurate to the expected life of the award.

The fair value of cash-settled LTIP awards were:

Cash-settled LTIPs	2021	2020	
	Nov 2020	Dec 2019	Jul 2019
Market performance conditions – awards granted	1,147	3,055	14,626
Market performance conditions – fair value at year end	993p	993p	993p
Other conditions – awards granted	1,147	3,055	14,626
Other conditions – fair value at year end	993p	993p	993p

The movements in the LTIP awards (equity and cash settled) were:

	2021 Number of awards	2020 Number of awards
Outstanding at 1 April	4,039,605	4,897,198
Forfeited during the year	(257,279)	(576,406)
Expired during the year	(87,743)	–
Exercised during the year	(1,141,086)	(2,138,807)
Granted during the year	1,334,888	1,857,620
Outstanding at 31 March	3,888,385	4,039,605

Deferred Share Bonus Plan (DSBP) – equity settled

Under the DSBP, at least one-third of the total bonus earned by plan participants is awarded as shares and deferred for two years, normally subject to the continued employment of the participant within the Group. There are no other performance conditions. The participants receive accrued dividends on vesting. Deferred share awards relating to the bonus for the year ended 31 March 2021 will be awarded in June 2021. The fair value of the shares awarded during the year was 677p (2019/20: 598p) per share award which was the share price at the date of award.

The movements in the DSBP awards were:

	2021 Number of awards	2020 Number of awards
Outstanding at 1 April	199,169	245,437
Forfeited during the year	–	(55,202)
Exercised during the year	(88,574)	(126,795)
Granted during the year	136,508	135,729
Outstanding at 31 March	247,103	199,169

9 Share-based payments continued

Savings-Related Share Option Scheme (SAYE) – equity settled and cash settled

The SAYE scheme is available to the majority of employees of the Group employed at the time that the invitation period commences. The UK element is equity settled and the overseas element is cash settled. The option price is based on the average market price of the Company's shares over the three days prior to the offer, discounted by 20%. The option exercise conditions are the employee's continued employment for a three-year period and the maintenance of employee's regular monthly savings. Failure of either of these conditions is normally deemed a forfeiture of the option. Employees may subscribe to the three-year or five-year scheme. At the end of the period, the employee has six months to either exercise their options to purchase the shares at the agreed price or withdraw their savings with accrued interest. There are no market conditions attached to the vesting of the options.

The fair value of equity-settled SAYE options was calculated at the grant date using a Black-Scholes model, with the assumptions below.

Equity-settled SAYEs	3 year 2021	5 year 2021	3 year 2020	5 year 2020
	Grant year ended 31 March			
Options granted	753,125	185,372	1,296,907	390,487
Fair value at grant date	155p	179p	172p	185p
Assumptions used:				
Share price	662p	662p	599p	599p
Exercise price	573p	573p	439p	439p
Expected volatility	32.0%	33.0%	28.9%	30.2%
Expected option life	3 years	5 years	3 years	5 years
Expected dividend yield	2.10%	2.10%	2.30%	2.30%
Risk-free interest rate	(0.10)%	(0.06)%	0.33%	0.34%

Expected volatility was estimated based on the historical volatility of the Company's shares over the most recent three-year or five-year period as appropriate. Expected dividend yield was the annual dividend yield as at the grant date. The risk-free interest rate was the yield, at the grant date, of three-year or five-year (as applicable) UK government bonds.

The fair value of cash-settled SAYE options is calculated at year end using a Black-Scholes model, with the assumptions below.

Cash-settled SAYEs	3 year 2021	5 year 2021	3 year 2020	5 year 2020
	Grant year ended 31 March			
Options granted	389,066	19,798	590,962	99,256
Fair value at year end	420p	422p	117p	137p
Assumptions used:				
Year-end share price	993p	993p	516p	516p
Exercise price	573p	573p	439p	439p
Expected volatility	33.3%	30.4%	31.6%	32.8%
Expected remaining option life	2.5 years	4.5 years	2.5 years	4.5 years
Expected dividend yield	1.50%	1.50%	2.40%	2.40%
Risk-free interest rate	0.20%	0.39%	0.11%	0.22%

Expected volatility is estimated based on the historical volatility of the Company's shares over the most recent period commensurate to the expected remaining life of the option. Expected dividend yield is the annual dividend yield as at the year end. The risk-free interest rate is the yield, at the year end, of UK government bonds with duration commensurate to the expected remaining life of the option.

The movements in and weighted average exercise price of the SAYE options (equity and cash settled) were:

	2021		2020	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at 1 April	439p	4,606,449	402p	4,005,614
Forfeited during the year	488p	(236,121)	515p	(692,673)
Expired during the year	449p	(295,624)	405p	(41,251)
Exercised during the year	375p	(1,166,575)	246p	(1,042,853)
Granted during the year	573p	1,347,361	439p	2,377,612
Outstanding at 31 March	496p	4,255,490	439p	4,606,449
Exercisable at 31 March	472p	8,202	n/a	–

Notes to the Group accounts

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9 Share-based payments continued

SAYE options outstanding at the year end were:

	2021	2020
Option prices:		
£1.00-£1.99	—	396,621
£2.00-£2.99	141,163	195,073
£4.00-£4.99	2,081,193	3,138,273
£5.00-£5.99	2,033,134	876,482
	4,255,490	4,606,449
Weighted average remaining contractual life (in years)	0.52	1.94
Weighted average share price during period of exercise	724p	621p

10 Retirement benefit obligations

For defined benefit schemes, the surplus or deficit recognised in the balance sheet is the difference between the fair value of the scheme assets and the present value of the obligations at the balance sheet date. The present value of the obligations is measured using the projected unit credit method and a discount rate reflecting yields on high-quality corporate bonds. The operating profit charge comprises the current service cost, net interest cost, past service costs, administrative expenses, curtailment gains and losses and settlement gains and losses. The net interest cost is based on the discount rate at the beginning of the year, contributions paid in and the surplus or deficit during the year. Past service costs and curtailment gains and losses are recognised at the earlier of when the scheme amendment or curtailment occurs and when any related reorganisation costs or termination benefits are recognised. Settlement gains and losses are recognised when the settlement occurs. Remeasurements, representing returns on scheme assets excluding amounts included in interest and actuarial gains and losses arising from changes in demographic and financial assumptions and experience adjustments, are recognised in other comprehensive income.

The Group’s largest defined benefit pension scheme is in the UK, providing benefits based on final pensionable pay for eligible employees who joined on or before 1 April 2003. The scheme is administered by a corporate trustee and the funds are independent of the Group’s finances. The Group also has defined benefit pension schemes in Germany and the Republic of Ireland, which are closed to both new members and accruals for future service, and defined benefit retirement indemnity schemes in France and Italy.

For defined contribution schemes, the costs are charged to operating profit as they fall due. The Group has defined contribution schemes in the UK, Australia, North America, Germany and the Republic of Ireland. The Group contributes to government schemes in France, Italy, Scandinavia and Asia and these are defined contribution schemes. The Group also makes payments to employees’ personal pensions in the UK when their employing company does not provide defined benefit or defined contribution schemes.

Regulatory framework and governance

The UK scheme, the Electrocomponents Group Pension Scheme, is a registered scheme established under trust law and, as such, is subject to UK pension, tax and trust legislation. It is managed by a corporate trustee, Electrocomponents Pension Trustees Limited (the Trustee). The Trustee includes representatives appointed by both the Company and employees. Although the Company bears the financial cost of the scheme, the Trustee directors are responsible for the overall management of the scheme including compliance with applicable regulations and legislation. The Trustee directors are required by law to act in the interest of all relevant beneficiaries and to set certain policies, to manage the day-to-day administration of the benefits and to set the scheme investment strategy in consultation with the Company.

UK pensions are regulated by the Pensions Regulator whose statutory objectives and regulatory powers are described on its website: www.thepensionsregulator.gov.uk.

10 Retirement benefit obligations continued

Deficit position and funding

The rules of the Electrocomponents Group Pension Scheme give the Trustee powers to wind up the scheme, which it may exercise if the Trustee is aware that the assets of the scheme are insufficient to meet its liabilities. Although the scheme is currently in deficit on a statutory funding basis, the Trustee and the Company have agreed a plan to eliminate the deficit over time and the Trustee has confirmed that it has no current intention to exercise its power to wind up the scheme.

The funding of the UK scheme is assessed using assumptions in accordance with the advice of independent actuaries. These assumptions may be different to those used for the accounting valuation. The last triennial funding valuation was carried out as at 31 March 2019 and showed a deficit of £44.7 million on a statutory technical provisions basis. Under the associated recovery plan, the Group agreed to make deficit contributions with the aim that the scheme will be fully funded on a statutory technical provisions basis by March 2022. These deficit contributions consist of an annual contribution of at least £10.0 million, increased each 1 April by the increase in the Retail Prices Index (RPI) for the year to the preceding December, and an additional contribution of £25.0 million. This contribution can be paid in instalments and paid as and when the Group deems appropriate, provided the total additional contribution has been paid no later than 31 March 2022. During the year ended 31 March 2021, the first £12.5 million of this additional contribution was paid.

Based on the UK scheme’s rules, the Group does not have an unconditional right to any surplus that may arise on the scheme and so IFRIC 14 applies. At 31 March 2020, the present value of the contributions due under the recovery plan to the UK scheme was greater than the funded status and so the Group recognised an additional liability of £41.2 million. At 31 March 2021, this was no longer the case and the minimum funding requirements were lower than the accounting deficit and so no adjustments were required.

Based on the funding position as at 31 March 2021, in the year ending 31 March 2022 the Group expects to pay £26.0 million of contributions to the UK scheme, including £22.8 million of deficit contribution payments, and £0.5 million to the other defined benefit schemes.

Investment strategy and risk exposure

The defined benefit schemes expose the Group to actuarial risks such as longevity, interest rate, inflation and investment risks. After consultation with the Company, the Trustee followed a de-risking cash flow driven investment strategy over recent years for the UK scheme to invest in lower risk credit assets, gilts and corporate bonds, which was completed in 2019/20. The approach for managing the UK scheme’s risks is set out below.

Interest rate risk

The Trustee has set a benchmark for total investment in bonds (government and corporate), interest rate swaps, inflation swaps, gilt repurchase agreements and cash as part of its matching asset portfolio (comprising the qualifying investor alternative investment fund (QIAIF), a bespoke pooled structure in which the scheme is the sole investor). Under this strategy, if gilt yields fall, the value of the investments within the matching asset portfolio will rise to help match the increase in the valuation of the liabilities arising from a fall in the discount rate, which is derived from gilt yields. Similarly, if gilt yields rise, the value of the matching asset portfolio will fall, as will the valuation of the liabilities because of an increase in the discount rate.

Inflation risk

The scheme holds index-linked gilts, inflation swaps and repurchase agreements to manage against inflation risk associated with pension liability increases.

Longevity risk

Prudent mortality assumptions are used that appropriately allow for future improvements in life expectancy. These assumptions are reviewed on a regular basis to ensure they remain appropriate. The Trustee uses the Club Vita Service to provide a better estimate of the mortality rates of the scheme’s membership than the standard tables. With effect from 1 June 2008, the scheme introduced a mortality risk sharing mechanism whereby members’ benefits for pensionable service after that date will be reduced if the life expectancy of the scheme’s members increases more quickly than a pre-determined rate.

Assumptions

Financial assumptions

The principal assumptions used to determine the defined benefit obligations were:

	2021		2020	
	UK	Other	UK	Other
Discount rate	2.10%	0.90%	2.40%	1.65%
Rate of increase in pensionable salaries	Nil	2.50%	Nil	2.50%
Rate of RPI inflation	3.30%	1.66%	2.60%	1.41%
Rate of CPI inflation	2.60%	1.66%	1.90%	1.41%
Rate of pension increases				
RPI inflation capped at 5.0% p.a.	3.15%	n/a	2.55%	n/a
RPI inflation capped at 2.5% p.a.	2.10%	n/a	1.90%	n/a

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10 Retirement benefit obligations continued

Life expectancy assumptions

Based upon the demographics of scheme members, the weighted average life expectancy assumptions used to determine the UK defined benefit obligations were:

	2021 Years	2020 Years
Member aged 65 (current life expectancy) – male	22.3	22.2
Member aged 65 (current life expectancy) – female	23.7	23.7
Member aged 45 (life expectancy at aged 65) – male	22.8	22.7
Member aged 45 (life expectancy at aged 65) – female	25.1	25.0

At 31 March 2021, the weighted average duration of the UK defined benefit obligation was 19 years (2019/20: 19 years).

Sensitivity analysis of the impact of changes in key assumptions

The calculations of the defined benefit obligations are sensitive to the assumptions used. The sensitivity analysis below is based on a change in the assumption on the UK scheme while holding all other assumptions constant; in practice changes in some of the assumptions may be correlated.

A change would have the following increase / (decrease) on the UK defined benefit obligations as at 31 March 2021:

	Increase in assumption £m	Decrease in assumption £m
Effect on obligation of a 0.1% change to the assumed discount rate	(11.4)	11.7
Effect on obligation of a 0.1% change in the assumed inflation rate	5.4	(8.9)
Effect on obligation of an assumed increase in one year's life expectancy	23.3	

Income statement

The net charge / (credit) recognised in operating profit for retirement benefit obligations was:

	2021			2020		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
Current service cost	2.5	0.3	2.8	3.2	0.2	3.4
Past service cost	0.2	(0.2)	–	–	–	–
Interest expense on obligation	12.6	0.3	12.9	14.0	0.3	14.3
Interest income on scheme assets	(12.8)	(0.1)	(12.9)	(12.5)	(0.1)	(12.6)
Interest expense on asset ceiling / onerous liability	1.0	–	1.0	–	–	–
Administrative expenses	0.8	–	0.8	0.9	–	0.9
Total charge for defined benefit schemes	4.3	0.3	4.6	5.6	0.4	6.0
Total charge for defined contribution schemes and personal pensions	8.0	7.8	15.8	7.3	7.9	15.2

10 Retirement benefit obligations continued

Balance sheet

The amounts included in the balance sheet arising from the Group's assets / (obligations) in respect of its defined benefit schemes was:

	2021			2020		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
Fair value of scheme assets	572.8	8.1	580.9	534.4	8.0	542.4
Present value of defined benefit obligations	(614.0)	(22.6)	(636.6)	(536.5)	(20.5)	(557.0)
Effect of asset ceiling / onerous liability	–	–	–	(41.2)	–	(41.2)
Retirement benefit obligations	(41.2)	(14.5)	(55.7)	(43.3)	(12.5)	(55.8)
Amount recognised on the balance sheet – liability	(41.2)	(15.3)	(56.5)	(43.3)	(14.4)	(57.7)
Amount recognised on the balance sheet – asset	–	0.8	0.8	–	1.9	1.9

The other defined benefit schemes were:

	2021			2020		
	Fair value of scheme assets £m	Present value of defined benefit obligations £m	Retirement benefit obligations £m	Fair value of scheme assets £m	Present value of defined benefit obligations £m	Retirement benefit obligations £m
Germany's defined benefit pension scheme	–	(10.5)	(10.5)	–	(9.7)	(9.7)
Republic of Ireland's defined benefit pension scheme	8.1	(7.3)	0.8	8.0	(6.1)	1.9
France's defined benefit retirement indemnity scheme	–	(3.7)	(3.7)	–	(3.4)	(3.4)
Italy's defined benefit retirement indemnity scheme	–	(1.1)	(1.1)	–	(1.3)	(1.3)
Other	8.1	(22.6)	(14.5)	8.0	(20.5)	(12.5)

Movements in the present value of the defined benefit obligations in the year were:

	2021			2020		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
At 1 April	536.5	20.5	557.0	594.3	21.7	616.0
Current service cost	2.5	0.3	2.8	3.2	0.2	3.4
Past service cost	0.2	(0.2)	–	–	–	–
Interest expense	12.6	0.3	12.9	14.0	0.3	14.3
Insurance premiums for risk benefits	(0.1)	–	(0.1)	(0.1)	–	(0.1)
Effect of changes in demographic assumptions	–	–	–	(21.7)	(0.1)	(21.8)
Effect of changes in financial assumptions	82.2	3.6	85.8	(34.8)	(1.8)	(36.6)
Effect of experience adjustments	–	(0.1)	(0.1)	2.5	–	2.5
Benefits paid	(19.9)	(1.0)	(20.9)	(20.9)	(0.3)	(21.2)
Exchange differences	–	(0.8)	(0.8)	–	0.5	0.5
At 31 March	614.0	22.6	636.6	536.5	20.5	557.0

Of the UK scheme's present value of the defined benefit obligations, £73.1 million relates to active members, £259.9 million to vested deferred members and £281.0 million to retirees.

Movements in the fair value of the schemes' assets in the year were:

	2021			2020		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
At 1 April	534.4	8.0	542.4	524.9	7.5	532.4
Interest income	12.8	0.1	12.9	12.5	0.1	12.6
Return on scheme assets (excluding interest income)	20.4	0.6	21.0	6.3	0.1	6.4
Contributions by company	26.0	0.7	26.7	12.6	0.4	13.0
Benefits paid	(19.9)	(1.0)	(20.9)	(20.9)	(0.3)	(21.2)
Administrative expenses	(0.8)	–	(0.8)	(0.9)	–	(0.9)
Insurance premiums for risk benefits	(0.1)	–	(0.1)	(0.1)	–	(0.1)
Exchange differences	–	(0.3)	(0.3)	–	0.2	0.2
At 31 March	572.8	8.1	580.9	534.4	8.0	542.4

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10 Retirement benefit obligations continued

The fair values of the schemes' assets were:

	2021			2020		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
QIAIF (liability driven investment and credit portfolio of quoted assets)	434.4	–	434.4	408.9	–	408.9
Quoted equities	–	2.3	2.3	–	1.8	1.8
Quoted debt instruments	56.0	5.8	61.8	55.3	6.2	61.5
Unquoted debt instruments	82.0	–	82.0	69.8	–	69.8
Cash	0.4	–	0.4	0.4	–	0.4
Total market value of scheme assets	572.8	8.1	580.9	534.4	8.0	542.4

The defined benefit schemes do not invest in the Company and no property or other assets owned by the schemes are used by the Group.

The fair values of the unquoted debt instruments are determined by the fund managers using quoted prices for similar assets or other valuation techniques where all the inputs are directly observable or indirectly observable from market data.

Movements in the effect of asset ceiling / onerous liability were:

	2021			2020		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
At 1 April	41.2	–	41.2	–	–	–
Interest expense	1.0	–	1.0	–	–	–
Change in asset ceiling / onerous liability (excluding interest income)	(42.2)	–	(42.2)	41.2	–	41.2
At 31 March	–	–	–	41.2	–	41.2

11 Taxation

Current and deferred tax are recognised in the income statement, except when they relate to items recognised directly in equity when the related tax is also recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The Group recognises deferred tax assets and liabilities based on estimates of future taxable income and recoverability. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is calculated using tax rates enacted or substantively enacted at the balance sheet date that are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which these temporary differences can be utilised.

No deferred tax liabilities are recognised on the initial recognition of goodwill. However, when goodwill arises in a jurisdiction where it is deductible in determining taxable profit, the amortisation for tax purposes of goodwill creates a taxable temporary difference and this resulting deferred tax liability is recognised.

The Group recognises a current tax provision when the Group has a present obligation as a result of a past event, and it is considered probable that there will be a future outflow of funds. As an international business, the Group is exposed to the income tax laws of the large number of jurisdictions in which it operates. These laws are complex and subject to different interpretations by taxpayers and tax authorities. The assessment of uncertain tax positions is subjective. It is based on the Group's interpretation of country-specific tax law and its application and interaction, on previous experience and on management's professional judgement supported by external advisors where necessary.

The Group estimates a provision for uncertain tax positions by making judgements about the position likely to be taken by each tax authority. Where it is considered probable that the tax authority will accept the tax treatment used, or expected to be used, in the income tax return, the accounts reflect the treatment in the return. Where it is not considered probable that the tax authority will accept the tax treatment, the tax amounts in the accounts reflect that uncertainty using either the most likely amount or the expected value amount depending on which method is expected to better reflect the resolution of that uncertainty.

Provisions for uncertain tax positions are included within current tax liabilities. The Group's uncertain tax positions principally relate to cross-border transfer pricing. As at 31 March 2021, the total value of these tax provisions was £7.0 million (2019/20: £7.0 million). It is possible that the amounts paid will be different from the amounts provided but this is not expected to be material.

11 Taxation continued

Tax expense / (income) recognised in the income statement

	2021 £m	2020 £m
Current tax		
Current tax on profits for the year	29.3	43.0
Adjustments for prior years	(0.2)	(0.9)
Total current tax	29.1	42.1
Deferred tax		
Origination and reversal of temporary differences	7.3	1.9
Changes in tax rates and laws	–	1.0
Adjustments for prior years	(1.3)	(0.1)
Total deferred tax	6.0	2.8
Income tax expense	35.1	44.9

The income tax expense for the year can be reconciled to the profit per the income statement as follows:

	2021 £m	2020 £m
Profit before tax	160.6	199.6
Expected tax charge at UK corporation tax rate of 19% (2020: 19%)	30.5	37.9
Recurring items		
Differences in overseas corporation tax rates	5.6	6.3
Impact of tax losses	(1.7)	(0.3)
Items not taxable for tax purposes	(0.5)	(1.0)
Items not deductible for tax purposes	1.3	1.7
Other local taxes suffered overseas	1.4	0.4
Non-recurring items		
Changes in tax rates and laws	–	1.0
Movement in uncertain tax provisions in current year	1.4	1.2
Movement in uncertain tax provisions for prior years	(1.4)	(1.3)
Prior year adjustments	(1.5)	(1.0)
	35.1	44.9

The Group's effective tax rate reflects the impact of higher tax rates in overseas jurisdictions where the Group earns profit. Based on current business plans, the mix of profits is not expected to change significantly in the future.

In March 2021, the UK government announced but did not enact a change in the UK corporation tax rate from 19% to 25% effective from 1 April 2023. This is not expected to have a material impact.

Tax expense / (income) recognised directly in other comprehensive income

	2021 £m	2020 £m
Relating to remeasurement of retirement benefit obligations	(4.3)	1.9
Relating to movement in cash flow hedges	(1.0)	0.5
	(5.3)	2.4

Group accounts continued

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11 Taxation continued

Movement in deferred tax assets and liabilities

	Intangible assets (excluding goodwill), leases and property, plant and equipment £m	Goodwill £m	Retirement benefit obligations £m	Employee benefits £m	Tax losses £m	Other £m	Net tax (liabilities) / assets £m
At 1 April 2019	(10.4)	(48.1)	14.1	5.4	2.7	1.9	(34.4)
Credit / (charge) to income	0.5	(0.1)	(1.9)	(0.9)	(0.1)	(0.3)	(2.8)
Recognised directly in equity	–	–	(1.9)	(1.1)	–	0.5	(2.5)
Translation differences	(0.3)	(2.4)	0.3	0.1	–	(0.2)	(2.5)
At 31 March 2020	(10.2)	(50.6)	10.6	3.5	2.6	1.9	(42.2)
Acquisitions (Note 28)	(14.5)	–	–	0.1	0.4	–	(14.0)
Credit / (charge) to income	(3.5)	(0.2)	(4.1)	0.8	0.7	0.3	(6.0)
Recognised directly in equity	–	–	4.3	1.8	–	0.4	6.5
Translation differences	0.7	5.0	(0.1)	(0.2)	–	(0.2)	5.2
At 31 March 2021	(27.5)	(45.8)	10.7	6.0	3.7	2.4	(50.5)

Analysed in the balance sheet as:

	2021 £m	2020 £m
Deferred tax assets	9.9	17.1
Deferred tax liabilities	(60.4)	(59.3)
	(50.5)	(42.2)

A deferred tax asset has been recognised for tax losses where current projections show that sufficient taxable profits will arise in the near future against which these losses may be offset. A deferred tax asset has not been recognised in respect of carry-forward tax losses where recoverability is uncertain totalling £2.0 million (2019/20: £3.5 million) which carries no expiry date.

12 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of shares in issue during the year excluding shares held by the EBT.

Diluted earnings per share is calculated by adjusting the weighted average number of shares to assume the conversion of all potentially dilutive ordinary shares. The share-based payment schemes which result in the issue of shares at a value below the market price of the shares are potentially dilutive.

	2021 Number	2020 Number
Weighted average number of shares	453,851,022	445,325,071
Dilutive effect of share-based payments	2,069,427	2,303,406
Diluted weighted average number of shares	455,920,449	447,628,477
Basic earnings per share	27.7p	34.7p
Diluted earnings per share	27.5p	34.6p

13 Dividends

	2021 £m	2020 £m
Final dividend for the year ended 31 March 2020 – nil p (2019: 9.5p)	–	42.1
Additional interim dividend for the year ended 31 March 2020 to replace deferred final dividend – 9.5p	42.6	–
Interim dividend for the year ended 31 March 2021 – 6.1p (2020: 5.9p)	28.6	26.4
	71.2	68.5

The amount waived by the trustees of the EBT in respect of the interim and final dividends was £nil (2019/20: £nil).

A proposed final dividend for the year ended 31 March 2021 of 9.8p is subject to approval by shareholders at the Annual General Meeting on 15 July 2021 and the estimated amount to be paid of £46.0 million has not been included as a liability in these accounts.

14 Intangible assets

Goodwill represents the excess of the fair value of the consideration of an acquisition over the fair value attributed to the net assets acquired (including contingent liabilities). Goodwill is not amortised but is reviewed annually for impairment. Acquisition-related costs are charged to the income statement as incurred.

Intangible assets excluding goodwill are stated at cost, or fair value at the date of acquisition, less accumulated amortisation and any provisions for impairment. Residual value is reassessed annually. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred. Amortisation is calculated to write off the cost on a straight-line basis at the following annual rates from the date the assets are first available for use: software 9% – 50%; development expenditure 33%; brand 10%; customer contracts and relationships 10% – 14%; and acquired research 33%.

	Goodwill £m	Software £m	Development expenditure £m	Brand £m	Customer contracts and relationships £m	Acquired research £m	Total £m
Cost							
At 1 April 2019	231.2	267.0	–	–	41.8	1.1	541.1
Additions – internally generated	–	12.5	–	–	–	–	12.5
Additions – other	–	9.5	–	–	–	–	9.5
Disposals	–	(0.7)	–	–	–	–	(0.7)
Reclassifications	–	(0.2)	–	–	–	–	(0.2)
Translation differences	9.9	1.6	–	–	–	–	11.5
At 31 March 2020	241.1	289.7	–	–	41.8	1.1	573.7
Acquisitions (Note 28)	90.0	6.0	–	4.0	53.7	–	153.7
Additions – internally generated	–	14.8	1.8	–	–	–	16.6
Additions – other	–	13.6	–	–	–	–	13.6
Disposals	–	(0.1)	–	–	–	–	(0.1)
Reclassifications	–	1.4	–	–	–	–	1.4
Translation differences	(21.1)	(3.4)	–	–	(0.3)	–	(24.8)
At 31 March 2021	310.0	322.0	1.8	4.0	95.2	1.1	734.1

Amortisation

At 1 April 2019	–	216.5	–	–	3.7	–	220.2
Charge for the year	–	18.8	–	–	4.5	–	23.3
Disposals	–	(0.7)	–	–	–	–	(0.7)
Translation differences	–	1.3	–	–	–	–	1.3
At 31 March 2020	–	235.9	–	–	8.2	–	244.1
Charge for the year	–	17.8	0.1	0.1	5.9	0.1	24.0
Translation differences	–	(2.9)	–	–	–	–	(2.9)
At 31 March 2021	–	250.8	0.1	0.1	14.1	0.1	265.2

Net book value

At 31 March 2021	310.0	71.2	1.7	3.9	81.1	1.0	468.9
At 31 March 2020	241.1	53.8	–	–	33.6	1.1	329.6

As at 31 March 2021, the cost and accumulated amortisation of internally generated intangible assets included in software were £28.3 million and £13.5 million (2019/20: £21.8 million and £9.3 million) respectively. All development expenditure is internally generated.

The only material individual software asset is the RS SAP system with a net book value of £12.6 million (2019/20: £9.0 million) and remaining lives of 3 to 8 years. Material individual customer contracts and relationships are on the acquisition of IESA, Needlers and Synovos with net book values of £28.6 million, £16.5 million and £33.7 million respectively (2019/20: £33.1 million, £nil and £nil) and remaining lives of 4 to 7 years, 9 and 9 years respectively.

Goodwill is allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from the synergies arising as a result of the acquisition, with £260.2 million (2019/20: £210.0 million) relating to the Americas CGU and £49.8 million (2019/20: £31.1 million) relating to the EMEA CGU.

The Group reviews its intangible assets regularly to assess if there are any indications the assets may be impaired. In addition, goodwill and any other intangible assets that are not yet being amortised are subject to annual impairment reviews.

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. The recoverable amount is calculated as the higher of fair value less costs of disposal and value in use. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the CGU to which the asset belongs.

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14 Intangible assets continued

For the goodwill impairment reviews, the recoverable amount of the CGUs is based on value-in-use calculations, which use cash flow projections based on the Group's annual targets and strategic plan which cover the next five years. Judgements made are for the main assumptions used in determining the revenue and gross margin growth rates. These are determined using internal forecasts based upon historical growth rates and future medium-term plans together with relevant macroeconomic indicators. These cash flow projections are then extrapolated using the relevant long-term growth rate for the CGU and discounted at the Group's pre-tax weighted average cost of capital (including lease liabilities) adjusted for the estimated tax cash flows and risk applicable for the CGU.

For the Americas CGU, the long-term growth rate is 1.9% (2019/20: 1.8%) which is consistent with the market estimate of long-term average growth rates for the product and service solutions providers industries and does not exceed expected long-term GDP growth for Americas. The pre-tax discount rate is 7.5% (2019/20: 8.1%).

For the EMEA CGU, the long-term growth rate is 1.8% (2019/20: 1.8%) which is consistent with the market estimate of long-term average growth rates for the product and service solutions providers industries and does not exceed expected long-term GDP growth for EMEA. The pre-tax discount rate is 8.5% (2019/20: 9.5%).

There is significant headroom between the carrying amount and the value in use of the CGUs (over 100%), therefore the Directors believe that currently all reasonably likely changes in the key assumptions referred to above would not give rise to an impairment charge.

15 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provisions for impairment after taking account of any impact of the Group's strategy related to climate change. The cost of self-constructed assets includes the cost of materials, direct labour and certain direct overheads.

No depreciation has been charged on freehold land. Other assets are depreciated to residual value, which is reassessed annually, on a straight-line basis at the following annual rates: freehold buildings and improvements to leasehold buildings 2% (or the lease term if shorter); plant and machinery 5% – 20%; and computer equipment 20% – 33%.

	Land and buildings restated £m	Plant and machinery restated £m	Computer equipment restated £m	Total £m
Cost				
At 1 April 2019	130.2	169.0	74.9	374.1
Additions	22.8	25.5	8.3	56.6
Disposals	(1.5)	(2.8)	(2.0)	(6.3)
Reclassifications	–	–	0.2	0.2
Translation differences	2.4	1.9	1.4	5.7
At 31 March 2020	153.9	193.6	82.8	430.3
Acquisitions (Note 28)	0.9	0.8	0.1	1.8
Additions	0.3	14.2	11.5	26.0
Disposals	(0.3)	(0.9)	(0.9)	(2.1)
Reclassifications	1.5	6.5	(9.4)	(1.4)
Translation differences	(5.6)	(5.4)	(2.1)	(13.1)
At 31 March 2021	150.7	208.8	82.0	441.5

Depreciation				
At 1 April 2019	49.8	136.7	68.0	254.5
Charge for the year	2.5	5.5	4.0	12.0
Disposals	(1.4)	(2.8)	(1.9)	(6.1)
Translation differences	0.7	1.3	0.4	2.4
At 31 March 2020	51.6	140.7	70.5	262.8
Charge for the year	2.7	7.5	5.2	15.4
Disposals	(0.3)	(0.7)	(0.9)	(1.9)
Reclassifications	0.4	(0.5)	0.1	–
Translation differences	(1.4)	(2.5)	(1.1)	(5.0)
At 31 March 2021	53.0	144.5	73.8	271.3

Net book value				
At 31 March 2021	97.7	64.3	8.2	170.2
At 31 March 2020	102.3	52.9	12.3	167.5

Included above are £34.1 million of property, plant and equipment under construction at 31 March 2021 (2019/20: £61.1 million).

15 Property, plant and equipment continued

The split of the additions across the asset classes in 2019/20 has been restated to better reflect their nature. Therefore, additions increased by £5.7 million in land and buildings, £12.0 million in plant and machinery and decreased by £17.7 million in computer equipment and, as a result, translation differences also increased by £0.1 million in land and buildings, £0.3 million in plant and machinery and decreased by £0.4 million in computer equipment.

Finance costs capitalised were £0.9 million (2019/20: £1.2 million) calculated using a capitalisation rate of 2.2% (2019/20: 3.5%).

16 Leases

The Group assesses at the inception of a contract whether the contract is, or contains, a lease. Where it conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is deemed to be, or to include, a lease. The Group leases various properties, plant and machinery, computer equipment and vehicles typically for periods between 2 and 10 years. Where a contract includes a vehicle lease, the Group has elected to account for the non-lease components as part of the lease. Extension and termination options are included in some leases. Where the Group determines, at the commencement date of each lease, that it is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease, the additional period is included within the lease term.

Leases are recognised on the balance sheet at their commencement date as a liability representing the present value of the future lease payments not yet paid and a right-of-use asset reflecting the future benefit to the Group generated by using the underlying asset. The discount on the lease liability is calculated using the Group's incremental borrowing rate, as rates implicit in the Group's leases cannot be readily determined, and is charged to finance costs in the income statement as it unwinds. The Group's incremental borrowing rate is adjusted to take account of the country risk, lease term and start date for each lease. Fixed payments less any lease incentives receivable, in-substance fixed payments and variable payments based on an index or rate form part of the lease liability. Variable payments which are not based on an index or rate are expensed when the event that triggers the payment occurs.

The right-of-use asset is stated at cost less accumulated depreciation and any provisions for impairment. Initially the cost of the right-of-use asset comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement of the lease less any lease incentives received, plus any direct costs incurred and an estimate of the cost to restore the underlying asset. The right-of-use asset is depreciated on a straight-line basis over the lease term (or useful life of the asset, if shorter), which is reassessed as the underlying facts and circumstances of the lease change.

The Group has elected to not recognise the lease liability and right-of-use asset in respect of short-term leases and leases of low-value assets on the balance sheet. Short-term leases and leases of low-value assets are expensed in the income statement on a straight-line basis over the lease term.

The lease liability is remeasured when there is a change in the future lease payments or if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying value of the right-of-use asset. If the carrying value of the right-of-use asset is reduced to zero, any further reductions are recognised in the income statement.

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16 Leases continued

The amounts recognised relating to leases were:

	2021 £m	2020 £m
Right-of-use assets		
Buildings	39.6	40.2
Plant and machinery	0.7	1.2
Computer equipment	12.2	7.6
Vehicles	6.1	5.4
Right-of-use assets	58.6	54.4
Lease liabilities		
Current	17.4	15.0
Non-current	44.1	41.3
Lease liabilities	61.5	56.3
Depreciation charge for right-of-use assets		
Buildings	9.4	8.3
Plant and machinery	0.5	0.4
Computer equipment	4.3	4.3
Vehicles	2.9	2.6
Depreciation charge for right-of-use assets	17.1	15.6
Total cash outflow for leases		
Included in cash flows from operating activities:		
Interest expense	1.0	1.1
Expense relating to short-term leases	0.5	2.1
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	0.5	0.4
Expense relating to variable lease payments not included in measurement of lease liabilities	1.0	1.1
Included in cash flows from financing activities:		
Payment of lease liabilities	16.4	14.8
Total cash outflow for leases	19.4	19.5
Right-of-use assets acquired with businesses (Note 28)	6.6	–
Other additions to right-of-use assets	11.9	18.4
Additions to right-of-use assets	18.5	18.4

The contractual maturity analysis of lease liabilities is included in liquidity risk in Note 23.

17 Investment in joint venture

The Group's share of the post-tax profit of its joint venture is included in profit before tax. The investment in the joint venture is carried in the Group balance sheet at historical cost plus post-acquisition changes in the Group's share of the joint venture's net assets. The Group owns 50% of the share capital of RS Components & Controls (India) Limited, its joint venture.

	2021 £m	2020 £m
At 1 April	1.0	0.9
Group's share of profit for the year	0.2	0.2
Group's share of other comprehensive expense	(0.1)	(0.1)
Group's share of total comprehensive income	0.1	0.1
At 31 March	1.1	1.0

18 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is calculated on a weighted average basis and for finished goods and goods for resale includes attributable overheads.

The Group estimates the net realisable value of inventories in order to determine the value of any provision required. In this estimation judgements are made in relation to the number of years of sales there are in inventories of each article and the value recoverable from those inventories. The Group bases its estimates on recent historical experience and knowledge of the products on hand.

	2021 £m	2020 £m
Raw materials and consumables	69.1	75.5
Finished goods and goods for resale	391.3	371.1
Gross inventories	460.4	446.6
Inventory provisions	(40.6)	(27.6)
Net inventories	419.8	419.0

£21.1 million (2019/20: £6.4 million) was recognised as an expense relating to the write-down of inventories to net realisable value. This includes £12.7 million related to personal protective equipment (PPE) products bought at the start of the COVID-19 pandemic as a result of their significant decline in selling price.

If the numbers of each article sold in a year decreased leading to an increase of one year in the number of years of sales there are in inventory, inventory provisions would increase by £2.0 million (2019/20: £3.8 million). A reduction in the value recoverable leading to an increase in provision rates of 10 percentage points per article, up to a maximum of 100% provision per article, would increase the inventory provisions by £1.5 million (2019/20: £1.6 million). Therefore, currently the Group does not expect any reasonably likely changes, including any further impacts of the COVID-19 pandemic, to have a material impact on the net realisable value of inventories.

19 Trade and other receivables

	2021 £m	2020 £m
Current		
Gross trade receivables	435.2	355.5
Impairment allowance (Note 23)	(7.4)	(6.9)
Net trade receivables	427.8	348.6
Amounts owed by joint venture	1.8	0.9
Prepayments	24.9	21.3
Contract assets	4.4	8.4
Other receivables	33.5	27.4
Current trade and other receivables	492.4	406.6
Non-current		
Prepayments	0.7	–
Other taxation and social security	1.1	–
Other receivables	1.1	0.9
Non-current other receivables	2.9	0.9

Trade receivables include £0.7 million which is subject to a factoring arrangement operated by one of the Group's recent acquisitions which has not yet been fully unwound. Under this arrangement, the relevant receivables were transferred to the factor in exchange for cash and the Group is prevented from selling or pledging the receivables. However, the Group has retained late payment and credit risk. The Group therefore continues to recognise the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement is presented as a secured loan (Note 22). The Group considers that the held to collect business model remains appropriate for these receivables, and so continues measuring them at amortised cost.

Contract assets relate mainly to licence fee income and are where the Group has performed its part of the contract but is yet to receive the credit note for licence fee income from suppliers or raise the invoice for other contracts with customers.

Other receivables include £23.0 million (2019/20: £22.8 million) for amounts yet to be invoiced to clients related to product sales where the Group acts as an agent (Note 4).

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20 Trade and other payables

	2021 £m	2020 £m
Current		
Trade payables	319.4	241.1
Other taxation and social security	19.4	17.9
Government grants	0.1	0.1
Cash-settled share-based payment liability	3.0	2.8
Accruals	111.0	82.4
Contract liabilities	0.6	0.7
Other payables	21.8	13.7
Current trade and other payables	475.3	358.7
Non-current		
Government grants	2.6	3.0
Cash-settled share-based payment liability	2.6	1.1
Other employee benefits	1.6	1.7
Non-current other payables	6.8	5.8

Government grants related to expenditure on property, plant and equipment are credited to the income statement at the same rate as the depreciation on the asset to which the grant relates.

The Group offers a supply chain finance facility to its suppliers. It is primarily provided to enable working capital improvement through the extension of supplier payment terms and gives the suppliers the option to protect their own working capital position from the impact of this extension. The substance of the contractual terms with the bank providing the financing does not differ to the terms under the supplier contracts and therefore the amount owed to the bank of £5.3 million (2019/20: £0.2 million) is included in trade payables. Related cash flows are included in cash generated from operations.

21 Financial instruments

The Group uses derivative financial instruments to cover its exposure to foreign exchange and interest rate risks arising from operational and financing activities. It principally employs forward foreign exchange contracts, and occasionally currency swaps, to hedge against changes in exchange rates over fixed terms of between three and seven months for the majority of its operating companies. In addition, there are some interest rate swaps which swap US dollar fixed rate private placement loan notes into floating US dollars.

In accordance with its treasury policies, the Group designates the majority of its derivative financial instruments as cash flow hedges, fair value hedges or net investment hedges. The Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are recognised at fair value. Derivative financial instruments that do not qualify for cash flow hedge or net investment hedge accounting are classified as measured at fair value through profit or loss and changes in their fair values are recognised in the income statement as they arise.

Cash flow hedge accounting

The Group uses derivative financial instruments, namely forward foreign exchange contracts, to hedge variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction. The effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income, whilst any ineffective part is recognised immediately in the income statement. When the hedged item subsequently results in the recognition of a non-financial asset or liability (e.g. inventories) the associated cumulative gain or loss recognised in the hedging reserve is transferred to the initial carrying amount of the asset or liability. When the hedged item subsequently results in the recognition of a financial asset or liability, the associated cumulative gain or loss that was recognised in other comprehensive income is reclassified from equity to the income statement in the same period that the hedged item affects the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes designation of the hedge relationship as it no longer meets the Group's risk management objective but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is reclassified from equity when the transaction occurs in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is reclassified to the income statement.

The fair value of forward foreign exchange contracts is the difference between their discounted contractual forward price and their current forward price.

21 Financial instruments continued

Fair value hedge accounting

The Group uses derivative financial instruments, namely interest rate swaps, to hedge exposure to interest rate and exchange rate risks arising from financing activities. The fair value of the swaps is the market value of the swap at the balance sheet date, taking into account current interest rates. Changes in fair values of derivatives designated as fair value hedges and changes in fair value of the related hedged items are recognised directly in the income statement.

Net investment hedge accounting

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised in other comprehensive income. The ineffective portion is recognised immediately in the income statement. Amounts taken to other comprehensive income are reclassified from equity to the income statement when the foreign operations are sold or liquidated.

Other financial instruments

All other financial instruments are initially recognised at fair value plus transaction costs. Initial fair value is generally the transaction price. Subsequent measurement is as follows:

- Borrowings are measured at amortised cost unless they are designated as being fair value hedged, in which case they are remeasured for the fair value changes in respect of the hedged risk with these changes recognised in the income statement.
- All other financial assets, including current receivables, are measured at amortised cost less any impairment allowances.
- All other financial liabilities, including current payables, are measured at amortised cost.

Other derivatives

	2021		2020	
	Current assets £m	Current liabilities £m	Current assets £m	Current liabilities £m
Forward foreign exchange contracts designated as cash flow hedges (principal amount £130.4 million (2020: £100.3 million))	1.8	(0.8)	2.8	(1.6)
Forward foreign exchange contracts classified as fair value through profit or loss	0.4	(1.2)	1.5	(0.8)
Other derivatives	2.2	(2.0)	4.3	(2.4)

Fair values

Under IFRS 7 'Financial Instruments: Disclosures', fair values are measured using a hierarchy where the inputs are:

- Level 1 – quoted prices in active markets for identical assets or liabilities
- Level 2 – not Level 1 but are observable for that asset or liability either directly or indirectly
- Level 3 – not based on observable market data (unobservable)

The other derivatives listed above, the interest rate swaps and the fair value of the private placement loan notes they are hedging are measured at fair value using Level 2 inputs. These are estimated by discounting the future contractual cash flows using appropriate market-sourced data at the balance sheet date.

For all financial assets and liabilities, fair value approximates the carrying amounts in the balance sheet except for the following:

	2021		2020	
	Carrying amounts £m	Fair value £m	Carrying amounts £m	Fair value £m
Non-current private placement loan notes	(147.3)	(146.1)	(161.4)	(166.4)

The fair values are calculated using Level 2 inputs by discounting future cash flows to net present values using prevailing interest rate curves and the Group's credit margin.

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21 Financial instruments continued

Netting arrangements for financial instruments

The Group operates a number of cash pooling arrangements to provide the benefits of settling interest on a net basis. The balances on these accounts do not meet the criteria for offsetting and so are not presented on a net basis in the balance sheet. Where a legal right of offset exists, these are shown in the table below along with any financial instruments which can be netted under master netting arrangements.

	Gross and net amounts in balance sheet £m	Financial instruments not offset £m	Net amounts £m
At 31 March 2021			
Interest rate swaps	1.1	(0.4)	0.7
Cash and cash equivalents – cash and short-term deposits	197.9	(107.0)	90.9
Other derivative assets	2.2	(0.9)	1.3
Cash and cash equivalents – bank overdrafts	(111.5)	107.0	(4.5)
Other derivative liabilities	(2.0)	1.3	(0.7)
At 31 March 2020			
Interest rate swaps	1.0	(0.3)	0.7
Cash and cash equivalents – cash and short-term deposits	200.8	(158.2)	42.6
Other derivative assets	4.3	(2.0)	2.3
Cash and cash equivalents – bank overdrafts	(166.0)	158.2	(7.8)
Other derivative liabilities	(2.4)	2.3	(0.1)

22 Net debt

Net debt comprises cash and cash equivalents, borrowings, interest rate swaps and lease liabilities. Cash and cash equivalents comprise cash in hand and in current accounts, overnight deposits and short-term deposits net of overdrafts with qualifying financial institutions plus investments in money market funds. Borrowings represent loans from qualifying financial institutions.

	2021 £m	2020 £m
Cash and short-term deposits	197.9	200.8
Bank overdrafts	(111.5)	(166.0)
Cash and cash equivalents	86.4	34.8
	2021 £m	2020 £m
Non-current borrowings		
Unsecured bank facilities repayable from two to three years	–	(0.4)
Unsecured private placement loan notes repayable after more than five years	(147.3)	(161.4)
Non-current borrowings	(147.3)	(161.8)
Current other borrowings		
Secured bank loans	(0.7)	–
Unsecured money market loans repayable within one year	–	(7.5)
Current other borrowings	(0.7)	(7.5)
Total borrowings	(148.0)	(169.3)
Non-current interest rate swaps designated as fair value hedges	1.1	1.0
Cash and cash equivalents	86.4	34.8
Non-current lease liabilities	(44.1)	(41.3)
Current lease liabilities	(17.4)	(15.0)
Net debt	(122.0)	(189.8)

The secured bank loans relate to transferred receivables (Note 19).

22 Net debt continued

The interest rate swaps are designated as fair value hedges and swap US\$50 million of private placement loan notes from fixed rate US dollars at 3.37% into floating rate US dollars at US\$ LIBOR plus 191 basis points maturing December 2022 and swap US\$35 million of private placement loan notes from fixed rate US dollars at 3.58% into floating rate US dollars at US\$ LIBOR plus 277 basis points maturing March 2023. The Financial Conduct Authority has confirmed that US\$ LIBOR rates will be available until 30 June 2023 and so the Group believes there is no longer any need to amend the swap contracts. Further details of these swaps and the hedged items are:

	2021	2020
	Interest rate swaps £m	Private placement loan notes hedged £m
Carrying amount of asset / (liability)	1.1	(62.8)
Accumulated fair value adjustments gain / (loss)	1.1	(1.1)
Gain / (loss) in fair value in year	0.1	(0.1)

Movements in net debt were:

	Borrowings £m	Lease liabilities £m	Total liabilities from financing activities £m	Interest rates swaps £m	Cash and cash equivalents £m	Net debt £m
Net debt at 1 April 2019	(175.3)	(53.3)	(228.6)	1.8	51.1	(175.7)
Cash flows	15.9	14.8	30.7	(2.6)	(23.3)	4.8
New leases	–	(18.4)	(18.4)	–	–	(18.4)
Disposal of leases	–	0.7	0.7	–	–	0.7
(Loss) / gain in fair value in year	(1.8)	–	(1.8)	1.8	–	–
Translation differences	(8.1)	(0.1)	(8.2)	–	7.0	(1.2)
Net debt at 31 March 2020	(169.3)	(56.3)	(225.6)	1.0	34.8	(189.8)
Cash flows	24.3	16.4	40.7	–	63.4	104.1
Acquired with businesses (Note 28)	(16.9)	(6.9)	(23.8)	–	–	(23.8)
New leases	–	(11.9)	(11.9)	–	–	(11.9)
Lease modifications	–	(3.7)	(3.7)	–	–	(3.7)
Disposal of leases	–	0.4	0.4	–	–	0.4
(Loss) / gain in fair value in year	(0.1)	–	(0.1)	0.1	–	–
Translation differences	14.0	0.5	14.5	–	(11.8)	2.7
Net debt at 31 March 2021	(148.0)	(61.5)	(209.5)	1.1	86.4	(122.0)

23 Financial risk management

The principal financial risks to which the Group is exposed are those of liquidity, credit and market. Market risk includes foreign currency transaction risk and interest rate risk. Each of these is managed in accordance with Board-approved policies.

Liquidity risk

The Group's key priority is to ensure that it can meet its liabilities as they fall due. The Group ensures this by having sufficient committed debt facilities in place to meet its anticipated funding requirements. The Group's forecast funding requirements and its committed debt facilities are reported to and monitored by the Treasury Committee monthly.

As at 31 March 2021, the Group had the following committed debt finance in place:

- Private placement loan notes of €18 million with a maturity of October 2026, US\$80 million with a maturity of December 2026, €13 million with a maturity of October 2029, US\$35 million with a maturity of March 2030 and US\$50 million with a maturity of October 2031.
- A £300 million revolving credit facility, with a lender option accordation of up to a further £100 million, which has a maturity of November 2023 with an option for the Group to extend for up to two further one-year terms subject to individual lender approval.

As at 31 March 2021, the Group had £300.0 million (2019/20: £189.2 million) of available undrawn committed debt facilities in respect of which all conditions precedent had been met.

The Group also uses bank overdrafts, uncommitted short-term money market loans, cash and short-term investments. The main purpose of these financial instruments is to manage the Group's day-to-day funding and liquidity requirements.

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23 Financial risk management continued

The contractual maturities of financial liabilities, including contractual future interest payments were:

	Carrying amounts £m	Contractual cash flows £m	Within 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	After 4 years £m
Derivative financial liabilities							
Inflows for forward foreign exchange contracts	67.0	66.9	66.9	–	–	–	–
Outflows for forward foreign exchange contracts	(69.0)	(69.0)	(69.0)	–	–	–	–
Forward foreign exchange contracts	(2.0)	(2.1)	(2.1)	–	–	–	–
Non-derivative financial liabilities							
Secured bank loans	(0.7)	(0.7)	(0.7)	–	–	–	–
Private placement loan notes	(147.3)	(183.1)	(4.5)	(4.5)	(4.5)	(4.5)	(165.1)
Lease liabilities	(61.5)	(63.9)	(18.3)	(15.9)	(10.6)	(6.5)	(12.6)
Bank overdrafts	(111.5)	(111.5)	(111.5)	–	–	–	–
Trade payables, other payables and accruals	(412.8)	(412.8)	(412.8)	–	–	–	–
At 31 March 2021	(735.8)	(774.1)	(549.9)	(20.4)	(15.1)	(11.0)	(177.7)

	Carrying amounts £m	Contractual cash flows £m	Within 1 year £m	1–2 years £m	2–3 years £m	3–4 years £m	After 4 years £m
Derivative financial liabilities							
Inflows for forward foreign exchange contracts	68.1	68.1	68.1	–	–	–	–
Outflows for forward foreign exchange contracts	(70.5)	(70.5)	(70.5)	–	–	–	–
Forward foreign exchange contracts	(2.4)	(2.4)	(2.4)	–	–	–	–
Non-derivative financial liabilities							
Bank facilities	(0.4)	(0.4)	–	–	(0.4)	–	–
Money market loans	(7.5)	(7.5)	(7.5)	–	–	–	–
Private placement loan notes	(161.4)	(206.1)	(5.0)	(5.0)	(5.0)	(5.0)	(186.1)
Lease liabilities	(56.3)	(59.4)	(15.8)	(12.6)	(7.7)	(6.7)	(16.6)
Bank overdrafts	(166.0)	(166.0)	(166.0)	–	–	–	–
Trade payables, other payables and accruals	(310.5)	(310.5)	(310.5)	–	–	–	–
At 31 March 2020	(704.5)	(752.3)	(507.2)	(17.6)	(13.1)	(11.7)	(202.7)

Credit risk

The Group is exposed to credit risk on financial assets such as cash deposits, derivative instruments and trade and other receivables.

The amounts in the balance sheet represent the maximum credit risk exposure at the balance sheet date. There were no significant concentrations of credit risk at the balance sheet date, as exposure is spread over a large number of counterparties, customers and geographic locations. The Group has reviewed its credit risk again carefully this year due to the continued COVID-19 pandemic and the Group does not believe it has materially altered during the year.

For cash deposits and derivative instruments, the Group identifies counterparties of suitable creditworthiness based on ratings assigned by international credit-rating agencies and has procedures to ensure that only these parties are used, that exposure limits are set based on the external credit ratings and that these limits are not exceeded. The impairment losses on these are immaterial.

For trade and other receivables, all operating companies have credit policies and monitor their credit exposure on an ongoing basis. Each operating company performs credit evaluations on all customers seeking credit over a certain amount. For countries with no local operating company presence, export credit limits are set and monitored on a country basis monthly by the Treasury Committee. The impairment losses on contract assets and other receivables are immaterial.

The impairment allowance for trade receivables is measured at an amount equal to lifetime expected credit losses. Trade receivables have been grouped based on shared credit risk characteristics and the number of days from date of invoice. The expected loss rates are based on the payment profile of sales over a 36-month period from 1 April 2017 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

23 Financial risk management continued

On that basis, the impairment allowance for trade receivables was determined as follows:

	2021			2020		
	Expected loss rate %	Gross carrying amount £m	Loss allowance £m	Expected loss rate %	Gross carrying amount £m	Loss allowance £m
0-30 days from date of invoice	0.8%	289.1	2.2	1.1%	203.4	2.3
31-60 days from date of invoice	1.2%	97.3	1.2	1.4%	100.1	1.4
61-90 days from date of invoice	2.0%	24.9	0.5	1.9%	26.3	0.5
91-120 days from date of invoice	6.1%	8.2	0.5	3.2%	9.5	0.3
Over 120 days from date of invoice	19.1%	15.7	3.0	14.8%	16.2	2.4
Total		435.2	7.4		355.5	6.9

The ageing of net trade receivables at the reporting date was:

	2021 £m	2020 £m
Not past due	355.4	260.8
Past due 0-60 days	59.1	75.2
Past due 61-120 days	5.1	5.3
Past due over 120 days	8.2	7.3
Total	427.8	348.6

The movement in the impairment allowance for trade receivables was as follows:

	2021 £m	2020 £m
At 1 April	(6.9)	(3.5)
Acquisitions (Note 28)	(0.7)	–
Net remeasurement of impairment allowance	0.2	(3.4)
At 31 March	(7.4)	(6.9)

Trade receivables are written off when there is no reasonable expectation of recovery, for example when a customer enters liquidation or the Group agrees with the customer to write off an outstanding invoice. Except for the 2019/20 British Steel Limited receivable, as described below, the Group has historically experienced very low levels of trade receivables not being recovered, including those significantly past due. In 2019/20, with the worsening macroeconomic environment due to COVID-19, the Group increased its expected loss rates for those markets and industries that were most affected. The Group took action to limit its exposure by tightening its credit policies, including short payment terms and low credit limits for new customers and seeking payment commitments for overdue balances before releasing new orders to existing customers. During the year, the Group has continued to experience very low levels of trade receivables not being recovered and has managed to recover a higher proportion of past due receivables than in prior years. However, with the COVID-19 pandemic continuing and the potential impact on companies when the various government support schemes around the world end, the Group remains cautious about its exposure and so has carefully reviewed, and maintained at a higher level, its expected loss rates for those markets and industries that are most affected.

During 2019/20, the Group wrote off £7.3 million of receivables which were no longer recoverable as they related to transactions with British Steel Limited before 22 May 2019 when it entered compulsory liquidation. This write off was excluded from adjusted performance measures.

At 31 March 2021, the largest trade receivable balance was £7.0 million (2019/20: £9.1 million), of which £5.5 million has been received since the year end. The maximum exposure with a single bank for deposits was £19.4 million (2019/20: £8.9 million) and the largest mark to market exposure for derivative financial instruments to a single bank was £0.6 million (2019/20: £1.5 million). The Group also occasionally uses money market funds to invest surplus cash thereby diversifying credit risk and at 31 March 2021 its exposure to these funds was £nil (2019/20: £nil).

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23 Financial risk management continued

Market risk – foreign currency transaction risk

The Group is exposed to foreign currency transaction risk as it has operating companies with payables and receivables in currencies other than their functional currency. The Group also has foreign currency translation risk resulting from investment in foreign subsidiaries and foreign currency debt which is mainly in US dollars with some euros.

Hedging of currency exposures during periods when operating companies cannot easily change their selling prices is implemented in order to shelter the forecast gross profit during those periods. In this way the impacts of currency fluctuations can be smoothed until selling prices can be changed in the light of movements in exchange rates. The hedges are enacted through forward foreign exchange contracts in appropriate currencies entered into by Group Treasury based on trading projections provided by the operating companies. The Group's largest exposures relate to euros and US dollars.

In addition, specific cash flows relating to material transactions in currencies other than the functional currency of the local business are hedged when the commitment is made.

The Group classifies forward foreign exchange contracts as hedging instruments against forecast receivables / payables and designates the forward element of these contracts as cash flow hedges for accounting purposes on a 1:1 basis which means the fair value movement in the hedged item is equal and opposite to the fair value movement in the hedging instrument. The forecast cash flows are expected to occur evenly throughout the forecast period from the year end, which is between three and seven months, and will affect the income statement in the period in which they occur or the inventories are sold. The average forward prices of the outstanding forward foreign exchange contracts are €1.14:£1 and US\$1.38:£1.

Foreign currency transaction exposures, and the hedges in place to mitigate them, are monitored monthly by the Treasury Committee. The Group does not believe its foreign currency transaction risk has materially altered during the year. Ineffectiveness may arise if actual foreign currency transactions are lower than the trading projections.

During 2019/20, the Group issued private placement loan notes of €18 million with a maturity of October 2026, US\$80 million with a maturity of December 2026, €13 million with a maturity of October 2029, US\$35 million with a maturity of March 2030 and US\$50 million with a maturity of October 2031.

The Group has designated US\$3.6 million of the private placement loan notes maturing in December 2026 (2019/20: US\$50 million maturing in October 2031), with a carrying amount of £2.6 million (2019/20: £40.3 million), as hedges of US\$3.6 million (2019/20: US\$50 million) of net investments in its US subsidiaries. These hedges are expected to remain highly effective as the change in the value of the net assets of the US subsidiaries hedged is always exactly offset by the related change in the fair value of the private placement loan notes. No other foreign currency translation exposures are explicitly hedged although local currency debt is used where economically and fiscally efficient in the financing of subsidiaries and this provides a degree of natural hedging. Guidelines are in place to manage the currency mix of the Group's net debt. The acquisition of Synovos, Inc. changed the currency profile of the Group's borrowings and net assets and so the net investment hedges were updated to stay within the Group's Board-approved policy and so minimise the change to the Group's foreign currency translation risk. The balance in the cumulative translation reserve relating to the US\$3.6 million net investment hedge is a gain of £0.1 million with a further loss of £38.4 million relating to previous net investment hedging relationships.

Borrowings are analysed by currency as:

	Unsecured bank overdrafts £m	Secured bank loans £m	Unsecured money market loans £m	Unsecured bank facilities £m	Unsecured private placement loan notes £m	Total £m
At 31 March 2021						
Sterling	(96.5)	(0.7)	–	–	–	(97.2)
US dollar	(4.4)	–	–	–	(120.9)	(125.3)
Euro	(5.0)	–	–	–	(26.4)	(31.4)
Other	(5.6)	–	–	–	–	(5.6)
Total borrowings	(111.5)	(0.7)	–	–	(147.3)	(259.5)
At 31 March 2020						
Sterling	(159.2)	–	(7.5)	–	–	(166.7)
US dollar	(2.3)	–	–	–	(134.0)	(136.3)
Euro	–	–	–	–	(27.4)	(27.4)
Other	(4.5)	–	–	(0.4)	–	(4.9)
Total borrowings	(166.0)	–	(7.5)	(0.4)	(161.4)	(335.3)

23 Financial risk management continued

Market risk – interest rate risk

The Group has relatively high interest cover and therefore the Group adopts a policy of paying and receiving most of its interest on a variable interest rate basis, as in the opinion of the Group this minimises interest cost over time. This policy is subject to regular monitoring of the effect of potential changes in interest rates on its interest cost with a view to taking suitable actions should exposure reach certain levels. The Group does not believe its interest rate risk has materially altered during the year.

As at 31 March 2021 (and 31 March 2020) the Group had US\$165 million and €31 million of private placement loan notes at fixed interest rates, of which it had swapped US\$85 million into floating interest rates. All other borrowings were at variable rates. At 31 March 2021, 140% (2019/20: 69%) of the Group's net debt excluding lease liabilities was at fixed rates.

Sensitivity analysis of exposure to interest rates and foreign exchange rates

The sensitivity analysis is based on the following:

- Change of one percentage point in market interest rates affecting all variable rate elements of financial instruments.
- Change of 5% in euro and US dollar exchange rates affecting the fair value of derivative financial instruments designated as hedging instruments and other financial assets and liabilities. The transactional foreign exchange effect in equity due to net investment hedges included below would be offset in full by the translation of the US and European subsidiaries.

	2021	2020		
	Impact on income statement gain / (loss) £m	Impact on equity gain / (loss) £m	Impact on income statement gain / (loss) £m	Impact on equity gain / (loss) £m
One percentage point increase in interest rates	0.2	–	(0.4)	–
5% weakening of the euro	1.0	–	2.1	1.3
5% weakening of the US dollar	1.4	(2.7)	(3.0)	0.4

A corresponding decrease in interest rates or strengthening of exchange rates would result in an equal and opposite effect to the amounts above.

Capital management

The Board's policy is to always maintain a strong capital base, with an appropriate debt to equity mix, to ensure investor, creditor and market confidence and to support the future development of the business. The Board monitors the return on capital employed (ROCE), which the Group defines as adjusted operating profit as a percentage of net assets excluding net debt and retirement benefit obligations, and the level of dividends to ordinary shareholders.

The Group seeks to raise debt from a variety of sources and with a variety of maturities. As at 31 March 2021, the Group had a £300 million revolving credit facility, with an accordion of up to a further £100 million, which has a maturity of November 2023 with an option for the Group to extend for up to two further one-year terms subject to individual lender approval; and private placement loan notes of €18 million with a maturity of October 2026, US\$80 million with a maturity of December 2026, €13 million with a maturity of October 2029, US\$35 million with a maturity of March 2030 and US\$50 million with a maturity of October 2031. The Group's debt covenants are EBITA to interest to be greater than 3 times and net debt to adjusted EBITDA to be less than 3.25 times. At the year end the Group comfortably met these covenants with net debt to adjusted EBITDA of 0.5x (2019/20: 0.7x) and EBITA to interest of 26.7x (2019/20: 33.6x).

There were no significant changes in the Group's approach to capital management during the year.

Group accounts continued

Notes to the Group accounts

continued

24 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event and a reasonable estimate can be made of a probable adverse outcome. Otherwise, material contingent liabilities are disclosed unless the transfer of economic benefits is remote.

	Reorganisation provision £m	Interest on uncertain income tax provision £m	Onerous contract provision £m	Dilapidation provision £m	Total £m
At 1 April 2020	2.8	0.7	0.3	0.3	4.1
Acquisitions (Note 28)	0.4	—	0.2	0.1	0.7
Additions	11.2	0.3	—	—	11.5
Utilised	(9.7)	—	(0.2)	—	(9.9)
Translation differences	0.1	—	—	—	0.1
At 31 March 2021	4.8	1.0	0.3	0.4	6.5

Analysed in the balance sheet as:

	2021 £m	2020 £m
Current	4.9	2.6
Non-current	1.6	1.5
	6.5	4.1

The reorganisation provision is expected to be fully spent by March 2026, the dilapidation provision is expected to be fully utilised by March 2027 and the onerous contract provision will be utilised by September 2024.

At 31 March 2021, there were no material contingent liabilities (2019/20: none).

25 Share capital and share premium account

	Number of shares	Share capital £m	Share premium £m
Issued and fully paid ordinary shares of 10p each:			
At 1 April 2019	443,848,272	44.4	49.6
Issues to settle employee share awards	2,460,154	0.2	1.8
At 31 March 2020	446,308,426	44.6	51.4
Issues to settle employee share awards	1,816,755	0.2	3.2
Share placing	21,818,181	2.2	177.8
Transaction costs on share placing	—	—	(3.9)
At 31 March 2021	469,943,362	47.0	228.5

The share placing was primarily to fund acquisitions.

The EBT buys shares on the open market and holds them in trust for employees participating in the Group's share-based payment schemes. At 31 March 2021, the EBT held 168,214 shares (2019/20: 140,963 shares) which had not yet vested unconditionally with employees.

26 Capital commitments

As at 31 March 2021, the Group is contractually committed to, but has not provided for, future capital expenditure of £4.9 million (2019/20: £27.2 million), all of which is for property, plant and equipment.

27 Related parties

The Group's joint venture (Note 17) is a related party and during the year, the Group made sales of £1.9 million (2019/20: £2.3 million) to the joint venture, and a balance of £1.8 million (2019/20: £0.9 million) was outstanding at the year end.

The Group's pension schemes are related parties and the Group's transactions with them are disclosed in Note 10.

The key management personnel of the Group are the Directors and the Senior Management Team, whose compensation was:

	2021 £m	2020 £m
Short-term employee benefits	9.0	5.8
Post-employment benefits	0.2	0.1
Termination benefits	0.2	0.5
Share-based payments	4.0	1.1
	13.4	7.5

Transactions and balances between the Company and its subsidiaries have been eliminated on consolidation.

28 Acquisitions

On 9 December 2020 the Group acquired 100% of the issued share capital of Needlers Holdings Limited and subsidiaries (Needlers), a leading UK provider of safety products and PPE. Needlers expands the Group's products and solutions in safety, hygiene and PPE. The goodwill is attributable to the synergies which are expected to arise from opportunities to accelerate growth in revenue by increasing the Group's range of PPE products and using the Group's platform to accelerate Needlers's growth in private label, digital and beyond the UK, plus opportunities for the Group to benefit from Needlers's strong sourcing capabilities and differentiated service proposition in safety products and PPE.

On 12 January 2021 the Group acquired 100% of the issued share capital of Synovos, Inc. and its subsidiaries (Synovos), a leading player in integrated supply solutions in the Americas. Synovos accelerates the Group's delivery of a global integrated supply proposition and strengthens the Group's Americas business. The goodwill is attributable to the synergies which are expected to arise from opportunities for Synovos and IESA to create a global integrated supply proposition in the growing market for product and service solutions, opportunities to accelerate growth in revenue by increasing the Group's penetration with Synovos's customers, plus opportunities for Synovos to grow through benefiting from the Group's global presence.

On 28 February 2021 the Group acquired 100% of the share capital of John Liscombe Limited and its subsidiary (Liscombe), a leading supplier of industrial safety products and PPE. Combined with Needlers, Liscombe expands the Group's products and solutions in safety, hygiene and PPE across more industries. The goodwill is attributable to the synergies which are expected to arise from opportunities to accelerate growth in revenue by further increasing the Group's range of PPE products and using the Group's platform to accelerate Liscombe's growth.

If the acquisitions had occurred on 1 April 2020, the Group's revenue and profit for the year ended 31 March 2021 would have been £2,128.0 million and £126.3 million respectively.

The fair value of the net assets acquired, consideration paid and goodwill arising, plus transaction costs and contribution to the Group's results since acquisition were:

	Needlers £m	Synovos £m	Liscombe £m	Total £m
Intangible assets – customer contracts and relationships	17.0	34.8	1.9	53.7
Intangible assets – brand	4.0	—	—	4.0
Intangible assets – software	—	6.0	—	6.0
Property, plant and equipment	0.4	0.7	0.7	1.8
Right-of-use assets	2.3	3.8	0.5	6.6
Non-current other receivables	—	1.3	—	1.3
Inventories	6.1	0.3	4.5	10.9
Current trade and other receivables	11.7	48.3	4.7	64.7
Cash and cash equivalents – cash and short-term deposits	4.6	11.3	6.1	22.0
Current trade and other payables	(14.3)	(50.4)	(2.8)	(67.5)
Derivative liabilities	—	—	(0.1)	(0.1)
Current lease liabilities	(0.4)	(1.0)	(0.1)	(1.5)
Non-current lease liabilities	(1.8)	(3.2)	(0.4)	(5.4)
Borrowings	—	(12.7)	(4.2)	(16.9)
Provisions	(0.1)	(0.6)	—	(0.7)
Current income tax assets / (liabilities)	0.1	0.7	(0.4)	0.4
Deferred tax liabilities	(4.0)	(9.6)	(0.4)	(14.0)
Net assets acquired	25.6	29.7	10.0	65.3
Goodwill	16.8	71.4	1.8	90.0
Consideration paid – cash	42.4	103.6	11.5	157.5
Consideration payable / (refundable) – accrued, due on agreement of completion accounts	—	(2.5)	0.3	(2.2)
Acquisition-related costs charged to administrative expenses	0.3	2.4	0.2	2.9
Revenue since acquisition	14.0	13.0	1.9	28.9
Profit / (loss) after tax since acquisition	0.8	(0.4)	—	0.4
Trade and other receivables – gross contractual amounts receivable	11.7	49.0	4.6	65.3
Trade and other receivables – estimate of amounts not expected to be collected	—	0.6	0.1	0.7

The goodwill arising on all acquisitions completed during the year will not be deductible for tax purposes. The fair values of tax balances and working capital for Synovos are provisional while the Group continues to assess the liabilities acquired.

Notes to the Group accounts

continued

29 Related undertakings

A full list of related undertakings (comprising subsidiaries and a joint venture) is set out below. All subsidiaries are wholly owned and operate within their countries of incorporation. Those companies marked with an asterisk (*) are indirectly held by the Company.

Name and registered address of undertaking	Country of incorporation	Class of share held
Provider of product and service solutions for designers, builders and maintainers of industrial equipment and operations		
RS Components Pty Limited*	Australia	Ordinary
25, Pavesi Street, Smithfield, Sydney NSW 2164, Australia		
RS Components Handelsgesellschaft m.b.H*	Austria	Share of equity
Albrechtser Straße 11, 3950, Gmünd, Austria		
Allied Electronics (Canada), Inc.*	Canada	Common
199 Bay Street, Suite 5300, Toronto ON M5L 1B9, Canada		
Synovos Canada Corp.*	Canada	Common
600-1741 Lower Waters Street, Halifax NS NS B3J 0J2, Canada		
RS Componentes Electronicos Limitada*	Chile	Ordinary
Av. Eduardo Frei Montalva, 6001-71 Conchalí, Santiago, Chile		
RS Components Limited*	China	Ordinary
Suite 1601, Level 16, Tower 1, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong		
RS Components (Shanghai) Company Limited*	China	Common and preference
Unit 501, Floor 5, Building C, The New Bund World Trade Center Phase II, No.3, Lane 227, Dong Yu Road, Pudong Shanghai, China		
RS Components A/S*	Denmark	Ordinary
Nattergalevej 6, 2400, København NV, Denmark		
IESA SAS*	France	Ordinary
Rue Norman King, 60000, Beauvais, France		
RS Components SAS*	France	Ordinary
Rue Norman King, 60000, Beauvais, France		
Integrated Engineering Stores Associates Deutschland GmbH*	Germany	Ordinary
Bleibtreustr. 21, 10623, Berlin, Germany		
RS Components GmbH*	Germany	Ordinary
Mainzer Landstraße 180, 60327, Frankfurt, Germany		
RS Components & Controls (India) Limited*†	India	Ordinary
222 Okhla Industrial Estate, New Delhi, India		
RS Components S.r.l.*	Italy	Ordinary
Sesto san Giovanni, Viale Thomas Alva Edison, 110, 20099, MI, Italy		
RS Components KK*	Japan	Ordinary
West Tower 12F, Yokohama Business Park, 134 Godocho, Hodogaya, Yokohama, Kanagawa, 240-0005, Japan		
RS Components Sdn Bhd*	Malaysia	Ordinary
Suite 9D, Level 9, Menara Ansar, 65 Jalan Trus, Johor Bahru, 80000, Johor, Malaysia		
Allied Electronics & Automation S. de R.L. de C.V.*	Mexico	Ordinary
Avenida Circunvalación Agustín Yáñez N° 2613 Int. 1A 105, Colonia Arco Vallarta Sur, Guadalajara Jalisco, 44500 Mexico		
Storeroom Solutions Mexico, S. de R.L. de C.V.*	Mexico	Ordinary
Florencia 57 P, 3 Juárez Distrito Federal, 06600, Mexico		
IESA Netherlands B.V.*	Netherlands	Ordinary
Bingerweg 19, 2031 AZ Haarlem, Netherlands		
Liscombe B.V.*	Netherlands	Ordinary
Jarmuiden 56 a, 1046 AE, Amsterdam, Netherlands		
RS Components B.V.*	Netherlands	Ordinary
Bingerweg 19, 2031 AZ Haarlem, Netherlands		
RS Components Limited*	New Zealand	Ordinary
KPMG, 18 Viaduct Harbour Avenue, Auckland, 1010, New Zealand		
RS Components AS*	Norway	Ordinary
10. etg., Fredrik Selmers vei 6, Oslo, 0663, Norway		
RS Components Corporation*	Philippines	Common and preference
21st Floor Multinational Bancorporation Centre, 6805 Ayala Avenue, Makati City, Philippines		
RS Components sp. z.o.o.*	Poland	Ordinary
Ul. Domaniewska 48, 02-672, Warszawa, Poland		

29 Related undertakings continued

Name and registered address of undertaking	Country of incorporation	Class of share held
IESA Ireland Limited*	Republic of Ireland	Ordinary
13-18 City Quay, Dublin 2, Ireland		
Radionics Limited*	Republic of Ireland	Ordinary
Glenview Industrial Estate, Herberton Road, Rialto, Dublin 12, Ireland		
Synovos Ireland Limited*	Republic of Ireland	Ordinary
70 Sir John Rogerson's Quay, Dublin 2, Ireland		
IESA S.E. Asia Pte. Ltd.*	Singapore	Ordinary
10 Ubi Crescent, #06-18 Ubi Techpark, 408564, Singapore		
RS Components Pte Ltd*	Singapore	Ordinary
112 Robinson Road, #05-01, 068902, Singapore		
Synovos Singapore Pte Ltd.*	Singapore	Ordinary
1 Marina Boulevard, #28-00, One Marina Boulevard, 018989, Singapore		
IESA s.r.o.*	Slovakia	Ordinary
Lazaretská 8, Bratislava- mestská časť Staré Mesto, 811 08, Slovakia		
Amidata S.A.U.*	Spain	Ordinary
Avenida de Bruselas 6, Alcobendas, 28108, Madrid, Spain		
IESA AB*	Sweden	Ordinary
Drottninggatan 96, 113 60, Stockholm, Sweden		
RS Components AB*	Sweden	Ordinary
Fabrikgatan 7, 3v, 412 50 Gotborg, Sweden		
RS Components Co., Ltd*	Thailand	Ordinary
GMM Garmmy Place, Room No. 1901-1904, Floor 19, No. 50, Sukhumvit 21 (Asoke), Klongtoey Nua, Wattana, Bangkok, 10110, Thailand		
IESA A & D Limited*	UK	Ordinary
IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK		
IESA Limited*	UK	Ordinary
IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK		
John Liscombe Limited*	UK	Ordinary and preference
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		
Monition Limited*	UK	Ordinary
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		
Needlers Limited*	UK	Ordinary and preference
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		
OKdo Technology Limited*	UK	Ordinary
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		
RS Components Limited	UK	Ordinary
Birchington Road, Weldon, Corby, Northamptonshire, NN17 9RS, UK		
Allied Electronics, Inc*	United States of America	Common
7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States		
New DEAM, LLC*	United States of America	Common
Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States		
MRO Distribution, Inc.*	United States of America	Common
Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States		
Synovos, Inc.*	United States of America	Common
Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States		
Synovos Puerto Rico, LLC*	United States of America	Common
Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States		
Holding, Financing and Management Companies		
Electrocomponents Limited	China	Ordinary
Suite 1601, Level 16, Tower 1, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong		
RS Components Business Services (Foshan) Limited*	China	Ordinary
22nd Floor, Glory International Financial Center, No.25, Ronghe Road, Guicheng, Nanhai District, Foshan, Guangdong, 528200, China		
Electrocomponents France SARL*	France	Ordinary
Rue Norman King, 60000, Beauvais, France		
Bodenfeld Immobilien GmbH*	Germany	Ordinary
Mainzer Landstraße 180, 60327, Frankfurt, Germany		

Notes to the Group accounts

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29 Related undertakings continued

Name and registered address of undertaking	Country of incorporation	Class of share held
Electrocomponents Jersey Finance Unlimited*	Jersey	Common
44 Esplanade, St Helier, JE4 9WG Jersey		
Synovos Netherlands C.V.*	Netherlands	Partnership
Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States		
Electrocomponents Finance Limited	UK	Ordinary
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		
Electrocomponents Overseas Limited	UK	Ordinary
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		
Electrocomponents Pension Trustees Limited	UK	Ordinary
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		
Electrocomponents U.K. Limited	UK	Ordinary
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		
Electrocomponents US Finance Limited*	UK	Ordinary
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		
IESA A & D Holdings Limited*	UK	Ordinary
IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK		
IESA Holdings Limited*	UK	Ordinary
IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK		
Needlers Holdings Limited*	UK	Ordinary and preference
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		
RS Components Holdings Limited*	UK	Ordinary
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		
Electrocomponents North America LLC*	United States of America	Common
7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States		
Electrocomponents (US), Inc.*	United States of America	Common
7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States		
Electrocomponents, Inc*	United States of America	Common and preference
7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States		
Electrocomponents North America, Inc.*	United States of America	Common
7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States		
Electrocomponents US LLC*	United States of America	Common
7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States		
Synovos International, Inc.*	United States of America	Common
Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States		
Not currently trading		
RS Components (Proprietary) Limited*	South Africa	Ordinary
20 Indianapolis Street, Kyalami Business Park, Kyalami Midrand, Gauteng, 1684, South Africa		
Aghoco 1079 Limited*	UK	Ordinary and preference
IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK		
B & W (Hygiene Services) Company Limited*	UK	Ordinary
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		
Electro Lighting Group Limited	UK	Ordinary
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		
Electro-Leasing Limited	UK	Ordinary
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		
Electromail Limited	UK	Ordinary
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		
IESA A & D Group Limited*	UK	Ordinary
IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK		
Radiospares Limited	UK	Ordinary
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		
Reading Windings Limited	UK	Ordinary
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		
RS Components International Limited	UK	Ordinary
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		

29 Related undertakings continued

Name and registered address of undertaking	Country of incorporation	Class of share held
RS Group Limited	UK	Ordinary
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		
RS Limited	UK	Ordinary
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		
RS Supplies Limited	UK	Ordinary
Fifth Floor, Two Pancras Square, London N1C 4AG, UK		

† Note 17 provides details about the Company’s interest in the joint venture.

RS Components Limited (UK), Electrocomponents Limited (Hong Kong), RS Components B.V. (Netherlands) and RS Components GmbH (Germany) export to most countries where the Group does not have a trading company and operate branch offices in South Africa, Belgium, Switzerland, the Philippines and China (Taiwan).

Company accounts

Company balance sheet

As at 31 March 2021

	Notes	2021 £m	2020 £m
Fixed assets			
Tangible assets	7	17.0	17.7
Investments in subsidiaries	8	330.0	245.5
Total fixed assets		347.0	263.2
Current assets			
Debtors: amounts falling due after more than one year	10	2.2	1.2
Debtors: amounts falling due within one year	10	917.2	797.8
Cash at bank and in hand		104.6	154.8
Total current assets		1,024.0	953.8
Creditors: amounts falling due within one year	11	(308.1)	(355.5)
Net current assets		715.9	598.3
Total assets less current liabilities		1,062.9	861.5
Creditors: amounts falling due after more than one year	12	(148.6)	(163.4)
Provisions for liabilities and charges	13	(0.1)	(0.3)
Net assets		914.2	697.8
Capital and reserves			
Share capital	17	47.0	44.6
Share premium account		228.5	51.4
Own shares held by Employee Benefit Trust (EBT)	17	(1.5)	(0.7)
Profit and loss account (including profit for the year of £102.3 million (2019/20: £339.5 million))	17	640.2	602.5
Total equity		914.2	697.8

The Company accounts on pages 166 to 172 were approved by the Board of Directors on 24 May 2021 and were signed on its behalf by:

David Egan

Chief Financial Officer

Electrocomponents plc

Company number: 647788

Company statement of changes in equity

For the year ended 31 March 2021

	Share capital £m	Share premium account £m	Own shares held by EBT £m	Profit and loss account £m	Total £m
At 1 April 2019	44.4	49.6	(1.2)	330.3	423.1
Profit and total comprehensive income for the year	–	–	–	339.5	339.5
Dividends (Note 17)	–	–	–	(68.5)	(68.5)
Equity-settled share-based payments (Note 5)	–	–	–	3.6	3.6
Settlement of share awards (Note 17)	0.2	1.8	1.4	(1.4)	2.0
Purchase of own shares by EBT (Note 17)	–	–	(0.9)	–	(0.9)
Tax on equity-settled share-based payments	–	–	–	(1.0)	(1.0)
At 31 March 2020	44.6	51.4	(0.7)	602.5	697.8
Profit and total comprehensive income for the year	–	–	–	102.3	102.3
Dividends (Note 17)	–	–	–	(71.2)	(71.2)
Equity-settled share-based payments (Note 5)	–	–	–	7.0	7.0
Share placing, net of transaction costs (Note 17)	2.2	173.9	–	–	176.1
Settlement of share awards (Note 17)	0.2	3.2	0.8	(0.8)	3.4
Purchase of own shares by EBT (Note 17)	–	–	(1.6)	–	(1.6)
Tax on equity-settled share-based payments	–	–	–	0.4	0.4
At 31 March 2021	47.0	228.5	(1.5)	640.2	914.2

Company accounts continued

Notes to the Company accounts

For the year ended 31 March 2021

1 General information

Electrocomponents plc (the Company) is the parent company of the Electrocomponents Group and is included in the consolidated accounts of Electrocomponents plc (the Group accounts). The Company is a public limited company and is incorporated and domiciled in England and Wales. The address of its registered office is Fifth Floor, Two Pancras Square, London N1C 4AG, UK.

2 Statement of compliance

The individual accounts of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), and the Companies Act 2006.

3 Basis of preparation

These are the Company's separate accounts and have been prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value through profit and loss. The principal accounting policies have been consistently applied unless otherwise stated.

The preparation of accounts under FRS 102 requires the Company to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant that are included in these accounts.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

The Company has taken advantage of the following disclosure exemptions available under FRS 102:

- i. preparation of a cash flow statement
- ii. financial instrument disclosures
- iii. share-based payment disclosures
- iv. key management personnel compensation disclosure

Transactions in foreign currencies are recorded using the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rate ruling at that date and the gains and losses on translation are recognised in profit or loss.

4 Employees

Average number of employees	2021	2020
Management and administration	51	50
Aggregate employment costs	2021 £m	2020 £m
Wages and salaries	6.6	6.0
Social security costs	1.0	0.8
Share-based payments – equity-settled (Note 5)	2.3	1.1
Share-based payments – cash-settled	0.4	(0.2)
Defined contribution retirement benefit costs (Note 6)	0.3	0.3
Total	10.6	8.0

Information on the Directors' remuneration is given in the Directors' Remuneration Report on pages 94 to 112.

The numbers and costs above are for employees who work for the Company. There are a number of Group employees whose contracts of employment are with the Company but who actually work in its subsidiaries and perform no services directly for the Company. These employees are not included above.

5 Share-based payments

The Company operates a number of share-based payment schemes for employees of the Group, details of which are in Note 9 of the Group accounts. Certain of the Company's employees participate in the DSBP, equity-settled LTIP and equity-settled SAYE which grant rights to the Company's own equity instruments and hence are accounted for as equity-settled share-based payments.

6 Post-employment benefits

Employees of the Company may be members of the Group's UK pension schemes.

Defined benefit scheme

There is no agreement or stated policy for charging the net defined benefit cost for the scheme to the individual Group entities. Both the Company and RS Components Limited, the main UK trading subsidiary of the Company, are the sponsoring employers. The majority of the scheme members work for RS Components Limited and so it accounts for the UK scheme as a defined benefit scheme in its accounts. The Company recognises a cost equal to its contributions.

The UK defined benefit scheme is described in Note 10 of the Group accounts.

Defined contribution scheme

Contributions to the defined contribution scheme are expensed as they fall due.

7 Tangible assets

Tangible assets are stated at cost (or deemed cost for the freehold warehouse facility which is occupied by a wholly-owned subsidiary) less accumulated depreciation and any provisions for impairment. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use and any dismantling and restoration costs.

No depreciation has been charged on land. Other assets are depreciated to residual value, on a straight-line basis at the following annual rates: investment property (freehold warehouse facility occupied by a wholly-owned subsidiary) 2%; leasehold improvements 10%; plant and machinery 10%; and computer equipment 20%.

	Investment property £m	Leasehold improvements £m	Plant and machinery £m	Computer equipment £m	Total £m
Cost					
At 1 April 2020 and 31 March 2021	18.2	1.2	9.2	0.8	29.4
Depreciation					
At 1 April 2020	1.5	0.3	9.2	0.7	11.7
Charged in the year	0.5	0.1	–	0.1	0.7
At 31 March 2021	2.0	0.4	9.2	0.8	12.4
Net book value					
At 31 March 2021	16.2	0.8	–	–	17.0
At 31 March 2020	16.7	0.9	–	0.1	17.7

Company accounts continued

Notes to the Company accounts

continued

8 Investments in subsidiaries

Investments in subsidiaries including long-term loans are carried at the lower of cost and expected recoverable amount. Impairments are recognised in the profit and loss account.

The expense relating to share-based payments that grant rights to the Company's equity instruments to employees of other Group companies is treated as an increase in investments with the corresponding credit taken directly to reserves. In 2020/21, this amounted to £4.7 million (2019/20: £2.4 million).

	Shares £m	Loans £m	Total £m
Cost			
At 1 April 2020	205.6	55.7	261.3
Additions	4.7	141.0	145.7
Loans repaid	—	(58.0)	(58.0)
Translation differences	—	(3.2)	(3.2)
At 31 March 2021	210.3	135.5	345.8
Impairments			
At 1 April 2020 and 31 March 2021	0.4	15.4	15.8
Net book value			
At 31 March 2021	209.9	120.1	330.0
At 31 March 2020	205.2	40.3	245.5

A list of the Company's related undertakings is disclosed in Note 29 to the Group accounts.

9 Financial instruments

Basic financial instruments

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price and then subsequently at amortised cost less any provision for impairment.

Basic financial liabilities, including trade and other creditors, bank loans and loans from subsidiaries, are initially recognised at transaction price and then subsequently at amortised cost.

Derivative financial instruments and hedging activities

The Company has elected to adopt the recognition and measurement provisions of IAS 39 (as adopted by the European Union) and the disclosure provisions of FRS 102 in respect of financial instruments.

The Company uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from operational and financing activities. It principally employs forward foreign exchange contracts to hedge against changes in exchange rates on behalf of its operating subsidiaries and these subsidiaries apply cash flow hedging. In addition, there are some interest rate swaps which swap US dollar fixed rate private placement loan notes into floating US dollars. In accordance with its treasury policies, the Company does not hold or issue derivative financial instruments for trading purposes.

All the Company's derivatives are measured at fair value with changes in the fair values recognised in profit or loss.

In line with the Company's risk management policies, the interest rate swaps are designated as fair value hedges. The fair value of the swaps is the market value of the swaps at the balance sheet date, taking into account current interest rates. Changes in the fair values of the swaps and changes in fair value of the related hedged items are recognised directly in profit or loss.

10 Debtors

	2021 £m	2020 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	910.4	789.4
Other derivative assets	4.0	6.6
Prepayments	2.8	1.8
Debtors: amounts falling due within one year	917.2	797.8
Amounts falling due after more than one year:		
Interest rate swaps (Note 9)	1.1	1.0
Deferred tax asset (Note 14)	1.1	0.2
Debtors: amounts falling due after more than one year	2.2	1.2

Amounts owed by subsidiary undertakings are unsecured, bear interest at market rates and are repayable on demand or at specified dates within the next 12 months.

11 Creditors: amounts falling due within one year

	2021 £m	2020 £m
Amounts owed to subsidiary undertakings	192.3	173.5
Bank overdrafts	105.8	163.7
Unsecured money market loans repayable within one year	—	7.5
Other derivative liabilities	4.0	6.6
Accruals	5.4	3.5
Other creditors	0.2	0.2
Cash-settled share-based payment liability	0.4	0.5
	308.1	355.5

Amounts owed to subsidiary undertakings are unsecured, bear interest at market rates and are repayable on demand or at specified dates within the next 12 months.

12 Creditors: amounts falling due after more than one year

	2021 £m	2020 £m
Unsecured bank facilities repayable from two to three years	—	0.4
Unsecured private placement loan notes repayable after more than five years	147.3	161.4
Other creditors	1.0	1.3
Cash-settled share-based payment liability	0.3	0.3
	148.6	163.4

Details of the US dollar private placement loan notes are provided in Notes 21 to 23 of the Group accounts.

13 Provisions for liabilities and charges

Provisions for liabilities and charges are recognised when the Company has a present obligation as a result of a past event and a reasonable estimate can be made of a probable adverse outcome.

	Onerous contract provision £m
At 1 April 2020	0.3
Utilised	(0.2)
At 31 March 2021	0.1

The onerous contract provision will be utilised by June 2021.

Company accounts continued

Notes to the Company accounts

continued

14 Deferred tax

The charge or credit for taxation is based on the taxable profit or loss for the year and takes into account taxation deferred because of timing differences. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax assets are attributable to the following:

	2021 £m	2020 £m
Equity-settled share-based payments	1.0	0.1
Other	0.1	0.1
Deferred tax asset (Note 10)	1.1	0.2

There are no unused tax losses or unused tax credits.

15 Operating lease commitments

Future minimum amounts payable under non-cancellable operating leases are:

	2021 £m	2020 £m
Within one year	1.2	1.2
From one to five years	4.9	4.9
After five years	1.5	2.8
	7.6	8.9

16 Contingent liabilities

The Company enters into financial guarantee contracts to guarantee the indebtedness of certain other companies within the Group. The Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contracts as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Guarantees exist in respect of bank facilities available to certain subsidiaries, up to a maximum of £71.3 million (2019/20: £70.0 million), of which £2.1 million (2019/20: £11.4 million) had been drawn down at the end of the year.

17 Capital and reserves and dividends

Details of the Company's share capital, EBT and dividends paid to shareholders are in Notes 13 and 25 of the Group accounts.

The Company has sufficient distributable reserves to pay dividends for a number of years and is also able to increase its distributable reserves further by receiving distributions from its subsidiaries.

Five year record

Five year record

Year ended 31 March

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Revenue	2,002.7	1,953.8	1,884.4	1,705.3	1,511.7
Operating profit	167.2	205.3	201.0	172.6	132.3
Add back: amortisation of acquired intangibles	7.0	5.4	4.4	—	—
Add back: acquisition-related items	2.9	—	—	—	—
Add back: substantial reorganisation costs, substantial asset write-downs and one-off pension cost	11.2	10.0	14.9	4.5	0.9
Adjusted operating profit	188.3	220.7	220.3	177.1	133.2
Net finance costs	(6.8)	(5.9)	(6.1)	(4.0)	(5.2)
Share of profit of joint venture	0.2	0.2	0.3	—	—
Adjusted profit before tax	181.7	215.0	214.5	173.1	128.0
Amortisation of acquired intangibles	(7.0)	(5.4)	(4.4)	—	—
Acquisition-related items	(2.9)	—	—	—	—
Substantial reorganisation costs, substantial asset write-downs and one-off pension cost	(11.2)	(10.0)	(14.9)	(4.5)	(0.9)
Profit before tax	160.6	199.6	195.2	168.6	127.1
Income tax expense	(35.1)	(44.9)	(47.1)	(19.0)	(35.0)
Profit for the year attributable to owners of the Company	125.5	154.7	148.1	149.6	92.1
Earnings per share	27.7p	34.7p	33.4p	33.9p	20.9p
Adjusted earnings per share	31.3p	37.7p	37.0p	28.4p	21.0p
Dividend per share¹	15.9p	15.4p	14.8p	13.25p	12.3p
Non-current assets	713.5	573.4	463.4	357.6	387.6
Current assets	1,133.6	1,044.3	935.9	749.8	675.6
Current liabilities	(631.0)	(570.4)	(487.5)	(391.0)	(390.2)
Non-current liabilities	(316.7)	(327.4)	(322.5)	(233.9)	(284.0)
Net assets	899.4	719.9	589.3	482.5	389.0
Add back: net debt	122.0	189.8	122.4	65.0	112.9
Add back: retirement benefit net assets / obligations	55.7	55.8	83.6	72.4	104.6
Capital employed	1,077.1	965.5	795.3	619.9	606.5
Return on capital employed (ROCE)²	19.4%	24.0%	29.5%	28.7%	22.3%
Free cash flow	132.9	72.4	76.5	102.7	112.6
Adjusted free cash flow	145.4	80.9	84.5	105.1	117.7
Average number of employees	6,806	7,044	6,603	5,868	5,769
Share price at 31 March	993.0p	516.2p	561.8p	600.2p	473.4p

1. An additional interim dividend for the year ended 31 March 2020 of 9.5p, to replace the deferred final dividend, was paid on 18 December 2020. This is included in the 2020 dividend per share amount.
2. ROCE is now based on monthly average capital employed and so prior years have been updated (Note 3 to the Group Accounts on page 134).

Shareholder information

Registered office, financial calendar and advisors

Registered office

Electrocomponents plc
Fifth Floor
Two Pancras Square
London N1C 4AG
United Kingdom
Tel: +44 (0)20 7239 8400
electrocomponents.com
Registered number: 647788
Registered in England and Wales

Shareholder services

Registrar

If you have any questions about your shareholding in the Company, please contact our Registrar:
Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol BS99 6ZZ
Tel: 0370 703 0199
www.investorcentre.co.uk/contactus

Investor Centre

To access online information about your shareholding visit www.investorcentre.co.uk. Through the Investor Centre you can:

- Update member details and address changes
- Update dividend bank mandate instructions and review dividend payment history
- Register to receive Company communications electronically

Your shareholder reference number (SRN) is required to access your shareholding. This can be found at the top of your welcome letter or share certificate. Alternatively, you can obtain your SRN by contacting Computershare on the number given above.

Dividend reinvestment plan (DRIP)

Should you wish to reinvest your dividends in the Company, you can take advantage of our DRIP. It will allow you to use your cash dividend to buy more Electrocomponents shares in the market. You will need to complete a DRIP application form and return it to Computershare. This can be found, together with plan terms and conditions, at www.investorcentre.co.uk or in the Shareholder Information section of our website under FAQs. Alternatively, please contact Computershare on the number given above, and details and a form will be sent to you.

Share price information

The latest information on Electrocomponents plc share price is available on our corporate website: electrocomponents.com

Be scam smart

Investment scams are designed to look like genuine investments.

Spot the warning signs

Have you been:

- contacted out of the blue?
- promised tempting returns and told the investment is safe?
- called repeatedly?
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

Avoid investment fraud

Reject cold calls

If you have received unsolicited contact about an investment opportunity, the chances are it is a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

Check the FCA Warning List

The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

Get impartial advice

Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Report a scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at www.fca.org.uk/consumers/report-scam-us. You can also call the FCA Consumer Helpline on **0800 111 6768**.

If you have lost money to investment fraud, you should report it to Action Fraud on **0300 123 2040** or online at www.actionfraud.police.uk

Find out more at www.fca.org.uk/scamsmart

Remember: if it sounds too good to be true, it probably is!

Financial calendar

Announcement of results

The results of the Group are normally published at the following times:

- Half-year results for the six months ending 30 September in mid-November
- Preliminary announcement for the year ending 31 March in late May / early June
- Annual Report and Accounts for the year ending 31 March in mid-June

Dividend payments

Our current policy is to normally make dividend payments at the following times:

- Interim dividend in January
- Final dividend in July

Contacts

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Registrar and transfer office

Computershare Investor Services PLC
The Pavilions
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Bristol
BS99 6ZZ

Stockbrokers

UBS
5 Broadgate
London EC2M 2QS

Numis Securities Limited
The London Stock Exchange
10 Paternoster Square
London EC4M 7LT

Locations

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