

## **S172(1) Statement**

The Board of Directors of Shepherd Building Group Limited consider, both individually and collectively, that they have acted in a way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s.172(1) (a) to (f) of the Companies Act 2006) in the decisions taken during the year ended 31 December 2022.

### General confirmation of directors' duties

The Board believe that good governance and robust decision making are integral to the sustainable long-term success of the Group. The Board has a clear framework for determining the matters within its remit. The Board operates a number of mechanisms by which the interests of stakeholders are promoted to the Board, and which aim to give due regard to the interests of a broad ranges of stakeholders (including shareholders, employees, suppliers, customers and others) as described below.

### The likely consequences of any decisions in the long term (s172(1) (A))

The directors understand the business and the environment in which the Group operates. The Board has overall responsibility for establishing the purpose, values and strategy required to deliver the long-term sustainable success of the Group and generate value for shareholders. The Board sets the strategy for the Group (including approval of the annual budget and management business plan). The Board then oversees the implementation of that strategy and ensures that the Group is suitably resourced to deliver on its strategic objectives. The Board is collectively responsible for ensuring that the Group is well governed, and risk is managed within defined and agreed boundaries. It also reviews trading performance, funding facilities and talent management and maintains oversight of the Group's systems of risk management and internal control as well as ensuring that the Group acts ethically and meets its legal and regulatory responsibilities.

The Board considered and assessed the long-term opportunity for value creation as part of the strategic review work carried out in 2022, including two days spent offsite with the Executive Leadership Team to carry out a 'deep dive' into the constituent elements of the new strategy. The Board also discusses key value drivers and growth opportunities as part of the Group's annual budget, which is presented to the Board for review and approval each year. The Board considers opportunities to improve business performance during the review of commercial, financial and operational matters at each Board meeting. In addition, the Board reviews significant capex investment projects, major contract tenders and potential acquisitions in accordance with the Group Approvals Process before any bids are made or contracts exchanged.

The directors recognise that some decisions they take may not align with all stakeholder interests. Stakeholder interests have been ascertained through a number of different methods, including employee engagement surveys, customer satisfaction scores and an ESG materiality assessment undertaken during 2022 and the outputs of which have formed the basis for the development of our ESG strategy and net zero roadmap.

### The interests of employees (s172(1) (B))

The directors recognise that the Group's employees and their knowledge and skills are fundamental underpins of the long-term success of the business. The Group actively promotes being a responsible employer along with a working environment based on the promotion of equal opportunities for all, irrespective of disability, ethnic origin, gender or any other considerations that do not affect a person's ability to perform their job, freedom from discrimination and where every employee can deliver on their potential and make the fullest possible contribution. Our gender pay gap report is available at: <https://www.portakabin.com/gb-en/about-us/responsible-business/gender-pay-gap-report/> .

The Group takes a proactive approach to engaging with employees through a variety of methods such as a company intranet, company website, social media, monthly newsletters, video briefings, weekly health and safety briefings, team talks and 1-2-1 meetings. In 2022 the Board appointed a non-executive director with specific responsibility for employee engagement. The Group has recently been shortlisted for three awards at the UK InsideOut awards, recognising the importance we place on the mental health and wellbeing of our employees.

We conduct an employee engagement survey called Your Voice on a regular basis. The results of these surveys are reviewed by the Board and Executive Leadership Team and every employee is provided with a summary of their team's response through their manager. This means that we can reflect on our collective feedback, with managers putting actions in place to respond to the needs of their teams. We carried out two Your Voice surveys in 2022 (May and November). The November survey indicated strong levels of employee engagement relative to benchmark companies with a score of 7.7 (out of 10) and both surveys had a participation rate of over 80%.

In 2022 we partnered with a Health, Safety and Wellbeing culture change consultancy to support the business in the next phase of our journey towards Zero Harm and the further development of our culture.

Our policies for recruitment, training, career development and promotion of employees is based on the suitability of the individual and give those who are disabled equal treatment with the able bodied.

All employees are given the opportunity to develop through a variety of learning interventions - including online digital learning, leadership development, professional skills training and apprenticeships and company sponsored development opportunities.

We have a Code of Conduct which gives all employees guidance on business ethics and expected behaviours. All employees are encouraged to raise concerns through an independently hosted speaking up service.

### The need to foster the company's business relationships with suppliers, customers and others (s172(1) (C))

We maintain dialogue with our customers through regular points of engagement (including customer surveys) in order to gain insight into what matters most to our customers. We use industry standard NPS and CSI metrics to measure our performance and customer loyalty. These metrics are used to identify areas for improvement as part of a continual improvement cycle.

Suppliers play a pivotal part in the ability to meet our customers' needs. We engage and have regular dialogue with our strategic suppliers to ensure they understand and meet the

standards expected of them in areas such as ethical trading, considerations of safety and environmental impact. Suppliers are required to sign up to a Supplier Code of Conduct and are subject to regular audits to confirm compliance with these standards. The Board is provided with details of the payment practices of the Group's primary trading company, Portakabin Limited, on a regular basis. Details of Portakabin Limited's payment practices, policies and performance can be found at

<https://check-payment-practices.service.gov.uk/company/00685303/reports> .

The impact of the company's operations on the community and the environment (s172(1) (D))

The Board recognises that continued urgent action is required to address the global impacts of climate change and take seriously the responsibility the Group has for the impacts it has on the environment. The Group is focused on applying innovations in sustainable technologies for future deployment to customers as well as working with key suppliers to source renewable materials and reduce emissions.

A high priority is placed on safety culture and on engaging with employees, as well as customers, suppliers and the general public, so that all activities minimise the risk of harm. The safety culture is one which is embedded through processes which drive full engagement on safety matters.

The Group has a Community Support Policy that directs funding and resources to support individuals and organisations and has a number of partnerships with a variety of charities, voluntary organisations and community groups. Employees regularly get involved in community activity through our volunteering days.

We seek to employ and train people in the communities we work in, and the Group operates an apprenticeship scheme across a broad range of skills and roles supporting the learning and development of those apprentices as they start their careers.

The desirability of the company maintaining a reputation for high standards of business conduct (s172(1) (E))

The Board is committed to conducting business with transparency, integrity and honesty. We have implemented a full range of robust ethical compliance policies and an employee Code of Conduct to set clear standards of behaviour for our employees with the aim of ensuring we all act with integrity at all times. We are also committed to ensuring all employees understand these standards and encourage them to "speak up" (including by having provided an anonymous speaking up service) and independently investigating and (where appropriate) acting on any issues.

We apply high standards of conduct across our business, complying with relevant employment, health and safety and human rights laws to ensure our employees are safe. We have a zero-tolerance approach to modern slavery & human trafficking and we extend these requirements into our supply chain and require suppliers to sign up to a Supplier Code of Conduct.

### The need to act fairly between members of the company (s172(1) (F))

The Board seeks to act fairly between all of the Group's shareholders by ensuring we act in accordance with our Articles of Association and also through regular interaction and engagement between the Board and shareholders. The primary method of interaction and engagement with shareholders is the independently chaired Shareholder Committee (which includes a representative from each branch of the Group's shareholder base). The Shareholder Committee meets at least four times per year. The Board also engages with shareholders by way of this report, a separate annual shareholder report, the AGM and individual meetings throughout the year. All channels of engagement seek to ensure that all shareholders are provided with information sufficient for them to have a sound understand the Group's performance.

### Principal decisions

The Board defines principal decisions as those that are of strategic nature and that are significant to any of our key stakeholder groups. Material decisions taken in the year include the approval of the strategy for the period to the end of 2027, supporting our employees with the "cost of living" crisis, the budget for 2023, and the declaration and payment of dividends.

In making these material decisions, the Board took conscious steps to identify and take account of stakeholder views (in the case of supporting employees with the "cost of living crisis" by considering the feedback employees were giving to management) the potential impact (both positively and negatively) on the key stakeholder groups (such as shareholders, employees, suppliers, customers and society as a whole) and concluded that the decisions taken and the anticipated outcomes were aligned with promoting the success of the Group for the benefit of its members. In particular the budget and strategy are designed to increase shareholder value whilst also delivering increased positive social benefit through continuing to provide employment and support public and private businesses in providing services to the economy.