



Making amazing happen

Electrocomponents plc

Annual Report and Accounts
for the year ended 31 March 2020



We are a **global omni-channel solutions partner** for industrial customers and suppliers

Destination 2025

Read more about our strategic priorities on pages 13 to 15



Making amazing happen

The theme for this year's Annual Report is 'making amazing happen'. Throughout this report you will read stories of how our people have gone above and beyond for our customers, suppliers and communities. It remains our customer-centric people and culture that really differentiate us. This has been highly evident during the current COVID-19 crisis, where employees from across our distribution centres to our offices have played vital roles in helping provide solutions, parts and equipment to keep critical industries running across the public sector, utilities, healthcare, and food and beverage (see pages 16 and 17). We are playing an important role in fighting the spread of COVID-19 by supporting a number of manufacturing consortia as they seek to source key parts and solutions to build ventilators. We have also set up 3D printing farms to produce and distribute personal protective equipment to frontline health staff in the UK and the Americas. We remain confident that the continuity of service and commitment we offer our customers and suppliers will accelerate our journey to become first choice and therefore come out of this crisis strongly.



Further information can be found at [electrocomponents.com](https://www.electrocomponents.com)

Financial highlights

Revenue

£1,953.8m

Change: +3.7%
2019: £1,884.4m

Like-for-like¹ revenue growth

2.2%

2019: 8.3%

Profit before tax

£199.6m

Change: +2.3%
2019: £195.2m

Adjusted² profit before tax

£215.0m

Like-for-like¹ change: (0.5)%
2019: £214.5m

Earnings per share

34.7p

Change: +3.9%
2019: 33.4p

Adjusted² earnings per share

37.7p

Like-for-like¹ change: +1.1%
2019: 37.0p

Adjusted² free cash flow

£80.9m

Change: (4.3)%
2019: £84.5m

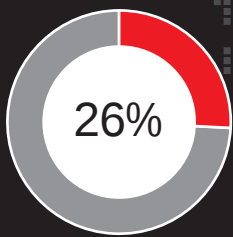
1. Like-for-like change excludes the impact of acquisitions and the effects of changes in exchange rates on translation of overseas operating results, with 2019 converted at 2020 average exchange rates. Revenue is also adjusted to eliminate the impact of trading days year on year. Acquisitions are only 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, 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 119 to 123 for reconciliations).

Contents

Strategic report	1
Group at a glance	2
Our investment proposition	3
Chair's introduction	4
Our marketplace	6
Business model	8
Chief Executive Officer's review	10
Our strategic priorities	13
Key performance indicators	18
Business review	22
Financial review	28
Risks, viability and going concern	36
Corporate responsibility	45
Non-financial information statement	58
Corporate governance report	60
Chair's letter	60
Our Board of Directors	62
Our Senior Management Team	64
Corporate governance report	66
Audit Committee report	76
Nomination Committee report	83
Directors' remuneration report	86
Directors' report	102
Statement of Directors' responsibilities	104
Financial statements	105
Independent Auditors' report	105
Group accounts	111
Company accounts	151
Five year record	158
Shareholder information	159

A global partner

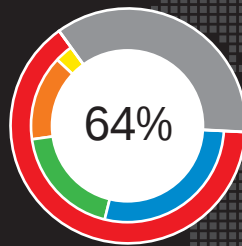
We are a global omni-channel solutions partner for industrial customers and suppliers. We aim to provide an unrivalled choice of industrial and electronic products, solve problems with innovative solutions and deliver best-in-class customer service making it easy to do business with us.



Americas
Revenue: £515.7m

2.1%

Like-for-like growth



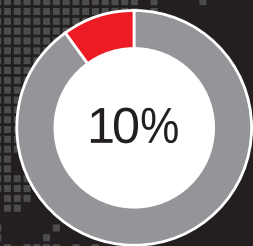
EMEA
Revenue: £1,239.8m

2.2%

Like-for-like growth

Percentage of EMEA revenue

Northern Europe	45%
Southern Europe	30%
Central Europe	21%
Emerging markets	4%



Asia Pacific
Revenue: £198.3m

2.7%

Like-for-like growth

Through our international scale and reach...

...we operate responsibly through a broad range of industries:

Manufacturing

c. 53%

of revenue¹

- Process manufacturing
- Electronics
- Original equipment manufacturers (OEMs) and general manufacturing

Services

c. 37%

of revenue¹

- Public sector
- Business and other services
- Retail, logistics and wholesale

Infrastructure

c. 10%

of revenue¹

- Utilities, transport and communications
- Mining and construction

1. Excludes private and unclassified customer revenue.

Our leading brands...



RS Components (RS) is the leading omni-channel provider of industrial and electronic products and solutions to industrial customers across EMEA and Asia Pacific, as well as providing electronics in the Americas.



Allied Electronics & Automation (Allied) is a leading omni-channel industrial provider in the Americas with a focus on automation and control.

Our own brand...



RS PRO is our own-brand range of more than 63,000 high-quality, competitively priced products.

Our SBC and IoT brand...



OKdo is our global technology business, focused on meeting the rapidly evolving needs of single-board computing (SBC) and Internet of Things (IoT) segments worldwide.

Our value-added solution brands...

DESIGNSPARK

DesignSpark is our online design community and resource centre for makers, students and design engineers.



IESA provides outsourced procurement, inventory and stores management services, in addition to transactional processing solutions.

Our products and solutions categories...

- **Industrial:** we supply a broad range of products and solutions from test and measurement including testing and calibration, through to automation and control, with products across mechanical, fluid power, factory automation and machine safety as well as emerging technologies such as robotics. We offer facilities maintenance products including tools, personal protective equipment, site safety and 3D printing. We also provide outsourced procurement, inventory and stores management services, in addition to transactional processing solutions.
- **Electronics:** we supply a broad product range such as semiconductors, SBC and passives. There is also a significant focus in ongoing market trends, most importantly IoT and renewable energy, which will see us explore and introduce new technologies.

Four **key reasons** to invest

We are committed to building a lean and sustainable business, which is well positioned over the longer term to grow in excess of the market and drive best-in-class margins and strong free cash flow.

Uniquely positioned in attractive market

c. £400bn

market opportunity

- **Global player in large fragmented marketplace**
 - Market valued at c. £400 billion
 - Market typically grows at GDP+
 - Top 50 players account for c. 30% of the global market
- **Uniquely positioned to take market share**
 - Global scale and distribution network
 - Customer-centric people and expertise
 - Strong supplier relationships
 - Broad range and value-added solutions proposition
 - Leader in digital

Driving market share gains

>2x

market growth rate target

We aim to grow at greater than two times the market, driving share gains by:

- **Growing customer count**
 - Become first choice; grow promoter base
 - Drive more traffic to websites
 - Increase online conversion by improving experience
- **Selling more to existing customers**
 - First choice customers spend 25% more
 - Scale range and add new product categories
 - Roll out value-added solutions proposition
 - Sell the full offer; improve sales effectiveness

Building a lean and sustainable model

Mid-teen

adjusted operating profit margin target

- **We have made good progress to date**
 - Stabilising gross margin
 - Improving adjusted operating profit margin from 6.7% in 2015 to 11.3% in 2020
- **We aim to drive sustainability and scalability and lower our cost to serve by:**
 - Simplifying our technology estate
 - Building a sustainable and scalable supply chain
 - Rolling out global shared services and automation
- **Long-term aspiration to achieve a mid-teen adjusted operating profit margin**

Strong balance sheet and attractive cash flow

>80%¹

adjusted operating cash flow conversion target

- **We have a strong balance sheet**
- **Cash generative**
- **We will reinvest cash to drive faster share gains**
- **Accelerate strategy via disciplined value-accretive bolt-on acquisitions to:**
 - Drive market share gains
 - Add new product categories
 - Accelerate value-added solutions offer

1. Our aim post-investment in strategic initiatives.

Well placed to continue to outperform



We entered this crisis in good financial shape, with a strong management team and a clear strategy. We are well placed not only to pass through this downturn but also emerge from it strongly with enhanced market share.”

Peter Johnson
Chair

This year's Annual Report has been finalised during the midst of the COVID-19 crisis. Those employees who can are working from home, and those that work in our distribution centres (DCs) across the globe continue to work with enhanced safety measures. Everyone is working hard not only to keep our own organisation running but also those critical businesses that depend on our services in the food and beverage, healthcare, utilities and power generation industries, as well as the public sector. I am immensely proud of the way all our people have responded and their ongoing courage and commitment, which continue to differentiate us.

In this Annual Report we have sought to set out clearly and concisely: our performance over the past year; our strategy going forward; the risks we face and how we are managing them; and our approach to ensure we sustain the highest standards of corporate governance. In this introduction I would like to explain why I believe we are well placed to not only pass through this challenging period but, more importantly, emerge from it strongly.

First, we entered this period of unprecedented uncertainty in strong financial shape. 2020 was another year of good progress for the Group, with continuing market share gains and revenue growth despite an uncertain macroeconomic backdrop. We saw a resilient profit performance alongside

increased investment to advance our Destination 2025 strategy to drive scale and efficiency. We also took further steps forward in customer and supplier satisfaction, enhanced our value-added solutions proposition, broadened our product offering and drove further improvements in our digital capabilities. These important steps have been critical in enabling us to continue to offer our customers and suppliers excellent service. We have deliberately pursued a conservative balance sheet policy in recent years, and the Group today has a robust financial position with low net debt, strong financial ratios and good liquidity.

Second, we have a strong and engaged Senior Management Team (SMT) who have been energetically transforming the performance of the business in recent years. Our team has been quick to identify a range of proactive and mitigating actions to ensure we continue to drive share gains while conserving cash and preserving profitability in a measured way.

Third, we have a clear strategy – Destination 2025 – which gives clarity about the capabilities we must preserve and even strengthen so that we can emerge from this crisis stronger. Our programmes to expand and automate our DCs are already well progressed and will give us capacity and flexibility in the future. We will continue to prioritise targeted investment in developing our

value-added solutions and our digital capabilities, which enable us to maintain a high level of service to our customers.

And fourth, we continue to sustain the highest standards of corporate governance, which equip us well to navigate through these challenging times.

Environmental, social and governance

We are committed to being a socially and environmentally responsible organisation with high ethical standards and strong governance. During the year, we have made good progress at advancing our corporate responsibility (CR) agenda to ensure we play a broader role in our society and, in particular, an important part in protecting our environment and combatting climate change (see pages 45 to 57). We have developed plans not only to reduce our own emissions but in time develop and provide solutions to help our customers and broader supply chain become more sustainable. As part of this work we have set new non-financial key performance indicators (KPIs) and targets which are disclosed in this year's Annual Report (see pages 20 and 21).

As a Group we have a clear purpose of 'making amazing happen' and a strong set of ethical values, which are the principles we are using to ensure we successfully navigate the COVID-19 crisis and balance the needs of all our stakeholders and

broader society. Throughout the crisis, our number one priority has been to ensure the health and safety of all our employees. Our people have shown amazing commitment and dedication to ensure our customers and suppliers can help keep critical industries running. We are doing all that we can to support them and protect them as they do so. We are also playing our own part in the fight against COVID-19 and have set up 3D printing farms in the UK and the Americas to print personal protective equipment (PPE) for frontline health workers. Our teams around the world are also supporting numerous ventures to help manufacture ventilators, continuous positive airway pressure (CPAP) machines and other medical and testing equipment to help fight the impact of the virus (see pages 16 and 17).

As an organisation we continue to remain committed to the highest standards of corporate governance. This helped us manage through a difficult period during 2020 when our Chief Executive Officer (CEO), Lindsley Ruth, took a leave of absence from the business for three months to receive treatment for a medical condition. Under the leadership of our Chief Financial Officer (CFO), David Egan, and with the support of our SMT, momentum was maintained and the business continued to move forward. I would like to thank David and the SMT, for the excellent job they have done and continue to do. I am very pleased to see Lindsley return fully recovered and re-energised to lead the business through this period and towards Destination 2025.

Looking forward, the Board will also continue to pursue ongoing governance priorities which include but are not limited to: stakeholder engagement (see page 85); the search for my successor as Chair, led by our Senior Independent Director (SID), David Sleath (see page 84); and continuing our work to advance our CR agenda (see pages 45 and 46).

Delivering our full potential

2020 was the first year of our Destination 2025 strategy to build the technology, tools and infrastructure which will enable us to transform our offer and scale our business efficiently and sustainably. The progress

made during the year was significant and will help us recover rapidly from the current crisis. Our rebuilt RS mobile-first responsive website will be rolled out during the first half of 2021 and our expanded and highly automated DC in Fort Worth, Texas, will come on stream in summer 2020. The expansion of our DC in Bad Hersfeld, Germany, is well under way, as are further improvements across the Group in online experience, value-added solutions and product and content technology. We are of course monitoring the COVID-19 situation extremely closely and taking a prudent approach to future capital expenditure.

Enhancing our collective wisdom

We have continued to strengthen the skill set and diversity of our Board. During the year, John Pattullo stood down as a Non-Executive Director and SID. I would like to thank him for his significant contribution over the past six years. David Sleath joined the Board in June 2019 and took over from John as SID in September 2019. As a serving CEO of a FTSE 100 company, he brings a wealth of experience to the Board. We also appointed Joan Wainwright to the Board as a Non-Executive Director in November 2019. Joan brings extensive supplier and distribution experience and key insights into the important US market (see page 84).

Looking forward

While our business continuity plans have ensured that the supply side of our business is operating largely as normal, the COVID-19 crisis and the ongoing restrictions on public mobility are having a significant impact on demand levels in many of our key markets. During the first eight weeks of the year ending 31 March 2021, Group like-for-like revenue declined 14% (see page 25).

We are taking appropriate action to protect profit and conserve cash while ensuring we continue to position the Group to take advantage of the opportunities that will arise out of the changed business needs which are likely to emerge from the current challenges and come out of this crisis strongly with enhanced market share (see pages 10 to 12).

Dividend

As a result of the COVID-19 pandemic, the current operating environment for all businesses across the globe is one of heightened uncertainty. Notwithstanding the robust trading position and the Group's strong balance sheet, the Board believes it is prudent to defer the decision on the final dividend for the year ended 31 March 2020 until it has greater visibility and the impact of COVID-19 on activity levels and cash generation in our key markets have become clearer.

The Board recognises the importance of its progressive dividend policy to its shareholders and will therefore review making an additional interim dividend payment related to the financial year ended 31 March 2020 at the Group's half-year results in November 2020.

People

Our priority remains to safeguard the health and wellbeing of our employees during this extremely challenging time. I thank them all for the resilience and character they have shown in adapting to the new reality of the COVID-19 situation and for the fantastic work they continue to do to support all our stakeholders across the globe.

We are all committed to building a diverse culture at Electrocomponents where everyone can connect, learn and develop. We have been making good progress at becoming a more inclusive organisation and I have been particularly encouraged by the ongoing work across the business to promote mental health awareness and diversity and inclusion (see pages 50 and 51).

I am always aware that our vastly improved performance over recent years has been made possible by the effort and commitment of all our colleagues, whatever their role. Again, I thank them all and their families – I am immensely grateful for all they are doing.

Peter Johnson

Chair

1 June 2020

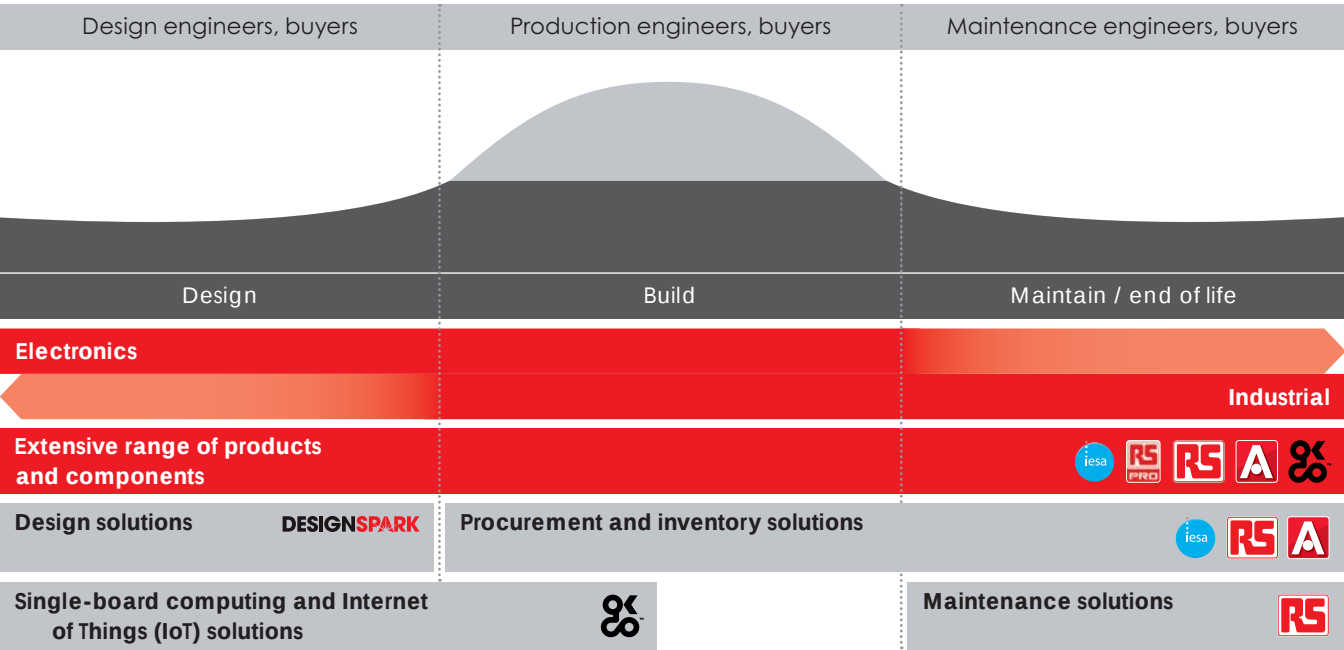
Well positioned in a large and fragmented marketplace

Our proposition

We are an omni-channel solutions partner for industrial customers and suppliers who are involved in designing, building or maintaining industrial equipment and facilities. We aim to provide an unrivalled choice of product technologies, solve problems with innovative solutions and deliver a world-class customer experience making it easy to do business with us. We work with our customers across the product life cycle to create solutions that make it easy for them to do business, saving them time and money, and making their operations more sustainable. Our product knowledge and technical expertise, underpinned by data and digital excellence, allow us to work alongside customers to help manage their indirect procurement more effectively and efficiently.

Key
● Where we play

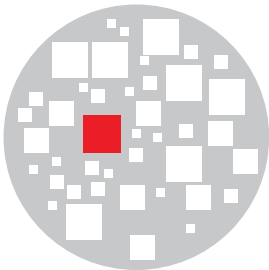
Our customer types



Our market

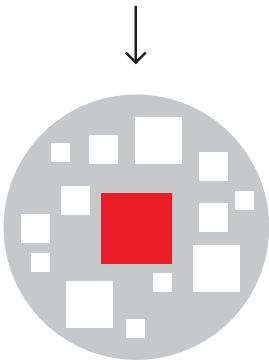
The market in which we operate is large and fragmented – we estimate the global market is valued at c. £400 billion and typically grows at GDP+. There is significant opportunity in the marketplace to continue to take share across all our operating regions. Our aim is to continue to grow at two times the rate of the market, despite macroeconomic conditions and continue to increase our customer count, through both selling more to existing customers and acquiring new customers. Today, our market share globally is less than 1% and even in our most mature market, the UK, we have a market share of under 5%.

Our traditional industrial competitor base is made up of small, primarily regional or local players, often focused on niche or single categories with limited digital presence. In the industrial market our global reach, broad range, digital expertise and solution capabilities mean we are uniquely positioned to differentiate and disrupt.



The market today
Large, fragmented, local in nature and digitally immature.

Well positioned to take share



The future market
Large, more consolidated and omni-channel (majority of revenue online).

Become first choice in this market

Key market trends and our strategy

As trends in the market and customer behaviours continuously evolve, we are working to anticipate our customers' and suppliers' needs in order to become their first choice. With the recent market uncertainty surrounding COVID-19, there is now evidence that increasing restrictions in some of our major markets are impacting demand. Our digital business model continues to differentiate us versus our traditional offline competitor base and has helped us maintain service levels to our customers which include critical industries. During these challenging times, we are able to continue to support customers with the reliability and service they have come to expect, providing the convenience and one-stop shop they require, and offer procurement and inventory management solutions that help them improve operational efficiency and lower the total cost of ownership.

Market consolidation	Digital transition	Customers seeking a one-stop shop	The rise of digital technology
c. 30% of the global market is represented by the top 50 players We operate in a large, fragmented market with many local and regional niche players. Across the market we have continued to see consolidation amongst traditional offline distributors, and the emergence of new competitors such as online marketplaces. Our strategy: We continue to grow our market share across our key regions by offering our customers a differentiated digital proposition. We have focused on investing in our technology and data capabilities as well as building a scalable and sustainable supply chain. We continue to improve our customer offer via range expansion, the rollout of new value-added solutions and technical expertise. Through these capabilities we are able to provide best-in-class customer experiences. While our key focus remains organic growth, we will consider value-accretive bolt-on acquisitions where they can accelerate our strategy.	24.3% of global GDP will come from the digital economy by 2025 (Source: Oxford Economics) Our traditional competitor base in the industrial market tends to be small offline local or single product category players who lack the critical mass and expertise to deliver a best-in-class digital experience. Meanwhile as we see the shift to online grow, customers are increasingly coming to expect a business-to-consumer (B2C) type online experience even in the business-to-business (B2B) world. Our strategy: Digital leadership continues to be a key strategic priority as customers place increasing value on their online experience. We continue to focus on driving more traffic to our websites, by enhancing brand awareness, investing in digital marketing and broadening our product range. We are accelerating activities to improve online experience so we can convert a higher proportion of website traffic into revenue and drive a highly personalised experience for our customers to drive growth in basket size.	2:1 ratio of procurement cost vs product cost (Source: Manchester Business School) Customers are seeking convenience. They want to simplify procurement, consolidate spend, manage their supply chain more efficiently and have access to solutions that help optimise maintenance and production. They seek a product range with breadth and depth, along with a solutions proposition, helping them to reduce cost and consolidate their supplier base – streamlining their operations. Our strategy: We aim to offer our customers unrivalled choice and stock over 500,000 products across a broad range of categories. While we have significant depth in many of these product categories, we have continuously invested to expand our range using data to identify areas of customer need. We continue to roll out our value-added solutions in new markets and expand our offer in existing markets, to help make customers' lives easier in areas across design, procurement, inventory management and maintenance.	>25bn connected things by 2021 (Source: Gartner) Businesses, particularly in manufacturing, are changing the way they operate with the introduction of smart factories. The fourth industrial revolution (Industry 4.0) or Industrial Internet of Things (IIoT) is about optimising productivity and driving more sustainable operations through data management and machine connectivity to make smart factories a possibility. Our strategy: By being a supplier of both industrial and electronic products, we are well positioned to capitalise on this trend and help our customers transform the way they operate. Our business is continuously striving to drive more innovation, creating solutions to help our customers with smart factory solutions. Our 2019 acquisition of Monition propelled us forward in this space as we focus on strategies to expand our services into IIoT, predictive maintenance, and energy and emissions monitoring.

How we **create value** for our stakeholders

We are a global omni-channel solutions partner for industrial customers and suppliers. We aim to provide an unrivalled choice of industrial and electronic products, solve problems with innovative solutions and deliver best-in-class customer service making it easy to do business with us.

Our competitive advantage comes from our customer-centric approach

and our ability to offer unrivalled choice and solutions through our broad range of products, own-brand range, RS PRO, and our value-added solutions proposition. We support the customer journey across the product life cycle from design through to procurement, and from inventory management to full maintenance solutions. We aim to offer solutions to our customers that help them to be more efficient and more sustainable.

Design and innovation

We enable design engineers to use a single source for all design work across our DesignSpark and OKdo platforms by providing access to ideas and innovation as well as products. Our DesignSpark community now has 930,000 members.

Procurement

We offer solutions for customers to consolidate their spend and reduce procure-to-pay costs, providing continued cost efficiencies across eProcurement solutions, RS ConnectPoint™ and systems such as IESA's marketplace platform, MyMRO.

Inventory

Our range of solutions, including recently rolled out offers such as RS VendStock™ and RS ScanStock™, as well as IESA's fully outsourced inventory management, enables customers to manage their inventory more effectively, reduce working capital and improve productivity.

Maintenance

We provide maintenance solutions to help customers manage their assets and improve productivity and sustainability. We also offer product-specific knowledge and services such as calibration, energy monitoring and condition monitoring.

Our differentiators

Global scale and distribution network

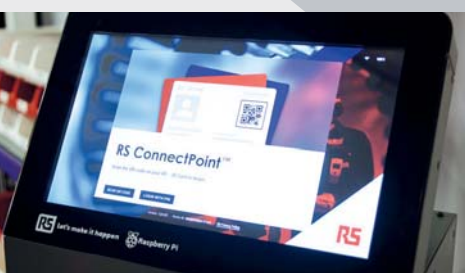
We have operations in 32 markets around the world and sell in 80 countries. Our global network of distribution centres enables us to offer next day delivery and respond swiftly to customer demands. We continue to focus on optimising transportation across our network as we drive towards a more sustainable and scalable supply chain with a lower cost to serve.

12
distribution centres globally

Customer-centric people and expertise

We have a highly committed and talented team which enables us to provide the exceptional service that keeps customers coming back. Our teams help customers with purchasing decisions, providing significant sector-specific knowledge and expertise. We remain committed to investing in their training and development.

7,000+
employees



How we segment our customer base

Corporate

International or nationwide company, multiple locations, central purchasing, high spend potential.

Key

Single location, medium-sized company, medium spend potential.

Standard

Single location, small and medium-sized enterprises (SME) company, low spend potential.

Average order value is around

£190

No customer represents more than

1%

of Group revenue¹

1. Even if we include the value of products sourced for clients under outsourcing arrangements where we act as an agent, no customer represents more than 3%.

Our stakeholders and how we create value for them

Employees

We are committed to nurturing talent and building a high-performance culture.

1.4%

improvement in employee engagement versus March 2019

Customers

We seek to save our customers time and money and make it easy to do business.

3.1%

improvement in Net Promoter Score

Suppliers

We extend customer reach and provide insight and analysis for our suppliers.

75+

new suppliers added in 2020

Communities

We respect, protect and contribute to the communities in which we operate.

220

RS STEM Ambassadors

Shareholders

We aim to deliver attractive returns for our shareholders, with sustained growth in profit and cash, driving longer-term share price appreciation and a progressive dividend policy.

For further detail see page 3.

Strong supplier relationships

We work in partnership with over 2,500 suppliers, providing data-driven product management and customer trends. In turn they give us access to new products and help define our core proposition around the globe – allowing us to deliver unrivalled choice and innovative solutions for our customers.

Our largest supplier represents less than

4%

of Group revenue

Broad range and value-added solutions proposition

We aim to offer unrivalled choice via our broad and extensive product range across both electronics and industrial categories, including our own-brand, RS PRO. This is supported through our value-added solutions proposition which supports customers with innovative solutions across the product life cycle.

500,000+

stocked products

Leader in digital

Our online business model continues to differentiate us. We are expanding our digital capabilities – improving our website, offering our customers unparalleled ease of use and personalisation. This is supported by our omni-channel approach that makes it easier to do business with us.

63%

online revenue

Making amazing happen – driving share gain



Customers and suppliers around the globe are astounded by our continued service and support during the COVID-19 crisis. This makes me both extremely proud of our team and highly confident in our future and our ability to continue to drive market share.”

Lindsley Ruth
Chief Executive Officer

The COVID-19 pandemic has created a new level of uncertainty impacting all economies around the globe. No business can be immune from the effects of the pandemic and this will be an immense test for corporates – in terms of their financial resilience, agility and ability to adapt quickly to new realities, and their social response to their people and stakeholders in the broadest sense. For our part, I am pleased that we enter these challenging times financially strong, performing well and with a clear strategy.

During 2020, the Group continued to execute well, with like-for-like revenue growth of 2.2% despite macroeconomic uncertainty in many of our key markets and a global cyclical downturn in the electronics market. Growth was driven by the industrial side of our business, which offset declines in electronics revenue due to market weakness. All three regions saw revenue growth, however market share gains were most significant in EMEA where our value-led selling approach and digital leadership drove growth in customer numbers and average order value.

RS PRO, our own-brand range, made strong progress during the year with like-for-like revenue growth of 8.9% (see page 29). We also launched OKdo, our single-board computing (SBC) and Internet of Things (IoT) business in April 2019, which incorporated our existing SBC business. OKdo saw like-for-like revenue

growth of 11.7% during the year and took important steps to sign new franchises and broaden its offering, which will be key in driving margin improvement in the future.

Profit growth was impacted by investment to support our Destination 2025 strategic initiatives. During the year, we made good progress at enhancing our offer, improving digital experience and expanding and improving our value-added solutions capabilities. Our rebuilt RS mobile-first responsive website, which will roll out during the first half of 2021, will lead to a step change in our online experience. We have also invested in new product and content technology, and distribution infrastructure and automation, which will enable us to scale our business efficiently in the future (see pages 13 to 15). We remain highly confident these investments and the differentiated service we continue to offer our customers and suppliers, even during these tough times, will help us to accelerate market share gains and come out of this crisis strongly.

We made some key additions to our Senior Management Team (SMT) during the year, including a new Chief Technology Officer and new Presidents for both the Americas and Asia Pacific. We are already seeing the benefit from these new additions, with strong progress against our technology roadmap during 2020, a refocused team and approach in the Americas and a significant improvement in profitability

in Asia Pacific during the second half (see pages 24 and 25). It is also extremely pleasing to see increased collaboration across our three regions. Over the past six months our regions have aligned around a broadly consistent value proposition, go-to-market approach and connected value-added solutions programme. In April 2020, I appointed Mike England, President of EMEA, to step up to a new role as Chief Operating Officer for the Group. Mike will take this aligned go-to-market approach forward to not only improve performance and drive economies of scale, but also accelerate our journey to become first choice for all our stakeholders.

We have a strong and highly engaged team at Electrocomponents, with a SMT capable of stepping up and delivering, even during a time when I had to step back from the business. I would like to thank my SMT, led by David Egan, Chief Financial Officer (CFO), for continuing to do a fantastic job in driving the business forward in my absence. Leadership and collaboration will be key during the coming months and I am confident we have the team to continue to deliver.

As we respond to the unprecedented COVID-19 crisis we are ensuring that we support the needs of all our key stakeholder groups; our employees, our customers and suppliers, our communities and our shareholders.

Our number one priority is the health and safety of our employees. In January we formed a central crisis management team to manage our response to the outbreak in Asia Pacific and our experience there has meant that we have been quick to implement business continuity plans across the globe (see page 22). We have enabled home working for all roles that can do so. Our distribution centres (DCs) across the globe continue to operate effectively with social distancing and safety measures in place. We have provided more sanitising equipment and personal protective equipment (PPE) for our employees and set up our facilities to allow people to return to work safely when the timing is right (see page 50).

Restrictions on social movement have impacted demand levels in our markets and in response to lower volume levels we have stood down some employees on a temporary basis. To help keep our people and their families safe and in touch with each other, we have launched a dedicated 'Keep Connected' website which delivers important wellbeing and communication resources. Given the relative resilience of our UK business, we are not currently accessing UK government furlough support for employees.

As a result of our adaptable digital model and the hard work and commitment of our people, we are capable of supporting our customers and suppliers with continued reliable service and supply chain continuity even in these extraordinary times. The theme of this year's Annual Report is our purpose – 'making amazing happen'. Across the year we have seen many examples of our people making amazing happen for our customers, with great value-added solutions and continued service. Never has this been more evident than during the past few months, when our people have worked tirelessly in our DCs, other sites and often out of their own homes, to keep critical industries who rely on our services running. We have and will continue to invest to drive a best-in-class offer and solutions for our customers and suppliers alike. We also remain committed to paying our suppliers to agreed terms.

We are playing a key role in making amazing happen for our communities during the fight against COVID-19, supporting initiatives such as ventilator manufacture and the manufacture and supply of PPE for frontline hospital staff (see pages 16 and 17). We are taking action also to support the wider distribution industry and have set up a global distributor support line to help other distributors continue to supply critical parts during the crisis.



Destination 2025: Building a scalable and sustainable supply chain

We are investing to expand and automate our DCs in Germany and the Americas as part of our plan to build a scalable and sustainable supply chain. Both these DCs will have a high level of robotics and automation integrated into their design. The picture above shows an automated order, storage and retrieval system in our DC in the Americas which will open this summer. This system will be able to process over 70% of stocked lines from day one. The automated goods-to-person solution uses robots to present the product directly to the packer allowing faster and more accurate line level picking. A high-performance pocket sortation system consolidates, sorts and sequences orders prior to packing and offers a fully automated transfer solution using radio frequency identification (RFID) technology. Finally, the automated packaging will reduce packaging, waste and shipping costs. These automated solutions will increase accuracy and efficiency in our operations. These investments will help us build a scalable and sustainable supply chain, which will support our plans to drive market share while continuing to lower our cost to serve.

Finally, we remain highly committed to delivering value for our shareholders. We continue to execute our Destination 2025 strategy to drive differentiation into our offer and build a lean and scalable model capable of delivering sustainable growth and improved returns. We are also ensuring we take appropriate short-term actions to accelerate activity where we see opportunity, protect profit, conserve cash and strengthen our balance sheet. Given the uncertain external environment, the Board believes it is prudent to defer the final dividend decision until it has greater visibility. We recognise the importance of the progressive dividend policy to our shareholders and therefore will review making an additional interim dividend payment related to the financial year ended 31 March 2020 at the Group's half-year results in November 2020.

I am a strong believer that even in great adversity there can be great opportunity. We are taking action now so that we are well positioned for the developing opportunities that will arise out of the current challenges and come out of this crisis strongly. In doing so we are focusing on four key areas:

1) Growth levers we can pull

Our business model is very different to that of our traditional bricks and mortar competition. We go to market with a mobile-first omni-channel solutions-based offer, we have a global DC network and we carry over £400 million of inventory.

These attributes position us well to continue to drive market share gains even during these uncertain times. We are accelerating activity across a number of key work streams to ensure we continue to differentiate and emerge from this crisis strongly. These include:

- **Digital:** The COVID-19 crisis is changing consumer behaviour as people across the globe become used to working, communicating and transacting online. We believe it will accelerate the pace of digital transition within our own industry and we are well positioned to benefit from this trend. During the first eight weeks of 2021, while demand levels have slowed, our website visits have seen close to double-digit growth, with new online customer numbers also increasing. We are accelerating initiatives to drive further differentiation in our digital proposition to convert and retain these new customers. We are also working to enhance our online experience and marketing in the Americas. During our first half of 2021, we will launch our rebuilt RS mobile-first responsive website – this will drive a step change in online experience and enable us to better realise the continued growth of mobile search. We are also accelerating the roll out of new technology across the globe to optimise and improve returns on paid customer acquisition and investing to step change our marketing, website personalisation and customer retention activities, with increased use of data and automation.

• Product and new sector

opportunities: Across the Group, and in partnership with some of our technology partners, we have access to a wealth of data. We are using this to identify and predict product spend and frequency as we take decisions on range and inventory. In the short term, we are expanding into segments which are seeing strong growth such as janitorial, PPE and education. We are building kits and supply chain solutions using our global network to source products to meet higher demand in these segments. We have launched RS PRO kits in areas of high demand such as back-to-work hygiene, janitorial and home working. OKdo has been increasing its focus on the education market launching 'Kits for Kids'. In the longer term, disruption in the market will provide opportunity to add new lines and disrupt adjacent product segments – we will ensure we are well positioned to seize these opportunities.

• Building our solutions capabilities:

As organisations globally are faced with more challenging markets, there is an increasing need for value-added solutions which help companies lower total cost of ownership and running costs via consolidating and driving leaner and efficient procurement as well as removing wasteful processes. We are accelerating activity to develop an IESA-like service for RS and Allied customers, called RS Plus. This will be aimed at customers who do not want to fully outsource their procurement process but could benefit from a hybrid solution where they can access IESA's cloud-enabled proprietary marketplace solution, MyMRO, as well as our broader Group value-added solutions proposition. We are also continuing to roll out our existing value-added solutions across the globe.

• Innovation:

We continue to focus on building our offer and services in areas such as 3D printing and the Industrial IoT. DesignSpark has been encouraging owners of 3D printers to help print PPE for frontline health workers. We have set up 3D printing farms in both the UK and the Americas to support this effort and are working with regulatory authorities to ensure they are fit for purpose. We are learning from these ventures and seeing strong growth in 3D printers and associated accessories.

2) Operational efficiency and scalability

Our aim is to proactively manage our cost base in the near term, while protecting the core of our business to take advantage of opportunities in both the short and longer term. In response to lower demand levels we are tightly managing our operating costs and limiting discretionary expenditure in areas such as travel and entertainment.

Looking forward, we will look to take the best of what we have learned from different ways of working during the COVID-19 crisis to make our organisation more nimble and efficient. We will also continue our work to simplify our organisation and build a lean and scalable operating model. We are on a journey to build a market-beating proposition capable of disrupting our markets and accelerating market share gains. During the year, we have made further progress on this front with our three regions aligning around a common value proposition and go-to-market approach. This common approach allows us to further simplify the way we operate and, where possible, do things only once for the Group which will allow us to move faster and drive significant further savings in the longer term.

3) Managing our cash

In the highly uncertain COVID-19 environment we remain particularly focused on cash. Our business remains cash generative and we have levers we can pull to further improve cash generation, while ensuring we continue to remain well positioned for the recovery.

- **Working capital measures:** To date we have seen limited adverse impact from the COVID-19 crisis on our receivables collection. However, we continue to closely monitor collection metrics, as this remains our greatest short-term liquidity sensitivity. We continue to manage our inventory levels, so we can run the business as efficiently as possible, while ensuring we maintain inventory availability and are well positioned for a recovery when it does come. We will ensure we are well positioned to take advantage of attractive inventory purchasing opportunities as they arise.
- **Capital expenditure:** We are prudently reducing 2021 capital expenditure from the £80 million previously planned to around £60 million. Our Destination 2025 roadmap, including our work to build a more scalable and sustainable supply chain with our two DC expansions, remains a key priority. However, in light of the current macroenvironment, we are reprioritising our capital expenditure; slowing some less time sensitive projects while accelerating those projects which will deliver near-term returns.

- **Dividend:** The Board has deferred the decision on approving a final dividend until visibility improves.

4) Financial resilience

We enter this period of uncertainty in a strong financial position with a healthy balance sheet with £350 million of facilities. In the first eight weeks of 2021, we have further improved our balance sheet flexibility and are in the process of securing additional contingency facilities with our relationship banks; and have secured eligibility to participate in the Bank of England Covid Corporate Financing Facility (CCFF).

Given the degree of uncertainty during the current environment we have performed stress tests under a range of potential scenarios of different duration and severity. The additional contingency facility and CCFF have not been included in our stress test analysis. Our stress tests show that even in the event that a second wave of COVID-19 strikes during the second half of our financial year, resulting in limited recovery in revenue during the balance of the current financial year from that seen during the first eight weeks, we will continue to operate within our current banking facilities and financial covenants.

In summary

Our business is operating well, we are financially healthy and our longer-term Destination 2025 strategy is clear. We are well positioned to take advantage of opportunities and to drive market share as we continue on our journey to become first choice. We will continue to take appropriate actions to ensure we strengthen our business and come out of this crisis strongly. We have a highly talented and engaged team who, even in these difficult times, continue to make amazing happen for our customers, suppliers and our communities around the globe.

I am extremely grateful to our people for their outstanding response to the challenges of the COVID-19 crisis, and the dedication and care they have shown to each other, and to customers and suppliers during this period. The feedback I am getting daily from customers and suppliers around the globe, who are astounded by our ongoing service and commitment in these challenging times, makes me not only extremely proud to be part of this team but also highly confident for our future.

Lindsley Ruth

Chief Executive Officer
1 June 2020

Destination 2025 becoming first choice

We have a clear vision and a plan of where we need to be in five years' time to become first choice. Destination 2025 is focused around our five key strategic priorities and will help build a business capable of delivering sustainable growth and superior returns for all our stakeholders.



Destination 2025

becoming first choice

During 2020, we have made strong progress rolling out initiatives across our five strategic priorities to transform our offer and build the right capabilities and infrastructure. This will enable us to scale our business efficiently over the longer term.

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, two of our key stakeholder groups, at the heart of our business and making their lives easier.

Our progress in 2020

We are committed to being a key global partner for our suppliers and to becoming a global, omni-channel single source solutions provider for our customers. During 2020, we made good progress at improving customer and supplier experience, as such our Group rolling 12-month Net Promoter Score (NPS) rose 3.1% and we achieved CSAT (an online customer satisfaction score) of 71 (2019: 69).

We are focused on driving a seamless mobile-first omni-channel experience for our customers. The development and rebuild of our RS mobile-first responsive website during the year was a significant milestone in improving customer online experience and is due for launch in the first half of 2021. Other improvements included the introduction of a new online basket page as well as continued data-driven personalisation across EMEA and Asia Pacific.

During the year, we began rolling out our content aggregator tool with key suppliers (see pages 34 and 35). We also launched a new document management system – providing scalable and improved product information for customers and suppliers.

RS PRO continues to be a key growth driver for the business, with 8.9% like-for-like revenue growth for the year and adding over 5,500 new products to its range – offering customers high quality at competitive pricing.

Future initiatives

We will continue to invest to build a truly differentiated personalised offer with unrivalled product choice, technical support and solutions that make our customers' lives easier. We will also continue to improve our product and content technology and our data capabilities so we become simpler to deal with for our suppliers.

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

We are focused on building an agile, diverse and inclusive learning organisation in an environment where people thrive.

Our employee engagement increased to 72 (2019: 71) and encouragingly employee participation in the survey continues to improve. During the year we made strong progress at raising global awareness of diversity and inclusion, in particular on mental health awareness with strong global campaigns (see pages 51 to 53).

We have increased investment in learning and development, including rolling out sales effectiveness and value-led selling programmes across the regions. Continuous Improvement (CI) training continued with over 680 employees now trained in CI across the business. In January 2020, we were granted Lean Competency System (LCS) accreditation status, linked to Cardiff University and which is globally recognised. Finally, we launched a new digital management development programme for our 900 managers globally as well as launching a Data Academy to build critical skills in analysing, using and gaining deeper data insight.

We remain focused on developing our own internal talent as we launched an extensive global internship and apprenticeship programme. We also completed the first year of our future leadership programme for early-career talent. Finally, we were able to reach our target within the first year of our five-year aspiration, to have 5% of the UK workforce in 'earn and learn' positions.

During the year, RS Components in the UK was ranked tenth best technology employer in Britain by Indeed. Further, our science, technology, engineering and mathematics (STEM) team won Engineering Ambassador of the year at the British Engineering Excellence Awards.

Future initiatives

We will continue to build a diverse and talented workforce. We believe in developing and growing our talent to create a connected, purpose-led, digital business.

3 Operational excellence

What this means

Continuously improving service and efficiency to build a sustainable business.

Our progress in 2020

We are focused on providing best-in-class customer service, while creating operational efficiencies and building a more scalable and sustainable business.

During 2020, we have made strong progress rolling out our global shared business services strategy and now all three of our regional centres of expertise (COE) are operational. We expanded our Asia Pacific COE to over 200 roles and moved c. 350 roles to our EMEA COE to support our European sub-regions. We opened the Americas COE in Fort Worth, Texas, with an initial headcount of around 60. Our shared services initiative is important in achieving our aim to become first choice as it allows us to operate at lower cost, while improving quality and consistency of service.

We also continued to drive improved efficiency and operational excellence with a number of new technology investments. This included the upgrade of our technology platform across the business as well as the implementation of a new data analytics tool, called DOMO, and the roll-out of a new pricing tool in EMEA and Asia Pacific. Finally, we continue to invest in robotic process automation with over 30 bots live across the business.

Future initiatives

We will continue to invest in technology and automation to simplify processes, drive efficiency 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

In 2020, we continued to drive innovation across the business in areas such as data, marketplaces and business process outsourcing.

We have continued to focus on the expansion of our value-added solutions to help make our customers' lives easier. Across the year we developed new solutions such as RS VendStock™ and RS ConnectPoint™. We are also developing and implementing Industrial Internet of Things (IoT) and sustainable solutions at RS Monition (see page 53). We are working with companies on a proof of concept for our IoT solution. Finally, RS and IESA are working together to investigate how they can use IESA's MyMRO marketplace technology to provide a full solution for RS and Allied customers.

Other projects across the year included launching a new sales tool, called Showpad, across EMEA; the introduction of 3D printing farms in the UK and the Americas (see page 16); and the creation of OKdo Raspberry Pi kits.

Future initiatives

We will continue to drive more innovation into our offer to solve customer issues and future-proof our business.

5 Reinvestment to accelerate growth

What this means

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

Our progress in 2020

Over the course of the year we have increased 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.

We stepped up operating expenditure in areas such as digital and technology, enhancing our value-added solutions proposition and building and developing our talent. Our key capital expenditure investments have been across our technology and distribution centre (DC) infrastructure and automation. We have 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 newly expanded DC in the Americas will open in the next few months, and the newly expanded DC in Germany will be complete during calendar 2021. Both DCs will be highly automated and provide significant room to increase throughput – future-proofing our business for the long term.

Future initiatives

We remain focused on making the right investments to drive faster market share growth and improved returns over the long term.



Introducing RS ConnectPoint™ to our customers

In September 2019 the value-added solutions team launched RS ConnectPoint™. This innovative solution sits at the heart of a customer's operation – empowering end users, eliminating wasteful procurement processes and connecting engineers to engineers. RS ConnectPoint™ is based on a simple touchscreen kiosk that features live chat, access to our digital catalogue and artificial intelligence to help customers find what they need using image recognition. It also provides messaging to our RS Local team for more tailored support. We believe it is the first of its kind in our industry, creating significant disruption as we scale and develop its functionality.



Making amazing happen

During the COVID-19 crisis, our people have played a vital role in helping provide solutions, parts and equipment to not only keep critical industries running but also increasingly help in the fight against COVID-19.



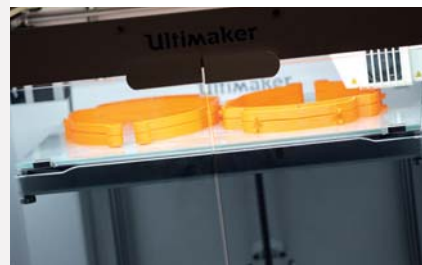
➤ Playing our part in ventilator production

As COVID-19 continued to spread, the UK government issued a call to arms to produce new ventilators at speed. RS Components (RS) has created a project team to assist a number of the UK manufacturing consortia, pulling resource from our internal teams across technical support, product, supplier and sales. We are providing vital technical support for manufacturers, seeking parts to develop prototypes, building supply chains and ring-fencing and prioritising product as they move into volume production. In many cases, our digital presence has been vital in providing the consortia with the service they need, as ease of use and accessibility to fact sheets and technical data online provide them with the resources required to move at pace. Our people have also been working on initiatives to create supply chains for the development and manufacture of a lower cost continuous positive airway pressure (CPAP) machine, which can be used as a ventilator to help patients who do not need to be in intensive care or are in recovery after coming out of intensive care, as well as for the manufacture of an oximeter – a sensor which tests the oxygen levels in patients blood.



➤ Keeping critical industries running

Throughout the pandemic, critical industries, such as utilities, public sector, food and beverage and healthcare are needed to ensure vital first line maintenance continues. Our people are supporting customers over a range of essential businesses providing vital parts, maintenance and solutions. We have had to cope with short-notice change in requirements, reduction in staff due to self-isolation and challenges in our own day-to-day lives as many work from home but also continue to work in our RS Locals and distribution centres. IESA onsite envoys have continued working in order to keep these essential industries running. The customer feedback and letters of support we have received show the value of this work has not gone unnoticed and that our people continue making amazing happen. Initiatives are taking place across all of our key markets such as the UK, Germany and the Americas.



➤ 3D printing of visors protecting frontline staff

DesignSpark has been encouraging all those with 3D printers to produce and distribute personal protective equipment (PPE) to frontline medical staff in the fight against COVID-19. We have donated filament needed to print the visor frames and are making the design available to everyone on DesignSpark's engineering platform. We have set up 3D printing farms in both the UK and the Americas to support this effort on a global scale. We are learning from these ventures and seeing strong growth in 3D printers and associated accessories. Partnerships have been formed with approved medical companies to collect, sterilise the printed frames and assemble them with the visors. It takes less than an hour to manufacture a visor frame using a 3D printer. We are currently working with regulatory authorities to ensure the visors are fit for purpose for the personnel who need them.



➤ Helping to develop personal respirators

As hospital workers use thousands of face masks to protect themselves, stock is in short supply. RS supported the University of Southampton to design and develop the prototype of a personal respirator. Known as PerSo, the pioneering protective respirator consists of a fabric hood to cover the wearer's head and a plastic cover to protect their face. It also provides a clean direct air supply, meaning healthcare professionals do not need to derobe between treating patients, which is key in areas where nurses are treating a high volume of cases. RS worked to secure appropriate parts at speed including batteries, fans and filtering devices. The prototype was developed in just one week, then tested on wards and manufactured at scale in less than a month. The equipment is currently undergoing regulatory approval. The open-source design is available for others to develop the respirators wherever they are in the world.



➤ Supporting our clients with amazing customer service

Our team in the Americas has continued to serve a wide range of critical industries, who without the products we supply every day, could not remain operational during the COVID-19 crisis. We have helped to source numerous products for the development of equipment including x-ray systems, emergency response systems, ventilators and even to build isolation centres. We also provided critical parts for the fit-out of a new US Navy hospital ship which was sent to New York harbour to alleviate pressures on overwhelmed hospitals. In our DC in Fort Worth, Texas, we have introduced social distancing measures, shift working, the use of PPE and a thermal imaging scan unit – to keep our people safe. Despite these more challenging working conditions, our DC team continue to work hard to move products through the system as fast as possible to ensure we continue to deliver the reliable service our customers expect from us. Through the dedication of our people we are able to perform as an essential business handling critical customer needs.



➤ Introducing 'Kits for Kids' to keep them educated at home

Since school closures, Google trends have highlighted that there has been a 75% increase in searches associated with home schooling. OKdo launched a campaign called 'Kits for Kids' to support parents who are trying to educate their children at home. The campaign is aimed at providing support and information on how to keep children learning as well as entertained through the use of single-board computer products. The teams across product, pricing, marketing, creative and digital at both OKdo and RS had the new campaign launched in under a week. The OKdo webpage offers key products and kits as well as providing teaching videos, discounts and additional educational resources. Earlier in the year, OKdo and RS PRO worked together to create a kitting strategy to bring OKdo boards and accessories together with RS PRO-sourced peripherals. This kit is one of the key products highlighted on the 'Kits for Kids' webpage.



➤ Moving at pace to support customers

Globally, our people have been moving at pace and going above and beyond to support customers during this time of critical need. Whether it be our RS teams across Denmark and Germany working across the Easter long weekend to fulfil an order for a Dutch company to produce 500 respiratory systems or the Americas moving quickly to deliver critical parts to help fit-out a US navy hospital ship. Or Birmingham, UK RS Local responding immediately to an urgent call to help a local dialysis centre calibrate thermometers, fast-tracking the process to get them back to the customer the same afternoon. We have numerous more examples from right across the business of our employees working around the clock to help our customers and their communities in these times of crisis and we thank all our people for their amazing service in these challenging times.

Financial key performance indicators

We use the following 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 13 to 15.

Like-for-like revenue growth	Adjusted operating profit conversion	Adjusted operating profit margin
2.2% 2.8 4.8 12.8 8.3 2.2 2016 2017 2018 2019 2020	25.8% 14.9 20.3 23.6 26.3 25.8 2016 2017 2018 2019 2020	11.3% 6.4 8.8 10.4 11.7 11.3 2016 2017 2018 2019 2020
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 and currency movements.	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.
Link to strategic priorities		
• Best customer and supplier experience • High-performance team • Innovation • Reinvestment to accelerate growth	• High-performance team • Operational excellence • Innovation • Reinvestment to accelerate growth	• Best customer and supplier experience • High-performance team • Operational excellence • Reinvestment to accelerate growth
Link to principal risks		
12346 781011	123456 781011	123456 781011

Key to our principal risks (see pages 40 to 42)

- | | |
|---|---|
| <ol style="list-style-type: none"> 1 Consequences of the COVID-19 pandemic 2 Consequences of the UK 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 | <ol style="list-style-type: none"> 6 Failure in the business's critical infrastructure 7 Prolonged system outage 8 Information loss / cyber breach 9 UK defined benefit pension scheme cash requirements are in excess of cash available 10 People resources unable to support the existing and future growth of the business 11 Impact on the business if the macroeconomic environment deteriorates |
|---|---|

For definitions and reconciliations of all alternative performance measures, refer to Note 3 on pages 119 to 123.

Adjusted earnings per share (EPS)	Return on capital employed (ROCE)	Adjusted operating cash flow conversion
37.7p 12.6 21.0 28.4 37.0 37.7 2016 2017 2018 2019 2020	22.9% 14.5 22.0 28.6 27.7 22.9 2016 2017 2018 2019 2020	62.1% 107.3 112.7 83.1 64.2 62.1 2016 2017 2018 2019 2020
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.	A tight focus on working capital control and more disciplined capital investment, coupled with increased profitability, will drive improved returns for our shareholders. ROCE is measured as adjusted operating profit expressed as a percentage of net assets excluding net debt and retirement benefit obligations. As a result of the adoption of IFRS 16, 2020 net debt includes lease liabilities, reducing ROCE by 1.2 percentage points.	By tight working capital management and disciplined capital investment, we aim to convert a high percentage of our operating profit into operating cash flow. This is defined as adjusted free cash flow before income tax and net interest paid, as a percentage of adjusted operating profit.
• Best customer and supplier experience • High-performance team • Operational excellence • Innovation • Reinvestment to accelerate growth	• High-performance team • Operational excellence • Innovation • Reinvestment to accelerate growth	• High-performance team • Operational excellence • Reinvestment to accelerate growth
123456 781011	123456 781011	1589

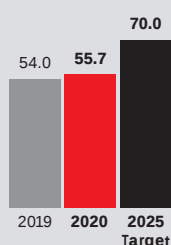
Non-financial key performance indicators

This year, we have included five additional non-financial KPIs to help measure progress against our strategy. The additional KPIs are focused on areas of key importance to our stakeholders and include our people and the environment alongside our existing safety and customer-related non-financial KPIs.

Customer

Group rolling 12-month Net Promoter Score (NPS)

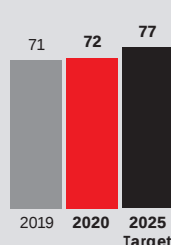
55.7



People

Employee engagement

72



Health and safety

All Accidents (per 200,000 hours)

0.69



Why this is important

There is a good correlation between high customer loyalty scores and our financial performance. NPS is a customer satisfaction measure. Achieving consistently strong customer satisfaction ratings is a key priority and will drive stronger financial performance.

The fulfilment of our people in the workplace is a key priority. Our aim is to increase employee engagement by building a diverse and customer-centric culture and offering the right training and development opportunities. Having more engaged employees reduces staff turnover, improves productivity and helps us serve and retain our customers.

We continue to make progress towards the long-term target of zero accidents on the basis that all accidents are preventable. A safe environment is important for the wellbeing of our employees and the success of our business.

Link to strategic priorities

- Best customer and supplier experience
- High-performance team
- Innovation

- High-performance team

- High-performance team
- Operational excellence

Link to principal risks

1 2 3 4 6
7 8 10

5 10

1 5

Key to our principal risks (see pages 40 to 42)

- | | |
|---|---|
| 1 Consequences of the COVID-19 pandemic | 6 Failure in the business's critical infrastructure |
| 2 Consequences of the UK exit from the EU | 7 Prolonged system outage |
| 3 Failure to respond to strategic market shifts e.g. changes in customer demands / competitor activity and related stakeholder requirements | 8 Information loss / cyber breach |
| 4 The Group's revenue and profit growth initiatives are not successfully implemented | 9 UK defined benefit pension scheme cash requirements are in excess of cash available |
| 5 Failure to comply with international and local legal / regulatory requirements | 10 People resources unable to support the existing and future growth of the business |
| | 11 Impact on the business if the macroeconomic environment deteriorates |

Environment

CO ₂ emissions (tonnes CO ₂ e / £m revenue)	Packaging (tonnes / £m revenue)	Waste (tonnes / £m revenue)	Percentage of waste to landfill
5.3 5.6 5.3 3.0 2019 2020 2025 Target	2.48 2.74 2.48 1.13 2019 2020 2025 Target	1.51 1.58 1.51 0.83 2019 2020 2025 Target	7% 10 % 7 % 5 % 2019 2020 2025 Target
We recognise the role and responsibilities we have as a business to the environment. We will review opportunities for low-carbon energy whilst maintaining focus on efficiency programmes and 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 – identifying and implementing best practice.	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 will also review reporting of waste to help ensure consistency.	Our environmental performance is key as we strive to have zero waste to landfill in the future. We will look to maximise recycling opportunities through waste segregation, by working with suppliers, and employee awareness and training.
• High-performance team • Operational excellence • Innovation	• Best customer and supplier experience • High-performance team • Operational excellence • Innovation	• Best customer and supplier experience • High-performance team • Operational excellence • Innovation	• High-performance team • Operational excellence • Innovation
3 5 6 Plus climate change as emerging principal risk.	3 5 6	3 5 6	3 5 6

Regional performance

Overall results

	2020	2019	Change	Like-for-like ¹ change
Revenue	£1,953.8m	£1,884.4m	3.7%	2.2%
Gross margin	43.7%	44.5%	(0.8) pts	(0.8) pts
Operating profit	£205.3m	£201.0m	2.1%	1.8%
Adjusted ² operating profit	£220.7m	£220.3m	0.2%	(0.5)%
Adjusted ² operating profit margin	11.3%	11.7%	(0.4) pts	(0.3) pts
Adjusted ² operating profit conversion	25.8%	26.3%	(0.5) pts	(0.4) pts

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 converted at 2020 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. Currency movements increased revenue by £10.9 million, extra trading days increased revenue by £9.3 million.

2. Adjusted excludes amortisation of intangible assets arising on acquisition of businesses, substantial reorganisation costs, substantial asset write-downs and one-off pension credits or costs (refer to Note 3 on pages 119 to 123 for reconciliations).

During the year ended 31 March 2020, we delivered revenue growth and market share gains despite uncertainty in many of our key markets due to a cyclical downturn in the electronics market, macro uncertainty and more latterly the outbreak of COVID-19. Overall, the Group saw like-for-like revenue growth of 2.2% for the full year with growth heavily weighted to the first half (H1 4.5%; H2 0.1%). Growth in the second half slowed due to weaker underlying markets and a sharp contraction in volumes during the final two weeks of the financial year, as increased restrictions on public mobility were put into place due to the spread of COVID-19. We estimate the Group saw around a percentage point negative impact on full year like-for-like revenue growth from the COVID-19 lockdown restrictions during March.

All three regions saw positive like-for-like growth trends in the full year with both EMEA and the Americas seeing a similar trend to the Group, with growth weighted to the first half. We continued to grow ahead of the underlying market in our key markets of the UK, France and the Americas and also in smaller markets such as Scandinavia, Iberia (Spain and Portugal), Australia and New Zealand (ANZ), South East Asia and Switzerland. Our outperformance continues to be driven by growth in customer numbers and average order value. Our Group rolling 12-month Net Promoter Score (NPS), a measure of customer satisfaction, rose a further 3.1% to 55.7 (2019: 54.0), as we continue to work towards a best-in-class customer experience through ease of use, personalisation, depth of range and high inventory availability. All three regions saw improved NPS scores during the year and our online customer satisfaction score, CSAT, also rose to 71 (2019: 69). We continue to improve our value-added solutions capabilities and our DesignSpark community now has 930,000 members.

As the current macroeconomic backdrop continues to evolve we are focused on balancing the need to protect short-term profitability and cash with our long-term investment strategy, so we are well positioned for opportunities when the recovery takes place. Our regional presidents under our new Chief Operating Officer, Mike England, are increasingly collaborating to drive a more common go-to-market approach across our regions. This will allow us to leverage resources such as sales tools, value-added solutions and marketing materials across the Group to improve service,

Business continuity plan in action

In January 2020, in response to the outbreak of COVID-19 in China, we formed a central Group Crisis Management Team, with leaders from across the regions, Group Risk, Technology, Supply Chain, People, Finance and Communications which was chaired by our Chief Financial Officer (CFO). The team's objective was to quickly implement business continuity plans across the globe. These plans included:

- Maintaining the business's critical operations, insofar as possible, in the changing circumstances,
- Supporting the business's people to provide a safe environment in which to work, including extensive home working, and
- Identifying associated issues and risks and mitigations

At present all our distribution centres (DCs) around the world are open and operating effectively. Our online business model continues to differentiate us and has helped us maintain service levels to our customers. Our Crisis Management Team's current focus is on how we continue to adhere to World Health Organisation (WHO) guidelines and over time manage the return of our people to their workplaces in a safe and sustainable manner.



accelerate performance, reduce duplication and increase efficiency. We believe this common approach and the investments made during 2020 in areas such as digital, value-added solutions, DC infrastructure and inventories, position the Group well to continue to navigate these more challenging markets and emerge strongly.



EMEA accounts for 64% of Group revenue and breaks down into four sub-regions: Northern Europe, Southern Europe, Central Europe and our emerging market operations. IESA's and Monition's results are included in Northern Europe. RS, RS PRO and IESA are our key trading brands in EMEA. Our largest offering of value-added solutions sits within EMEA and we continue to improve our proposition with a focus on making our customers' lives easier. A broad range of products and high inventory availability are key priorities for our customers. We differentiate our offering from that of the competition by providing a best-in-class online experience, supported by a knowledgeable salesforce, technical expertise, 24/7 customer support and value-added solutions.

Overall results

	2020	2019	Change	Like-for-like ¹ change
Revenue	£1,239.8m	£1,210.0m	2.5%	2.2%
Operating profit	£197.0m	£193.5m	1.8%	2.1%
Operating profit margin	15.9%	16.0%	(0.1) pts	(0.1) pts

1. Like-for-like adjusted for currency and to exclude the impact of acquisitions; revenue also adjusted for trading days.

- Overall, EMEA revenue increased 2.5%, 2.2% on a like-for-like basis, to £1,239.8 million (2019: £1,210.0 million), driven almost entirely by market share gains against what was a tough market backdrop. Growth was weighted towards the first half (H1 5.4%; H2 (0.7)%) with the second half performance impacted by weaker market conditions, particularly in Central Europe, and the impact of COVID-19 which led to double-digit like-for-like revenue declines in EMEA during the month of March.
- EMEA rolling 12-month NPS rose by 2.4% to 56.6 (2019: 55.3), as we continued to focus on driving an improved customer experience.
- Digital, which accounts for 73% of the region's revenue, grew at 3.0% on a like-for-like basis, higher than that of the region, driven by growth in pay-per-click (PPC) advertising which more than offset declines in search engine optimisation (SEO). The launch of the RS mobile-first responsive website during the first half of 2021 should help improve SEO performance going forward.
- RS PRO, which accounts for around 18% of the region's revenue, strongly outperformed with 8.9% like-for-like growth as greater focus was placed on improving content, introducing new products and driving revenue via sales incentives and reseller programmes across the sub-regions.

- EMEA saw gross margin decline year-on-year, predominantly driven by product mix as well as lower margin single-board computing (SBC) business.
- Operating profit increased 1.8%, 2.1% on a like-for-like basis, to £197.0 million (2019: £193.5 million).
- Operating profit margin declined 0.1 percentage points to 15.9% (2019: 16.0%), with lower gross margin only partially offset by tight cost control. We continue to focus on driving efficiency in our operations in EMEA and during the year we moved c. 350 roles from across the region into our EMEA centre of expertise (COE) based in Corby, UK.

EMEA sub-regional revenue performance

	2020	2019	Change	Like-for-like ¹ change
Northern Europe	£552.5m	£529.5m	4.3%	2.9%
Southern Europe	£372.7m	£367.7m	1.4%	1.7%
Central Europe	£260.7m	£265.1m	(1.7)%	(1.7)%
Emerging markets	£53.9m	£47.7m	13.0%	21.9%
Total EMEA revenue	£1,239.8m	£1,210.0m	2.5%	2.2%

1. Like-for-like adjusted for currency and trading days and to exclude the impact of acquisitions.

We saw a strong performance across EMEA during 2020 against a tough market backdrop. All our sub-regions delivered market share gains during the period with our two largest sub-regions, Northern Europe and Southern Europe, seeing good like-for-like revenue growth trends. We saw a sharp slowdown in growth during the second half in all four sub-regions, due to some uncertainty in key markets such as Germany and the UK, and a contraction in demand during the final two weeks of the year due to the outbreak and spread of COVID-19. This impact was most significant in Southern Europe where restrictions on public mobility were most severe.

Northern Europe (45% of EMEA revenue) is the largest sub-region within EMEA and consists of the UK, Ireland and Scandinavia. The UK is the main market in this sub-region, accounting for around 90% of the revenue. Northern European revenue increased by 2.9% on a like-for-like basis, to £552.5 million (2019: £529.5 million) driven predominantly by market share gain. Northern Europe remains the sub-region with the most developed value-added solutions proposition and saw outperformance in solutions such as eProcurement, calibration and RS ScanStock™, helping to drive share gains across the sub-region. IESA's growth during the year was impacted by reduced activity at two key clients, one of whom, British Steel, entered compulsory liquidation in May 2019, leading to £7.3 million of receivables being written off during the year which is not included in the region's operating profit (see page 30). Looking forward, IESA's new business activity remains encouraging with recent wins including 3M, United Biscuits and Nestlé. We continue to test and pilot new solutions within the UK, which in time can be rolled out across the globe. During the year we piloted solutions in areas such as vending, smart factories, and procurement – where we introduced RS ConnectPoint™ (see page 15). In 2021, RS will continue to work together with IESA to not only support IESA's growth with the addition of new customers but also to develop new procurement and inventory management solutions for RS customers using IESA's cloud-enabled proprietary marketplace solution, MyMRO.

Southern Europe (30% of EMEA revenue) consists of our operations in France, Italy and Iberia. France is the main market in this sub-region, accounting for approximately two-thirds of Southern Europe's revenue. Revenue increased by 1.7% on a like-for-like basis with good performance in both France and Iberia offsetting a weaker performance in Italy due to a tough market backdrop. Growth was driven by continued market share gains in France, with strong growth in RS PRO supported by progress on sales effectiveness and value-led selling programmes. Iberia saw like-for-like growth trends strengthen in the second half as its new commercial strategy focused on corporate customers and RS PRO paid dividends. Italy's performance remained volatile from month to month, however, good progress is being made in strengthening leadership, talent and salesforce effectiveness programmes in this market.

Central Europe (21% of EMEA revenue) consists of our operations in Germany, Austria, Benelux, Switzerland and Eastern Europe. Germany is the main market in the sub-region accounting for approximately 60% of the revenue. Central Europe saw revenue decline 1.7%, impacted by weak underlying markets in Germany and Austria and in particular weakness in the automotive and electronics segments. This more than offset growth in smaller markets such as Switzerland, Poland and Hungary. Despite this more challenging backdrop, we continued to work to build the right culture, talent and infrastructure in the sub-region so we are well positioned for recovery. During the year we relocated our office in Germany to Frankfurt, moved our customer service activities to Austria and the UK and invested to strengthen our sales resource in the sub-region with a focus on building a more value-led sales culture. We have also made good progress on our project to expand and automate our DC in Bad Hersfeld, Germany – once finished this will give us a highly scalable engine to drive efficiencies in the future.

Emerging market operations (4% of EMEA revenue) has operations in South Africa and third-party distributors in other territories. During 2020, the emerging market operations saw 21.9% like-for-like revenue growth which was primarily driven by good growth in South Africa as well as strong RS PRO and digital growth.



The Americas accounts for 26% of Group revenue. Allied Electronics & Automation is our main trading brand in the Americas, where we have operations in the US, together with smaller operations in Canada, Mexico and Chile. The Americas key focus remains on the automation and control market, however, over time our aim is to continue to broaden our range further into areas such as maintenance, repair and operations (MRO). Our broad range of America's franchises, leading digital presence and technical expertise in the Americas differentiate us from competitors that are primarily niche focused and digitally immature.

Overall results

	2020	2019	Change	Like-for-like ¹ change
Revenue	£515.7m	£483.6m	6.6%	2.1%
Operating profit	£57.8m	£62.1m	(6.9)%	(10.2)%
Operating profit margin	11.2%	12.8%	(1.6) pts	(1.7) pts

1. Like-for-like adjusted for currency; revenue also adjusted for trading days.

- The Americas revenue increased 6.6%, 2.1% on a like-for-like basis, to £515.7 million (2019: £483.6 million). During the second half, growth slowed to 0.8%, as we saw some increased volatility in trading and uncertainty around US-China tariff negotiations during the third quarter and a modest reduction in like-for-like revenue in March due to lower demand in the last two weeks as restrictions related to COVID-19 increased.
- The Americas rolling 12-month NPS score rose a further 3.6% to 72.2 (2019: 69.7) – the highest score of the regions – as it continued to focus on driving improvements in both offline and online customer experience.
- Digital, which accounts for 41% of the region's revenue, declined 0.4% on a like-for-like basis due primarily to customer mix.
- RS PRO continued to grow strongly from a low base. We remain focused on driving growth in RS PRO in the Americas and we continue to focus on driving salesforce engagement and improved content and range expansion to facilitate this.
- During the year we promoted Ken Bradley to become the new President for the Americas. Ken is a sixteen-year veteran of Allied, who has recently returned to the Americas following the completion of a two-year development programme in EMEA working for our CEO. He has already made significant changes in the Americas, with a focus on driving improved performance and faster share gains in the region. He has strengthened the leadership team with new appointments in areas such as sales, digital, marketing, finance and people. His initial focus includes building a more aspirational culture, improving marketing and customer acquisition and expanding the offer via building out the range in areas such as machine and facilities maintenance, as well as improving our value-added solutions offer. Revitalising the commercial organisation is a key priority and the team is advancing a programme to improve salesforce effectiveness and further align our go-to-market approach and sales processes with those of EMEA. The focus is to drive a value-led sales culture and leverage tools and processes to not only add new customers but also retain and develop them.

- The newly expanded DC in Fort Worth, Texas, is expected to open this summer. It will offer the potential to more than double our stocked range in the longer term, as well as significantly increasing the levels of automation in the DC, allowing us to drive scale at lower cost. We have also opened a new shared business services COE, within the enlarged DC building in Fort Worth, to drive improved service at lower cost.
- Gross margin saw a decline year on year due to product mix, with slower growth from higher gross margin products such as interconnect and electromechanical and increased sales of lower gross margin products such as SBC.
- Operating profit declined 6.9%, down 10.2% on a like-for-like basis, to £57.8 million (2019: £62.1 million) driven by the lower gross margin and salesforce investments more than offsetting revenue growth.
- Operating profit margin declined 1.6 percentage points, down 1.7 percentage points on a like-for-like basis, to 11.2% (2019: 12.8%).



Asia Pacific accounts for 10% of Group revenue and consists of four similarly sized sub-regions: ANZ, Greater China, Japan and South East Asia. RS and RS PRO are our key trading brands in Asia Pacific. Similar to EMEA, there is great potential for our Asia Pacific region to become the one-stop-shop partner of choice for industrial customers, offering a broad, localised range with strong technical expertise, an omni-channel approach and a growing range of value-added solutions.

Overall results

	2020	2019	Change	Like-for-like ¹ change
Revenue	£198.3m	£190.8m	3.9%	2.7%
Operating profit	£3.7m	£3.0m	23.3%	23.3%
Operating profit margin	1.9%	1.6%	0.3 pts	0.4 pts

1. Like-for-like adjusted for currency; revenue also adjusted for trading days.

- Overall, Asia Pacific revenue increased 3.9%, 2.7% on a like-for-like basis, to £198.3 million (2019: £190.8 million). Asia Pacific saw like-for-like revenue growth improve in the second half of the year to 3.4% versus the first half of 1.7% as it benefited from a rebound in Greater China and continued growth in South East Asia and ANZ in January and February. This strong start to the final quarter more than offset a weaker performance in March, as South East Asia and ANZ saw demand levels contract due to increased restrictions around COVID-19.
- Digital, which accounts for 57% of the region's revenue, declined 2.3% on a like-for-like basis due to weak SEO performance in Japan and continued challenges with our online experience in Greater China. Improving online experience in the region remains a high priority.
- RS PRO, which accounts for 13% of the region's revenue, saw strong like-for-like revenue growth of 7.3%, outperforming the region.

- Customer experience has been a key focus over the past year, with our rolling 12-month NPS score increasing a further 5.2% to 38.3 (2019: 36.4).
- Our new President of Asia Pacific, Sean Fredericks, is focused on driving further efficiency across the region by increasingly leveraging, where possible, on Group processes and resources and continuing to drive our shared business services strategy in the region. Some of these savings are being reinvested to improve our sales capabilities across Asia Pacific and to improve our local offer, websites and digital experience in Greater China and Japan.
- Gross margin saw a year-on-year decline predominantly due to product mix with strong growth in SBC during the second half.
- Operating profit rose 23.3% to £3.7 million (2019: £3.0 million) with strong improvement in the second half as we began to see the benefits of efficiency initiatives.
- Operating profit margin was up 0.3 percentage points, up 0.4 percentage points on a like-for-like basis, to 1.9% (2019: 1.6%) primarily due to cost reduction measures which more than offset the lower gross margin.

Central costs

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

	2020	2019	Change	Like-for-like ¹ change
Central costs	£(37.8)m	£(38.3)m	1.3%	1.6%

1. Like-for-like adjusted for currency.

Central costs decreased by 1.3%, 1.6% on a like-for-like basis, to £37.8 million (2019: £38.3 million), as a reduction in both performance-related pay and share-based payments during the second half more than offset the increase in costs, including OKdo launch costs, that we had seen during the first half.

Current trading

The supply side of our business remains robust and tightly managed with all our DCs open and operating effectively. However, demand levels have been negatively impacted as the COVID-19 lockdown measures became more extensive across our key markets throughout April and May.

- Group like-for-like revenue declined 14% during the first eight weeks of the new year ending 31 March 2021
 - EMEA saw a decline of 18% with Northern Europe declining by 19%, Southern Europe declining by 21% and Central Europe declining by 13%.
 - Americas saw a like-for-like revenue decline of 10%.
 - Asia Pacific saw a like-for-like revenue decline of 2%.
- At a Group level the rate of revenue decline moderated slightly during May as lockdown restrictions began to ease in some of our key markets.
- We continue to focus on measures to stabilise and improve gross margin.
- The drop through impact of lost revenue to adjusted operating profit for our business is typically in the mid-thirties, pre mitigating actions.

RS ScanStock™ is a managed inventory solution that replenishes low-value, fast-moving industrial supplies – saving our customers both time and money.

Making amazing happen for our customers



Southern Water efficiencies

Reduction in
process cost

70%

Increase in
spend with RS

3x

Operational
ScanStock stores
across the UK

6



Strategic priority: Best customer and supplier relationship

Our increasingly growing offer of value-added solutions helps manage customers' indirect procurement more effectively and efficiently, driving continuous improvement across their businesses.

- Our solutions help address our customers' complex needs, providing time and cost savings – creating a more sustainable business in the long term.
- We aim to roll out our solutions in new markets, as well as look for opportunities to expand our solutions in existing markets.

**Read more about
our strategic priorities
on pages 13 to 15**



Helping Southern Water drive efficiencies

Engineers and procurement teams face numerous challenges sourcing industrial consumables and managing supply chains on top of pressure to reduce costs. In 2017, RS won a tender to be the sole supplier to Southern Water for maintenance, repair and operations (MRO) requirements. Southern Water had a legacy punchout catalogue and previously its engineers had bought parts reactively, leading to high process costs, engineer downtime and excess inventory. RS was the ideal partner to support Southern Water given our online capabilities, range, product knowledge and data. RS introduced RS ScanStock™, our managed inventory solution, where RS takes responsibility for monitoring and replenishing products. RS has set up six stores across the UK for mobile engineers. This solution has led to a significant reduction in purchase-to-pay process costs for Southern Water, as well as reducing operational downtime and working capital costs. RS's relationship with Southern Water continues to grow.

Investing to drive growth and improved returns



During 2020, we drove further market share gains, while accelerating investment in our strategic initiatives which will be key to driving sustained growth and improved returns in the future.”

David Egan
Chief Financial Officer

Revenue

£1,953.8m

+3.7%
2019: £1,884.4m

Operating profit

£205.3m

+2.1%
2019: £201.0m

Net debt¹

£189.8m

2019: £122.4m

Like-for-like² revenue growth

2.2%

2019: 8.3%

Adjusted³ operating profit

£220.7m

(0.5)% like-for-like²
2019: £220.3m

Adjusted³ operating profit margin

11.3%

2019: 11.7%

Overall results

	2020	2019	Change	Like-for-like ² change
Revenue	£1,953.8m	£1,884.4m	3.7%	2.2%
Gross margin	43.7%	44.5%	(0.8) pts	(0.8) pts
Operating profit	£205.3m	£201.0m	2.1%	1.8%
Adjusted ³ operating profit	£220.7m	£220.3m	0.2%	(0.5)%
Adjusted ³ operating profit margin	11.3%	11.7%	(0.4) pts	(0.3) pts
Adjusted ³ operating profit conversion	25.8%	26.3%	(0.5) pts	(0.4) pts
Profit before tax	£199.6m	£195.2m	2.3%	1.9%
Adjusted ³ profit before tax	£215.0m	£214.5m	0.2%	(0.5)%
Earnings per share	34.7p	33.4p	3.9%	3.6%
Adjusted ³ earnings per share	37.7p	37.0p	1.9%	1.1%
Adjusted ³ free cash flow	£80.9m	£84.5m	(4.3)%	
Adjusted ³ operating cash flow conversion	62.1%	64.2%	(2.1)%	
Net debt ¹	£189.8m	£122.4m		
Net debt to adjusted ³ EBITDA ¹	0.7x	0.5x		
Return on capital employed	22.9%	27.7%		

1. As a result of the adoption of IFRS 16, 2020 net debt includes lease liabilities of £56.3m and net debt to adjusted EBITDA increases by 0.2x (see Note 1 on pages 115 to 117 for more details).

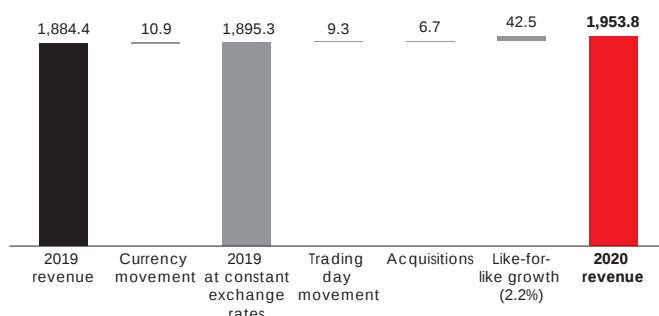
2. Like-for-like change excludes the impact of acquisitions and the effects of changes in exchange rates on translation of overseas operating results, with 2019 converted at 2020 average exchange rates. Revenue is also adjusted to eliminate the impact of trading days year on year. Acquisitions are only 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.

3. Adjusted excludes amortisation of intangible assets arising on acquisition of businesses, 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 119 to 123 for reconciliations).

Revenue

Group revenue increased by 3.7% to £1,953.8 million (2019: £1,884.4 million). Adjusting for the year-on-year impact of acquisitions, additional trading days and foreign exchange movements, like-for-like revenue growth was 2.2%. This was driven by mid-single digit growth and share gains in industrial revenue, which offset weakness in electronics due to the slowdown in the electronics market. RS PRO, our own-brand range, which accounts for around 13% of Group revenue, outperformed the Group with like-for-like revenue growth of 8.9%. Digital, which accounts for around 63% of Group revenue, modestly underperformed with like-for-like revenue growth of 1.9% with strong growth in pay-per-click (PPC) revenue partially offset by weakness in search engine optimisation (SEO). OKdo, our single-board computing (SBC) and Internet of Things (IoT) business, which accounts for around 4% of Group revenue, saw like-for-like revenue growth of 11.7%.

Like-for-like revenue development (£m)



Gross margin

Group gross margin decreased by 0.8 percentage points to 43.7% (2019: 44.5%). As the negative impact from foreign exchange of 0.1 percentage points was offset by a positive impact from last year's acquisitions, the like-for-like decline was also 0.8 percentage points. This like-for-like decline in gross margin was primarily driven by mix with strong growth in higher margin RS PRO revenue more than offset by two key factors: firstly, lower growth in higher margin product areas and faster growth in lower margin products; and secondly, the impact of repositioning our electronics business and the launch and growth of OKdo, one of our lower gross margin businesses. We launched OKdo in April 2019 to drive a sharper focus on SBC and IoT in order to increase scale and improve mix in this high-growth area so that over time we can drive improved gross and operating profit margin from this business.

Operating costs

During 2020, we have made continued progress on driving underlying operating efficiencies, while significantly stepping up operating expenditure in areas such as digital, IT, talent, training and software to support our Destination 2025 strategy. This incremental strategic operating expenditure was just under £14 million during 2020 and our current expectation is that it will be around £10 million during 2021, however, we will continue to review and adjust this investment depending on the external operating environment. Total adjusted operating costs, which



SAFETY IN NUMBERS. OUR RANGE OF PPE.

The huge range of RS PRO PPE products means you'll always find what you need to stay safe.



rspro.com/ppe


Continued acceleration of our RS PRO strategy

In 2020, RS PRO saw like-for-like revenue growth of 8.9%, significantly outperforming that of the Group. RS PRO continues to focus on offering our customers more, using data to identify new product introduction opportunities and increasingly offering customers full solutions via kits and bundles. The business launched over 5,500 new products during the year and work continues to enhance web content to improve the customer journey and SEO conversion. During the year, RS PRO launched a new sales tool in some of its key markets, which improves value to our customers by providing choice and ease of doing business. The introduction of quarterly product category launches and an extension of the reseller programme globally, with the addition of four new resellers across EMEA, have also helped to drive faster growth and share gains at RS PRO during the year. Looking forward, RS PRO will continue to focus on providing quality products and solutions our customers need, using data insights to ensure it continues to drive value.

include regional costs and central costs (and exclude substantial reorganisation costs, substantial asset write-downs, amortisation of acquired intangibles and 2019's one-off pension costs), increased by 2.5%, 1.6% on a like-for-like basis, to £634.0 million (2019: £618.3 million). Stripping out the impact of the incremental strategic operating expenditure, adjusted operating costs modestly declined on a like-for-like basis with efficiencies driven by further progress in our global shared business services strategy and lower incentive costs more than offsetting increases in other costs related to volume, wage inflation, digital advertising and some additional costs related to COVID-19. During March 2020, the Group saw around £1 million of additional costs related to COVID-19, which included information technology costs to implement business continuity plans and extra supply chain costs in areas such as freight and labour. We expect the majority of these additional costs to continue while travel restrictions and social distancing safety measures remain in place.

Adjusted operating costs as a percentage of revenue reduced to 32.4% (2019: 32.8%) as revenue growth outstripped cost growth. However, adjusted operating profit conversion ratio fell by 0.5 percentage points to 25.8% (2019: 26.3%) as a result of both lower gross margin and the higher strategic operating expenditure. During the current period of uncertainty we are tightly managing costs to protect our profit base alongside our ongoing work to further simplify our organisation and drive a lean and scalable model.

Substantial reorganisation costs

The Group incurred an additional £2.7 million of substantial reorganisation costs during the year as it completed the second phase of the Performance Improvement Plan. This was in addition to the £13.1 million of substantial reorganisation costs already incurred during 2019. These were primarily labour-related restructuring costs to implement the plan.

Substantial asset write-downs

As a result of British Steel Limited entering compulsory liquidation on 22 May 2019, the Group has written off £7.3 million of receivables relating to transactions with British Steel before 22 May 2019 which are no longer recoverable. This is lower than the £10.4 million written down at the half year as the inventory previously written down is now recoverable following the change in British Steel's ownership.

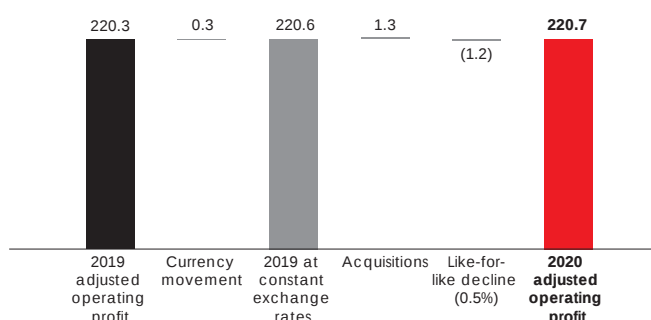
Amortisation of acquired intangibles

Amortisation of acquired intangibles was £5.4 million (2019: £4.4 million) and relates to the intangible assets arising on the acquisitions of IESA and Monition.

Operating profit

Operating profit grew 2.1% to £205.3 million (2019: £201.0 million). Excluding substantial reorganisation costs, substantial asset write-downs, amortisation of acquired intangibles and 2019's one-off pension costs, adjusted operating profit increased by 0.2% to £220.7 million. Adjusting for the year-on-year impact of acquisitions and the positive benefits from currency movements, adjusted operating profit saw a like-for-like decline of 0.5%. Adjusted operating profit margin fell by 0.4 percentage points, 0.3 percentage points on a like-for-like basis, to 11.3% (2019: 11.7%).

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



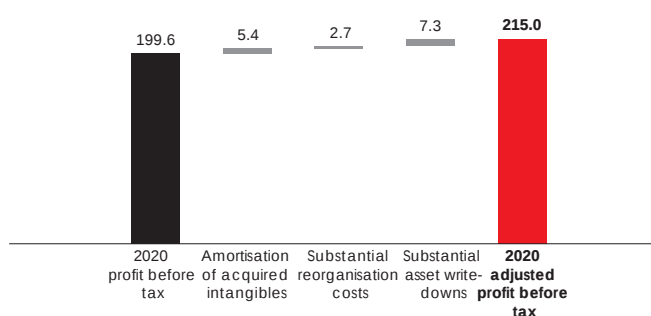
Net finance costs

Net finance costs reduced slightly to £5.9 million (2019: £6.1 million). The increase in finance costs due to the adoption of International Financial Reporting Standard (IFRS) 16 was offset by the additional capitalisation of finance costs as part of the expansion of the distribution centres (DCs) in the Americas and Germany.

Profit before tax

Profit before tax was up 2.3% to £199.6 million (2019: £195.2 million). Excluding substantial reorganisation costs, substantial asset write-downs, amortisation of acquired intangibles and 2019's one-off pension costs, adjusted profit before tax was up 0.2% to £215.0 million (2019: £214.5 million), down 0.5% on a like-for-like basis.

Adjusted profit before tax reconciliation (£m)



Taxation

The Group's income tax charge was £44.9 million (2019: £47.1 million). The adjusted income tax charge, which excludes the impact of tax relief on substantial reorganisation costs, substantial asset write-downs, amortisation of acquired intangibles and 2019's one-off pension costs was £46.9 million (2019: £50.7 million), resulting in an effective tax rate of 21.8% on adjusted profit before tax (2019: 23.6%). One percent of the decrease in the effective tax rate is due to one-off tax credits which will not recur, and the balance is mainly due to mix.

Earnings per share

Earnings per share was up 3.9% to 34.7p (2019: 33.4p). Excluding substantial reorganisation costs, substantial asset write-downs, amortisation of acquired intangibles, 2019's one-off pension costs and associated income tax effects, adjusted earnings per share of 37.7p (2019: 37.0p) was up 1.9%, 1.1% on a like-for-like basis.

Adoption of IFRS 16

The Group adopted IFRS 16 'Leases' on 1 April 2019 with no restatement of comparatives. This increased 2020's operating profit by only £1.3 million but increased EBITDA by £16.9 million due to £15.6 million of depreciation of right-of-use assets. Also, the definition of net debt has been updated to include lease liabilities which has led to a £56.3 million increase in net debt and reduced return on capital employed by 1.2 percentage points at 31 March 2020. The adoption of IFRS 16 has increased the Group's free cash flow and adjusted free cash flow by £14.8 million for 2020 and increased the Group's adjusted operating cash flow conversion by 6.9 percentage points (see Note 1 on pages 115 to 117 for more detail).

Summary cash flow

£m	FY20	FY19
Operating profit	205.3	201.0
Add back depreciation and amortisation	50.9	31.9
EBITDA	256.2	232.9
Add back impairments and (profit) / loss on disposal of non-current assets	0.1	2.3
Movement in working capital	(51.2)	(64.8)
Movement in provisions	(5.3)	5.9
Other	3.4	7.9
Cash generated from operations	203.2	184.2
Net interest paid	(6.2)	(6.1)
Income tax paid	(49.9)	(50.8)
Net cash from operating activities	147.1	127.3
Net capital expenditure	(74.7)	(50.8)
Free cash flow	72.4	76.5
Add back cash effect of adjustments ¹	8.5	8.0
Adjusted¹ free cash flow	80.9	84.5

1. Adjusted excludes the impact of substantial reorganisation cash flows.

Cash flow

In May 2019, we announced our Destination 2025 strategy, which involved a series of initiatives to build the right inventory, DC infrastructure and technology to drive faster share gains and improved efficiency in the medium term. During 2020, we have accelerated investment in these strategic initiatives which impacted free cash flow during the year.

Cash generated from operations increased to £203.2 million (2019: £184.2 million) with higher EBITDA more than offsetting continued investment in inventories to drive revenue growth, reposition our electronics business for the medium term and support the launch of OKdo.

Net interest paid increased to £6.2 million (2019: £6.1 million). Income tax paid fell to £49.9 million (2019: £50.8 million) as changes in timing of UK tax payments, which resulted in an increase in tax payments in the first half, were offset by lower tax payments in the second half partly due to the write off of the receivables from British Steel Limited, tax refunds related to prior years and government approved COVID-19 deferrals of payments in France.

Net capital expenditure increased to £74.7 million (2019: £50.8 million) as we accelerated investment in our Destination 2025 strategic initiatives. Key investments during 2020 included the expansion and automation of our DCs in the Americas and Germany and the launch of our new document management system to improve content management. As a result of these projects, capital expenditure rose to 2.6 times depreciation (2019: 1.8 times) and well above our typical maintenance capital expenditure levels of closer to 1.0 times depreciation.

The investment in our Destination 2025 strategic initiatives led to lower free cash flow of £72.4 million (2019: £76.5 million). Adjusted free cash flow was £80.9 million (2019: £84.5 million) and excludes a net cash outflow related to substantial reorganisation activities of £8.5 million (2019: £8.0 million), which largely relates to labour restructuring charges. Adjusted operating cash flow conversion, which is defined as adjusted free cash flow before income tax and net interest paid as a percentage of adjusted operating profit and is one of our six financial key performance indicators (KPIs), was 62.1% (2019: 64.2%).

Looking forward to 2021, given anticipated lower levels of demand due to COVID-19, we are taking actions to conserve cash. We have lowered our planned capital expenditure for the year to 31 March 2021 to £60 million versus the £80 million previously planned, as we defer some projects.

Summary balance sheet

£m	FY20			FY19		
	Assets	Liabilities	Net assets	Assets	Liabilities	Net assets
Intangible assets	329.6	–	329.6	320.9	–	320.9
Property, plant and equipment	167.5	–	167.5	119.6	–	119.6
Right-of-use assets	54.4	–	54.4	–	–	–
Investment in joint venture	1.0	–	1.0	0.9	–	0.9
Other non-current assets and liabilities	18.0	(66.6)	(48.6)	19.9	(63.3)	(43.4)
Current assets and liabilities	843.5	(381.9)	461.6	806.7	(409.4)	397.3
Capital employed	1,414.0	(448.5)	965.5	1,268.0	(472.7)	795.3
Retirement benefit net assets / obligations	1.9	(57.7)	(55.8)	0.3	(83.9)	(83.6)
Net cash / debt (including lease liabilities)	201.8	(391.6)	(189.8)	131.0	(253.4)	(122.4)
Assets / (liabilities)	1,617.7	(897.8)	719.9	1,399.3	(810.0)	589.3

Working capital

Working capital as a percentage of revenue increased by 1.7 percentage points to 23.9% (2019: 22.2%) as we continued investment in inventories to drive revenue growth, broaden our range, reposition our electronics business for the medium term and support the launch of OKdo.

Gross inventories increased to £446.6 million (2019: £415.0 million) while our inventory provisions stayed flat at £27.6 million (2019: £27.8 million) as we continued to improve our inventory management, including scrapping some heavily-provisioned articles, and better buying. Inventory turn reduced to 2.6 times (2019: 2.7 times) reflecting the investment in inventories and product mix.

Gross trade receivables reduced to £355.5 million (2019: £365.2 million) with a drop in sales in the last two weeks of the year due to COVID-19. Our outstanding receivable balance with British Steel Limited from transactions before it entered compulsory liquidation of £7.3 million was written off during the year. Except for this, the Group has historically experienced very low levels of trade receivables not being recovered, including those significantly past due. With the worsening macroeconomic environment due to COVID-19, we have doubled our trade receivable impairment allowance to £6.9 million (2019: £3.5 million).

Trade payables reduced to £241.1 million (2019: £257.8 million) as 2019 trade payables were inflated by the timing of payments for the investment in additional inventories to protect service levels around the UK's potential exit from the European Union without a withdrawal agreement.

Looking forward to 2021, we are actively managing our working capital position, with a particular focus on receivables collection, which remains our greatest short-term liquidity sensitivity. We have taken 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 are seeing limited adverse impact from the COVID-19 crisis on our receivables collection, however we continue to closely monitor collection metrics. On payables we will continue

to pay to terms, while working with some of our larger suppliers on improved terms where possible. We will continue to actively manage our inventory position to reduce excess wherever possible, while ensuring we are well positioned to maintain service levels and continue to focus on opportunities as our markets recover.

Return on Capital Employed (ROCE)

Net assets at the end of the year were £719.9 million (2019: £589.3 million). ROCE, calculated using adjusted operating profit for the 12 months ended 31 March 2020 and year-end net assets excluding net debt and retirement benefit obligations, fell to 22.9% (2019: 27.7%). Of this decrease, 1.2 percentage points was due to the adoption of IFRS 16 on 1 April 2019 and the balance was due to increased strategic investment in inventories, technology and DC infrastructure.

Net debt

We enter this period of uncertainty in a strong financial position with a cash generative business model.

At 31 March 2020, net debt was £189.8 million. This was £67.4 million higher than at 31 March 2019 due primarily to the inclusion of lease liabilities of £56.3 million as a result of the adoption of IFRS 16. Net debt comprised gross borrowings of £391.6 million offset by cash and short-term deposits of £200.8 million and interest rate swaps with a fair value of £1.0 million.

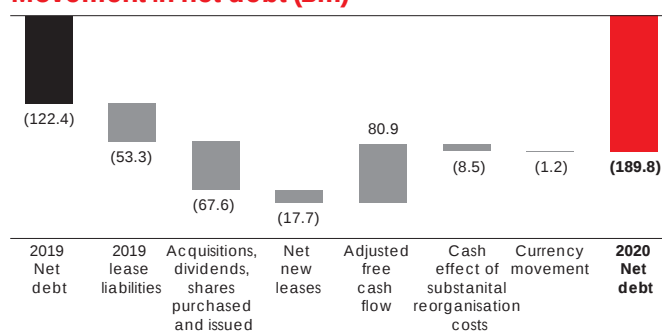
At 31 March 2020, the Group had committed debt facilities and loans (excluding lease liabilities) of £350.0 million, of which £189.2 million was undrawn. These debt facilities comprise of:

- £189.6 million syndicated multi-currency bank facility which has a maturity of August 2022.
- £160.4 million of private placement loan notes with maturities ranging between October 2026 and October 2031.

Since the year end, to increase liquidity, the Group has secured eligibility to participate in the Bank of England Covid Corporate Financing Facility (CCFF) and is negotiating an additional bank facility with the Group's relationship banks. We have no current intention to draw on these additional contingency facilities and so they are not included in our viability modelling.

The Group's financial metrics remain strong, with net debt to adjusted EBITDA of 0.7x and EBITA to interest of 33.6x. This leaves significant headroom to the Group's banking covenants of net debt to adjusted EBITDA less than 3.25 times and EBITA to interest of greater than 3 times.

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 2020 was £55.8 million compared to £59.9 million at 30 September 2019 and £83.6 million at 31 March 2019.

The UK defined benefit scheme had a small accounting deficit of £2.1 million (2019: £69.4 million) but an additional liability of £41.2 million was recognised as the present value of the agreed future contributions under the recovery plan was greater than the funded status. The decrease in the UK scheme's deficit was principally due to a reduction in liabilities resulting from a decrease in the inflation-linked assumptions and a change in mortality assumptions in line with the basis agreed for the triennial funding valuation at 31 March 2019.

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 2020 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. We paid deficit contributions of £10.0 million in 2020 under the new recovery plan, instead of the £7.7 million we had expected to pay under the previous recovery plan.

Dividend

As a result of the COVID-19 pandemic, the current operating environment for all businesses across the globe is one of heightened uncertainty. Notwithstanding the robust trading position and the Group's strong balance sheet, the Board believes it is prudent to defer the decision on the final dividend for the year ended 31 March 2020 until it has greater visibility and the impact of COVID-19 on activity levels and cash generation in our key markets have become clearer.

The Board recognises the importance of its progressive dividend policy to its shareholders and will 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.

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 £1.4 million and a one cent movement in the US dollar would impact annual adjusted profit before tax by £0.5 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 month hedging against freely tradable currencies to smooth the impact of fluctuations in currency. The Group's largest exposures relate to euros and US dollars.

Retirement benefit obligations

£m	31 March 2020			31 March 2019		
	UK	Other	Total	UK	Other	Total
Fair value of scheme assets	534.4	8.0	542.4	524.9	7.5	532.4
Defined benefit obligations	(536.5)	(6.1)	(542.6)	(594.3)	(7.2)	(601.5)
Effect of asset ceiling / onerous liability	(41.2)	–	(41.2)	–	–	–
Status of funded schemes	(43.3)	1.9	(41.4)	(69.4)	0.3	(69.1)
Unfunded schemes	–	(14.4)	(14.4)	–	(14.5)	(14.5)
Total net liabilities	(43.3)	(12.5)	(55.8)	(69.4)	(14.2)	(83.6)

Making amazing happen for our suppliers

The aggregator tool transforms our product and content capabilities giving us the potential to disrupt and accelerate. From two years ago we have reduced the time to launch new products by 80%.

Aggregator tool benefits

Speeds up new product launch from weeks to

days

Lowers the cost to launch new products from

pounds to pence

Improved capabilities to scale range

>1 million

products now staged in the aggregator and growing



Strategic priority: Operational excellence

We are focused on providing sustainable solutions for our suppliers to be able to provide a broader range and better content for our customers.

- We aim to work with our suppliers to provide a best-in-class product offering supported by differentiated solutions.
- The aggregator tool uses automation and a data-led approach. It will allow our product managers to build ranges using data insights across the full breadth of our suppliers' ranges.

Read more about our strategic priorities on pages 13 to 15



Developing an aggregator tool to better serve our suppliers

RS Components is working with our top 30 suppliers, with major brands being the first to support the new tool such as Siemens, TE Connectivity, ABB, Festo and Omron, in a pilot using our content aggregator tool. The aggregator tool enables us to proactively ingest large volumes of supplier product data. Using cloud technology and increased automation, we can gather and store vast quantities of product data cost effectively and populate product attributes to defined customer standards. We have already onboarded over a million products in our stocked and non-stocked range across these top suppliers and over the coming months we will continue to add more. The aggregator tool will allow us to scale our range effectively while reducing our cost to serve. It will provide a step change in customer and supplier experience – allowing us to show our key global supplier partners' full range, while dramatically improving choice, speed to market and content quality for our customers.

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 also 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.

While the business specifically identifies emerging risks, the spread of the COVID-19 pandemic across the world has highlighted both the wide scope of risks that all organisations face and the speed with which risks can develop. The business's mitigation actions worked well and further improvements to risk identification will be captured as part of the business's ongoing review of its risk process.

Assessment

Management identifies the controls for each risk and assesses (using consistent measures) the impact and likelihood of the risk occurring, taking into account the effects of the existing controls (the resulting net or residual risk). This assessment is compared with the Group's risk appetite to determine whether further mitigating actions are required. This process is supplemented by an annual risk and controls assessment, which all operating locations and the Group-wide functions are required to complete.

Ownership

The Group's principal risks are owned by the SMT with specific mitigating 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 a number of the 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

Accountable and responsible teams



Supporting teams



Our risk appetite

In accordance with the 2018 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. The business's risk appetite is greater for operational and strategic risks. During the year ended 31 March 2020, the Board again reviewed its risk appetite across the three categories and made no significant changes.

Principal risks and uncertainties

The Group has identified 11 principal risks: 10 similar to those disclosed last year, with only minor changes; and one additional risk being the uncertainty relating to the duration and effects of the COVID-19 pandemic.

Principal risks

Categories

Risks

Characteristics

Strategic

- Consequences of the COVID-19 pandemic
- Consequences of the UK exit from the EU
- Failure to respond to strategic market shifts e.g. changes in customer demands / competitor activity and related stakeholder requirements
- The Group's revenue and profit growth initiatives are not successfully implemented

These risks are often caused by external developments. Mitigation is generally directed at a strategic level and supported by local activities.

Regulatory / compliance

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

This risk is caused by external regulations and requirements which can be very localised. Mitigations are often specific actions to ensure compliance.

Operational

- Failure in the business's critical infrastructure
- Prolonged system outage
- Information loss / cyber breach
- UK defined benefit pension scheme cash requirements are in excess of cash available
- People resources unable to support the existing and future growth of the business
- Impact on the business if the macroeconomic environment deteriorates

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 on the business's operations and its customers and supply chain

Principal risks in focus

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

1. COVID-19 pandemic

The COVID-19 pandemic is having far-reaching, and still-developing, impacts across the world. These effects are both on our personal ways of life and on business activities.

The Group has responded well and implemented its crisis management and business continuity processes quickly. At present all our distribution centres (DCs) around the world are open and operating effectively. Our online business model continues to differentiate us and has helped us to continue to serve our customers.

The pandemic is affecting some of our other, already identified, principal risks and these effects are explained in the relevant principal risk narratives, e.g. employee physical and mental health and information loss / cyber breach.

New principal risk

The pandemic has its own specific uncertainties therefore we have disclosed it as a separate principal risk. These uncertainties include:

- Reductions in demand across our diverse customer base, some of which may take time to become completely apparent across different sectors.
- The risk of a deterioration in cash flow, specifically the recoverability of trade receivables, which is a key liquidity sensitivity.
- Delays and difficulties sourcing inventory as suppliers' production capabilities are affected by the pandemic and demand for certain product types exceeds the available capacity.
- Significant transport constraints and resulting increased costs, in particular for air freight, with the substantial reduction in passenger flights which carry around half of all air cargo. This has impacted the Group's activities for transporting inventory across its supply chain.
- The uncertainty about the duration of the worldwide disease control activities, principally the significant people lockdowns, and the consequences on demand levels.

This extends to the risk of further outbreaks of the virus (or a "W" scenario).

- 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 both on business activity and government finances and related levels of public expenditure.

Mitigating actions

There are some structural factors including the diverse nature of our customer base and our strong online capabilities, that have helped protect the business from some effects of the pandemic and enabled us to continue to support customers during the pandemic.

The business has taken a number of mitigating actions including:

- A rapid implementation of the Group's crisis management and business continuity plans with most of our office-based staff working from home, and protection for our DC employees.
- Swift cost actions taken to protect profit including controls on procurement and discretionary spend (see page 12).
- A focus on maintaining cash flow. Tight working capital management including controls over customer credit and conversion of trade receivables and actions to lower capital expenditure.
- Actions to improve balance sheet flexibility including securing additional funding facilities (see page 12).
- Supporting employees' physical safety in our DCs and mental wellbeing for those during extended periods of home working.
- Refocused cyber monitoring and training reflecting the changed business working environment and increased external threats.

Other activities include business planning for the trading environment following the passing of the pandemic to ensure that the Group can provide the necessary levels of customer service to meet customer demands and quickly identify and develop opportunities.

The effectiveness of the business's operational controls in the current COVID-19 environment are being reviewed by the Group's internal audit team on a risk-based approach (see page 81).

2. The UK's exit from the EU

The principal risk which has been subject to ongoing focus and activity in the Group during the financial year has been that associated with the UK's exit from the EU. The Group has undertaken a number of significant activities across many business areas to mitigate, insofar as is possible, any potential and negative future effects of the UK leaving the EU. The planning and actions involved considering various scenarios for the UK's exit. These scenarios looked beyond the current transition period and the potential relationship between the UK and the EU. These included a more significant and immediate UK exit from the EU without agreed trading arrangements. In such a case the UK trading relationship with the EU would be governed by World Trade Organisation (WTO) rules (this is often termed as Hard Brexit).

We judge the key risk to our business from the UK exiting the EU without agreed trading agreements to be across four key areas. In each of these four areas we have undertaken mitigating actions to attempt to reduce the impact of these risks on the business.

i. Reduced free movement

A restriction on the smooth passage of goods across the UK / EU border leading to disruption to customer service is a key risk.

- In anticipation of a UK exit from the EU without a withdrawal agreement earlier in calendar year 2019 and potential delays at the UK / EU border, we invested in additional fast-moving inventory across our European network to lessen any customer service impact. This investment would be reinstated if there was a risk of such delays following the UK's exit in December 2020.
- We have established combined contingency plans with our freight forwarders to protect service levels in the event of a hard Brexit.
- In the medium term, the expansion of our DC in Germany will provide increased capacity in Continental Europe and reduce the impacts on the business of reduced free movement of goods across the UK / EU border.

Emerging risks

ii. Increased tariff and duty costs

Following the UK's exit from the EU, goods moving between the UK and EU member states and potentially other areas of the world may be subject to additional tariff and duty costs. At this stage, before we know the detail of any exit deal and any reciprocal agreements, the exact impact of tariffs is difficult to assess. However, we believe the more notable area of risk is for goods sourced from the EU into the UK or where products are shipped from the UK to the EU.

- We have reviewed our current transport routes against individual product demand and will use our international distribution network to mitigate this risk, as best we can, to continue to offer our customers the market-leading service they expect.
- We have reviewed the potential tariff impacts on our top-selling product lines to optimise product sourcing to mitigate any incremental duty impact. Where this is not possible we will look to pass on tariffs and duties in the form of price increases.

iii. Increased administration

We anticipate increased requirements for data collection as shipments move across the UK / EU border. More information may be required for customs declarations and import / export forms for each consignment shipped into the EU. We could also be required to make additional payments for customs clearance charges for goods moving across the UK / EU border.

- We have invested in IT systems to automate the customs declaration process.
- We have reviewed our current people resources to support our existing skilled export teams as required.

iv. Sterling depreciation

Sterling could depreciate materially in the event of the UK leaving the EU on 31 December 2020 with no agreed trading arrangements in place.

- To hedge against transactional foreign exchange risk, we currently maintain three to seven months of cover against freely tradeable currencies to smooth the impact of fluctuations in currency. We will maintain our existing hedging strategy to mitigate against any immediate devaluation in sterling.
- Our global trading mix and product sourcing arrangements mean that historically we have had a natural gross margin hedge against a depreciation in sterling at a Group level.

Climate change

During the Board's Group risk reviews, we also consider developing risk themes and emerging risks.

One important such risk is climate change. Work continues 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. These 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'. The October 2018 special report by the Intergovernmental Panel on Climate Change (IPCC) said that to achieve no or limited overshoot of 1.5°C, global net human activity-related CO₂ emissions must decline by 45% from 2010 levels by 2030 and must reach net zero by 2050.

Accordingly, a number of 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 environment, 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. A further risk is regulatory change, often by governments, designed to reduce greenhouse gas (GHG) emissions. These may render certain products obsolete whilst 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.

Corporate responsibility (CR) plan

The business has, under the leadership of a member of the SMT, developed and approved a CR plan (see pages 45 and 46). One of the main elements of the plan is environmental matters with actions to proactively reduce environmental impacts across our business and to offer more sustainable customer solutions. In this year's Annual Report we have established non-financial key performance indicators (KPIs) including environmental KPIs with targets to significantly reduce environmental impacts. In the coming year we will be working to further develop this plan to address climate-related risks and opportunities.

Task Force on Climate-related Financial Disclosures (TCFD)

We endorse the TCFD recommendations and are a recognised 'supporting organisation'. We are continuing to work on the recommendations and our reporting in this regard is included in this Annual Report, our submission to the Carbon Disclosure Project (CPD) and on our corporate website.

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 13 to 15); regulatory / compliance (see the business model on pages 8 and 9); 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		
1 Consequences of the COVID-19 pandemic This includes the specific uncertainties associated with this pandemic including: reduced customer demand, lower recovery of receivables and associated liquidity risk, and delays and difficulties sourcing inventory. This extends to the uncertainty of its duration, the risk of further outbreaks and, when the pandemic passes, the speed and extent confidence recovers from its effects. COVID-19 may also affect other already identified principal risks; these are covered in more detail for each specific risk below.	▲ The scale, duration and extent of the effects of the pandemic are still developing and hence the risk is increasing.	Mitigating actions include: • A rapid implementation of the Group's crisis management and business continuity plans. • Swift action on cost to protect profit. • A focus on maintaining cash flow. • Actions to improve balance sheet flexibility. • Supporting employees' health, safety and wellbeing. Other actions include planning for opportunities following the passing of the pandemic.
2 Consequences of the UK exit from the EU This includes the risk to the Group's supply chain activities across the UK and the EU including possible changes to customs duties and tariffs (a significant proportion of our Group cost of goods flows through the UK to serve our global customer base). Other related risks include migration of employees and potential impact due to changes to existing legislation.	▬ Future implications are unclear and dependent on UK / EU trade negotiations during the UK's transition period through to 31 December 2020. Possible effects from early 2021 if trade negotiations have not completed and the UK reverts to WTO arrangements.	• A Group risk assessment before the UK referendum led to reviews across business areas that would be affected by a UK withdrawal. These reviews included: understanding the potential impacts on the Group's global supply chain infrastructure, including the transport of products between the UK and EU; and Group purchasing arrangements both within and outside the EU. Other notable areas include: employee mobility, effects on the Group's transactional IT systems, treasury management and indirect taxation. • A specific team headed by the Chief Financial Officer (CFO) with senior representatives from across the business, have met regularly throughout the year. These meetings involve the team being updated on the possible effects given the UK's negotiations with the EU, current progress on mitigating activities and to decide and agree on further actions (see pages 38 and 39).
3 Failure to respond to strategic market shifts e.g. changes in customer demands / competitor activity and related stakeholder requirements Unforeseen changes in customer and market assumptions that the Group performance plans are based upon. Such market changes could be accelerated by the current COVID-19 pandemic. Reduced stakeholder support for the business in the absence of an adequate CR plan.	▲ Ongoing market developments and increasing stakeholder requirements in areas such as CR.	• 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. • Development of a Group CR plan and supporting action plan. • Specific planning for the business environment after the COVID-19 pandemic passes.

What is the risk and how could it affect our business?	Risk direction	What are we doing to manage the risk?
4 The Group's revenue and profit growth initiatives are not successfully implemented This risk could lead to lower than forecast financial performance both in terms of revenue growth and cost savings 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.	▲ 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 short-term effects of the COVID-19 pandemic will delay the implementation of some growth initiatives.	• 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		
5 Failure to comply with international and local legal / regulatory requirements Failure to manage these collective risks adequately could lead to: • Death or serious injury of an employee or third party, and / or • Penalties for non-compliance in health and safety or other compliance areas.	▲ The current COVID-19 pandemic has increased health and safety risks to our employees in the short term for both physical and mental wellbeing. Some regulations, notably regarding movements of certain types of inventory, e.g. personal protective equipment, are currently subject to rapid changes in light of the COVID-19 pandemic with increased risk of unintended breaches.	• Specific COVID-19 health and safety initiatives (see page 50). • 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 in place focusing on anti-bribery, competition and data protection legislation. • 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 of Global Environment, Health and Safety. • Real-time monitoring of customer orders to ensure compliance with international trade control regulations.
Operational risk category		
6 Failure in the business's critical infrastructure An unplanned event disrupting the Group's critical infrastructure, including key locations and third-party suppliers.	▲ The current COVID-19 pandemic has, in the short term, reduced office site reliance due to home working. However, the risk of DCs being unable to operate due to employee sickness has increased.	• 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. • Assessments of critical third-party suppliers.
7 Prolonged system outage The loss of a core transactional system resulting in the business being unable to serve customers.	— No significant changes to the Group's IT infrastructure.	• Resilient IT systems infrastructure featuring operating redundancies and offsite disaster recovery. • Testing of the IT disaster recovery plans across the Group. • Strict control over upgrades to core transaction systems and other applications. • Core transaction systems managed from a data centre.

What is the risk and how could it affect our business?	Risk direction	What are we doing to manage the risk?
8 Information loss / cyber breach An attack on the Group's systems / data could lead to potential loss of confidential information and disrupt the Group's transactions with customers (including the transactional website) and transactions with suppliers.	 Increasing frequency and sophistication of cyber attacks on businesses. This is of particular note during the current COVID-19 pandemic with increased and well-publicised malicious cyber activity aimed at individuals and corporates.	• The Chief Information Security Officer manages the Group's information security requirements. • Employee training and messaging on cyber risk awareness has been prioritised during the COVID-19 crisis. • Anti-virus software to protect business PCs and laptops. • Procedures to update supplier security patches to servers and clients. • External emails identified as such 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. • A specific assessment of increased risk areas in the COVID-19 environment. • Refocused cyber monitoring reflecting the changed business working environment and increased external threats.
Operational risk category		
9 UK defined benefit pension scheme cash requirements are in excess of cash available The Company is required to contribute increased cash sums to the UK defined benefit pension 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).	 No significant changes to related financial and other assumptions anticipated.	• Quarterly reviews of the pension scheme funding position. • Regular interaction with the pension scheme trustees. • Joint trustee / Company working group to review investment strategy. • Consultation with scheme members on future individual funding options for defined benefit scheme.
10 People resources unable to support the existing and future growth of the business The business is not able to attract and retain the necessary high-performing employees to ensure that the business achieves its targeted performance.	 No significant changes to the supply and retention of quality employees.	• Development of existing employee competencies and the introduction of external expertise where appropriate. • Annual employee appraisal processes to align personal objectives with the Group's strategy. • COVID-19 people related support activities across the regions.
11 Impact on the business if the macroeconomic environment deteriorates 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.	 The macroeconomic environment has deteriorated significantly with the effects of COVID-19 related lockdowns across our markets. The longevity, frequency and extent of this deterioration and the speed of any subsequent recovery are unclear.	• 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.

Viability statement

Assessment of prospects

The Group's strategic priorities are focused on delivering sustainable growth and superior returns for all our stakeholders and includes a number of initiatives. They are discussed in more detail on pages 13 to 15.

Our business model, as described on pages 8 and 9, is structured so that the Group is a global omni-channel provider of industrial and electronic products and solutions 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 12 DCs; our talented and customer-centric team; our strong supplier relationships; our broad range of products and value-added solutions capabilities; 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 CFO and Chief Executive Officer.

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, in normal years, a detailed 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.

However, this year, given the unprecedented level of uncertainty surrounding the COVID-19 pandemic, we have taken a more dynamic approach to financial planning and so have not followed a detailed annual target setting process. Instead, we have modelled a range of potential scenarios for different durations and severities of the pandemic. These have been regularly updated to reflect latest trading trends and changes to our expectations. These are reviewed, and the assumptions approved, at the additional regular Board meeting calls that started on 21 March 2020. On these calls the Board also discusses and approves the various mitigating actions the Group should take for each scenario.

Our five-year strategic plan has been updated for a "U" shaped scenario. This scenario assumes the Group continues to see a like-for-like decline in revenue for June and July 2020, in line with what was seen during the first eight weeks of the year ending 31 March 2021 of 14%, before modest recovery commences reducing the like-for-like decline in revenue for the rest of the year. It assumes no further pandemics or recurrences of COVID-19 and a return to like-for-like revenue growth in the years ending 31 March 2022 and 2023. It assumes various cost mitigations are taken to protect profit, an additional impairment allowance against 2021 trade receivables, dividends continue to be paid and capital expenditure is reduced by approximately £20 million to around £60 million to conserve our liquidity.

Our capital position is supported by regular reviews of the Group's funding facilities and banking covenants' headroom, through the Board's Treasury Committee. A weekly cash forecasting process and review covering the following two to three months has been recently instigated to closely track our net debt position during the COVID-19 pandemic, so we can take any necessary actions on a timely basis. Details of the Group's sources of finance are outlined on page 142 with the earliest facility expiring being the Group's syndicated multi-currency facility for US\$75 million, £85 million and €50 million in August 2022. During the year, new private placement loan notes of €31 million and US\$165 million with maturities from

2026 to 2031 were taken out and the old private placement loan notes of US\$100 million and the £75 million term loan prepaid. Since the year end we have secured eligibility to participate in the Bank of England Covid Corporate Financing Facility (CCFF) and are negotiating an additional £100 million bank facility for a 12-month term plus six months as safety nets in case the macroeconomic environment deteriorates more than our worst case modelling assumes. We have no current intention to draw on the CCFF or additional bank facility and so have excluded these from all our modelling.

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 2020, EBITA to interest was 33.6x (2019: 37.7x) and net debt to adjusted EBITDA was 0.7x (2019: 0.5x) (see Note 3 on page 122 for reconciliations and the impact of IFRS 16 on these ratios) and under our updated strategic plan these are also comfortably met.

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 75.

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 2023 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

The impact of the COVID-19 pandemic has crystallised elements, or raised the inherent likelihood, of some of our other principal risks. Consequently, the updated strategic plan is currently considered to reflect the Directors' best estimate of the future prospects of the Group. Therefore stress tests were performed on this updated strategic plan to assess the Group's viability on different durations and severities of the pandemic.

These severe but plausible stress tests included:

- A recurrence of COVID-19 during the second half of our year ending 31 March 2021, a "W" shape, leading to a decline in like-for-like revenue during the assumed winter lockdown period in line with what was seen in our first eight weeks of 2021 and higher impairment allowances against 2021 trade receivables. This assumes further reductions in discretionary spend in 2021 and that other interventions and mitigations will be taken as and when we see fit, including no dividends paid in 2021. Recovery is assumed to start towards the end of the year with no further pandemics or recurrences of COVID-19 in the following two years, leading to double digit like-for-like revenue growth in 2022 and more normal growth levels in 2023. Dividends are assumed to be paid in 2022 and 2023.
- A like-for-like revenue decline in our first four months of 2021 double that assumed in our "U" shaped scenario.
- Gross margin declining in 2021 by 4 percentage points.
- Cash collection from trade receivables deteriorates a further 5% during the downturn in 2021.

These stress tests assume our banking facilities are refinanced before they expire in August 2022 but no additional facilities are taken out and we do not access the CCFF. They result in the Group meeting its debt covenants and having sufficient liquidity.

Each of the Group's other principal risks on pages 40 to 42 also has a potential impact on the Group's viability, although the followings risks are believed to be adequately covered by the above COVID-19 stress tests:

- 2 Consequences of the UK 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
- 11 Impact on the business if the macroeconomic environment deteriorates

For the remaining principal risks, 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. These scenarios were then modelled by overlaying them onto the updated strategic plan to quantify the potential impact of one or more of them crystallising over the assessment period.

The scenarios modelled and the principal risks to which they relate were:

- A major incident at the largest DC destroying the building and its contents – tests principal risk 6 'Failure in the business's critical infrastructure'.
- A major system failure (possibly caused by a cyber attack) leading to a serious loss of service, fines for data breach and loss of reputation leading to halving of sales growth – tests principal risks 7 'Prolonged system outage' and 8 'Information loss / cyber breach'.

The severe and plausible stress tests for the principal risks 9 'UK defined benefit pension scheme cash requirements are in excess of cash available' and 10 '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 on the remaining principal risks it was assumed that our debt facilities were refinanced before they expire although the CCFF was not accessed and no additional facilities were taken out, dividends were unchanged and no further mitigating actions were taken, including no further reduction to capital expenditure.

Reverse stress tests were also undertaken to assess the circumstances that would threaten the Group's current financing arrangements and the Directors consider the risk of these circumstances occurring to be remote.

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

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 2023.

Going concern

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

Corporate responsibility

Making amazing happen by inspiring a more sustainable world through education and innovative solutions that improve lives.

Overview

We are committed to ensuring that Electrocomponents is a socially and environmentally responsible organisation with high ethical and business standards. By sourcing products in an ethical way, building sustainable and efficient supply chain solutions with our customers and suppliers, and by inspiring both our own people and our broader communities, we aim to minimise risk while maximising value for all our stakeholders.

Our Chief Executive Officer (CEO), Lindsley Ruth, is responsible for corporate responsibility (CR) matters. During the year we formed a Group-wide team led by Debbie Lentz, President Global Supply Chain, reporting into the Board, to develop and drive an ambitious CR plan for the Group. As part of this work, we conducted a materiality assessment with our key internal and external stakeholders to ensure our CR approach is focused on the sustainability issues that matter most (see page 46).

The four pillars of our CR approach are: environment; people and health & safety; customers and suppliers; and community. They map to the issues identified in the materiality assessment and are underpinned by robust governance, ethics and compliance. We are accelerating our activities through these pillars and will measure our progress with the publication of non-financial key performance indicators (KPIs) and targets (see pages 20 and 21). Further details of our work to date and future initiatives are set out in this report.

We also continue to align our reporting with the recommendations of the Sustainability Accounting Standards Board (SASB) that are material for our industry sector and our business. We are supporters of the Task Force on Climate-related Financial Disclosures (TCFD) and during the year our CEO supported a Confederation of British Industry (CBI) initiative to urge the UK government to put the UK's 2050 net zero emissions target into law. We will continue to communicate our performance in an open and transparent way and report on our performance through our Annual Report

and third-party reporting frameworks such as the FTSE4Good and Carbon Disclosure Project (CDP).

Connecting with the United Nations Sustainable Development Goals (UN SDGs)

Our materiality assessment work has also helped us identify and agree upon the six UN SDGs where we can contribute the most. By aligning with the UN SDGs, we ensure we consider success in the context of our wider responsibilities as part of the global community. The six SDGs are:



Our CR approach

CR is integral to our Destination 2025 strategy through our four CR pillars: environment; people and health & safety; customers and suppliers; and community. These pillars are underpinned by a set of robust business practices which drive accountability, transparency and compliance, whilst positively influencing our people and our supply chain to achieve high ethical standards.

Making amazing happen by inspiring a more sustainable world through education and innovative solutions that improve lives


Environment

Page 47


People and health & safety

Page 50


Customers and suppliers

Page 53


Community

Page 54

Governance, ethics and compliance

Page 56

KPIs and targets

Risks and opportunities

Materiality assessment

To ensure our CR plan is focused on the sustainability issues that matter most to our stakeholders and on those with the most significant business impact, we undertook a materiality assessment.

Process

We used an engagement process to connect business impacts with stakeholders' interest and expectations.

The process was carried out using the Global Reporting Initiative (GRI) standards on materiality to ensure that we are aligned with best practice in CR and sustainability reporting. The assessment involved:

- **Issue identification:** this included reviewing an initial list of 91 issues and prioritising 19 key issues.
- **Engagement:** we gathered insight on the views of our stakeholders on the 19 shortlisted issues. The engagement

process included our customers and suppliers, our people, shareholders and regulators as well as the media and organisations involved with sustainability.

Results

The materiality matrix below plots stakeholder interest and business impact for each of the issues to help identify the most significant ones.

The assessment identified the eight most material issues, which are as follows:

- Climate change and energy use
- Supply chain management
- Governance, ethics and compliance
- Employee engagement, attraction and development
- Occupational health, safety and wellbeing
- Data protection and cyber security
- Recycling and waste
- Digitalisation and business transformation

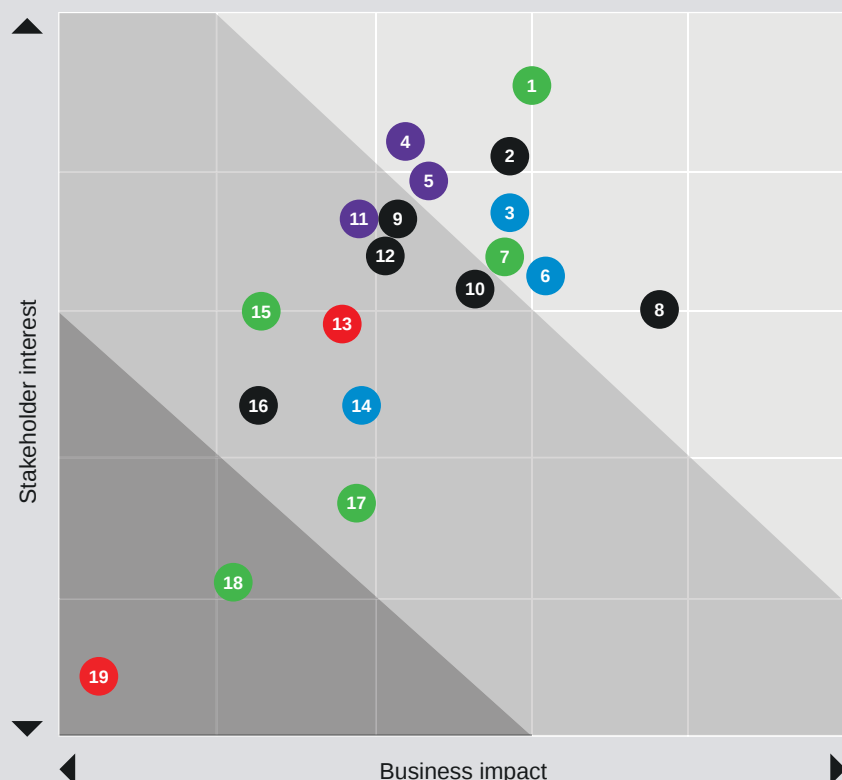
We used the results of the materiality assessment to help inform and develop our CR plan, targets and KPIs, as well as to guide what information should be included in our sustainability reporting.

Alignment of material issues with Group principal and emerging risks

As part of our ongoing commitment to understand and integrate environmental, social and governance (ESG) risks into the Company's business processes and operations, we have mapped the material issues identified against our principal and emerging risks. The majority of the issues map closely to our Group principal and emerging risks (see pages 36 to 42).

Five of the 19 material issues relate to the environment. This year we have identified climate change as an emerging Group-level risk. We are investigating its potential implications for the Group's operations, customers and supply chain.

Our materiality matrix



Material issues	Link to principal and emerging risks (see pages 36 to 42)
1 Climate change and energy use	Emerging risks
2 Supply chain management	1, 2, 6
3 Governance, ethics and compliance	5
4 Employee engagement, attraction and development	10
5 Occupational health, safety and wellbeing	1, 5, 10
6 Data protection and cyber security	8
7 Recycling and waste	Emerging risks
8 Digitalisation and business transformation	3, 4
9 Customer engagement and experience	3
10 Innovation, research and development	3
11 Diversity, inclusion and equal opportunities	10
12 Responsible and transparent sourcing	5
13 Education and pipeline development	10
14 Risk management and mitigation	–
15 Hazardous materials	Emerging risks
16 Collaboration and partnerships	3, 6
17 Sustainable logistics and product distribution	Emerging risks, 6
18 Water use and efficiency	Emerging risks
19 Community engagement	10

Environment

Environmental matters are increasingly important to our internal and external stakeholders. It is becoming ever more critical to evaluate our environmental performance, and to conserve and make the most efficient possible use of natural resources.

We have Group policies, processes and systems to help manage our environmental performance, with multiple continuous improvement (CI) initiatives across the business focused on enhancing operational efficiency and sustainability. These CI initiatives include working with product suppliers on reducing the use of packaging within the broader supply chain. We are also increasing our focus on renewable energy.

Our Target Zero programme includes environmental matters with the immediate focus on reducing energy consumption, zero waste to landfill and cutting CO₂ emissions.

The Group's non-financial KPIs (see pages 20 and 21) include environmental KPIs and targets to help measure progress against our strategy to reduce combined Scope 1 and Scope 2 CO₂ emissions intensity, to reduce use of resources including water and packaging, and to minimise waste. 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 continue to work with our providers of third-party logistics and transport to assess the Scope 3 CO₂ emissions due to our use of their services and those of their subcontractors. This helps us to collaborate with our customers and suppliers to reduce CO₂ emissions and thus the carbon footprint of the distribution supply chain. The work indicates that these Scope 3 emissions are approximately double the current emissions due to the use of energy in the Group's premises worldwide.



Increasing electric car charge points

We support the aspiration to build a climate neutral economy. Electric car charge points have been installed at a number of our sites across the world, including in the Americas, France, Germany, the Netherlands and the UK, with the Corby electric car charge points shown above. We are encouraging our employees to choose hybrid and electric vehicles, which not only reduce vehicle emissions but also reduce fuel costs.

TCFD

Our work to implement the Financial Stability Board's TCFD recommendations is ongoing. As TCFD supporters, we have increased focus on this as we work towards compliance, including with regard to scenario planning. The Group's climate-related governance, strategy, risk management, metrics and targets are largely in line with or ahead of the TCFD recommendations. Our TCFD disclosures include those in this report, in our annual CDP submission and on our corporate website.

Environmental performance

The Group's key environmental impacts include energy use and related CO₂ emissions, waste and recycling, packaging use and water consumption. During 2020, our environmental performance improved in all key areas.

Premises energy use and Scope 1 and Scope 2 CO₂ emissions

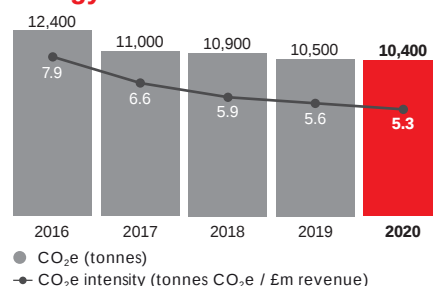
Energy use and related CO₂ emissions performance improved in 2020 with CO₂ intensity down 5.4% at 5.3 tonnes per £m revenue. Energy intensity was down 3.4%. Total energy use was 45 GWh, 65% of which was grid electricity. Electricity, specifically from renewable sources, accounts for 11% of electricity use and 7% of total energy use in our premises. The UK accounts for 60% of total energy use and for 57% of the associated emissions.

Improvements were due to CI initiatives, including ongoing projects to upgrade to LED lighting and improved heating, ventilation and air conditioning (HVAC) management, supplemented by energy awareness programmes.

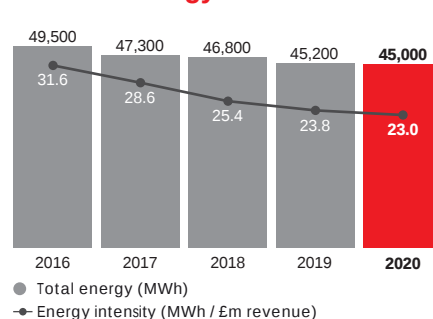
Our strategy to manage and reduce CO₂ emissions is centred on seeking efficiencies throughout our business model and ways of working, supported by energy-saving initiatives at our sites to deliver our targeted reduction in CO₂ emissions intensity. This is supported by the use of renewable energy and the progressive installation of solar panels at sites where this is economically feasible (see case study on page 49).

None of the Group's distribution centres (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 49 and additional information on the Group's climate-related governance, strategy and performance is included in our annual CDP submission.

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



Premises energy use^{1,2,3}



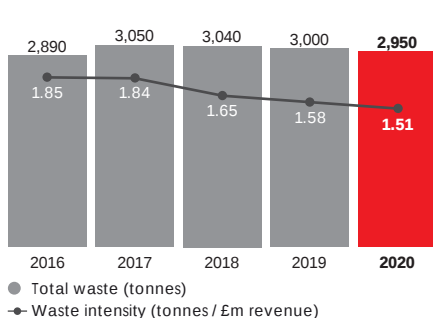
- KPIs are on a constant exchange rates basis and are updated to reflect changes in reporting methodology and emissions factors.
- Excludes a number of smaller sites where energy costs and consumption are included in lease costs.
- As a result of the COVID-19 pandemic, a number of reports include estimated data where suppliers have not been able to provide their usual reports or for other reasons.
- The statutory information required by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 is set out on page 49.
- CO₂ equivalent from all energy sources including country-specific CO₂ factors for electricity and with 100% renewable electricity reported at zero kg CO₂ per kWh.

Waste and recycling

Waste and recycling performance improved with reported waste intensity down 4.4% to 1.51 tonnes per £m revenue as waste was diverted from disposal to reuse. The proportion of total waste that is recycled improved by four percentage points from 75% (as updated) to 79%. The overall proportion of waste sent to landfill was also down three percentage points to 7% with a number of major sites sending no waste to landfill in the year.

Total waste includes 69 tonnes of waste reported as hazardous of which some 87% is recycled or recovered. 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.

Total waste^{1,2,3,4}



Packaging use

Packaging intensity decreased 9.5% to 2.48 tonnes per £m revenue. The reduction was in part due to a high level of focus on packaging efficiency and the impact of the automatic packaging system at our largest DC in Nuneaton, UK. In addition, use of tertiary packaging was lower with the completion of inventory movements in preparation for the UK's exit from the EU.

The Group continues to focus on strategies to reduce packaging including optimising packaging weight and volume for a given customer order and the rollout of automatic packaging systems to further sites including the newly extended DCs in Germany and the Americas. In addition, we are working to use alternative materials and to increase use of recyclable packaging. For example, recyclable padded envelopes are being introduced for all UK orders, although supply constraints are limiting the global rollout of this initiative.

Water use

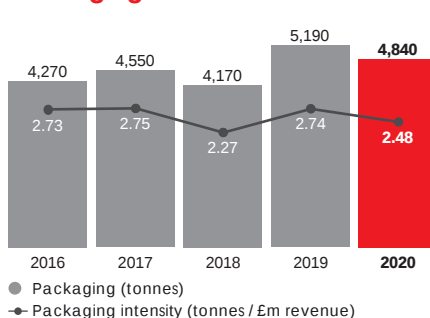
Water use per head was down by 3.1% to 5.95m³ per head. The lower water usage was due to water-awareness initiatives, leak repairs and improvements.

Water-reduction initiatives are ongoing, including the fitting of water blades to taps at sites in the UK. These offer potential reduction in water use from hand washing of 30-40% without detrimental impact on hygiene.

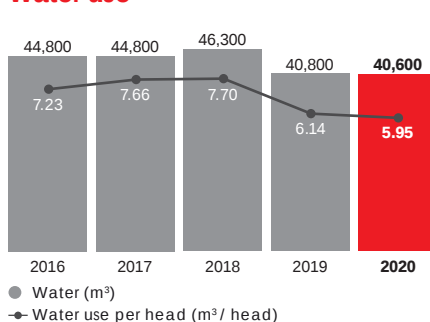
Environmental management systems

Excluding our third-party managed DC in Hong Kong, the 11 DCs owned or leased by the Group worldwide, with total floor area of some 215,000m², have environmental management systems in place, with four DCs certified to ISO 14001. Measured by revenue, over 52% of our operations are covered by ISO 14001 certifications. Our 39 other sites, including RS Local trade counters and office locations, have total floor area of some 53,000m² and the majority are either certified to ISO 14001 or have internal environmental management systems.

Packaging use^{1,2,3}



Water use^{1,2,3,5}



Future initiatives

- **CO₂ emissions (Scope 1 and 2):** Install solar panels; increase fuel-efficient fleet vehicles; maximise renewable energy resources and technology; and increase LED lighting.
- **CO₂ emissions (Scope 3):** Work jointly with our carriers and partners to measure, report and actively reduce transport impacts.
- **Packaging:** Install further automated packaging machines; improve packaging options, e.g. lithium battery boxes; work towards 100% recyclable packaging for all products sold.
- **Waste intensity:** Reduce the amount of waste in our facilities; increase the reuse of packaging for shipments between Group sites; reduce amount of paper generated for customer orders; and limit single-use plastic globally.
- **Waste to landfill:** Increase recyclable options in our facilities; introduce innovative ways of recycling in conjunction with waste partners.
- **Logistics:** As part of our transport optimisation strategy, work proactively with all elements of our end-to-end supply chain to reduce complexity and improve sustainability, e.g. remove redundant transport legs and minimise air freight.



減廢證書

Wastewi\$e
— Certificate —

RS in Hong Kong received a Wastewi\$e certificate in recognition of measures to reduce the amount of waste generated through the services and products they provided.

1. KPIs are on a constant exchange rate basis updated to reflect changes in reporting methodology.

2. Excludes a number of smaller sites where waste and water costs and consumption are included in lease costs.

3. As a result of the COVID-19 pandemic, a number of reports include estimated data where suppliers have not been able to provide their usual reports or for other reasons.

4. Waste data for prior years updated to use supplier data at one major site.

5. Heads are full-time equivalent employees, agency workers and contractors.

Greenhouse gas (GHG) emissions disclosures

In addition to the CO₂e emissions due to premises energy use reported on page 47, The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 requires the Group to report emissions due to the fuel used in company vehicles, fugitive emissions and other sources. The adjacent table includes the material emission sources from the operations and activities covered by the Group's accounts.

The Group uses the Greenhouse Gas Protocol with emission factors for standard grid electricity by country from the International Energy Agency and other factors as published by the UK Department for Environment, Food and Rural Affairs in order to calculate the CO₂e emissions included in this report.

	2020 tonnes CO ₂ e	2019 tonnes CO ₂ e
Scope 1 emissions from combustion of fuels and operation of facilities:		
Combustion of fossil fuels ¹	4,768	4,678
Operation of facilities, including fugitive emissions ²	106	78
Scope 2 emissions due to electricity purchased for own consumption:		
Purchased electricity ³	7,471	7,599
Intensity measurement		
Scope 1 + Scope 2 CO ₂ e due to premises energy use per £m revenue	5.3	5.6
Total Scope 1 + Scope 2 GHGs per £m revenue	6.3	6.5

Data is for the financial year as updated to reflect changes in reporting methodology and to use current emissions factors.

1. Includes emissions of 1,810 tonnes relating to fuel use in Company vehicles (2019: 1,741 tonnes).
2. 106 tonnes of CO₂e due to fugitive emissions from air-conditioning systems (2019: 78 tonnes).
3. Electricity from renewable sources at zero CO₂e per kWh. Emissions would be 1,307 tonnes higher if calculated at grid-average rates (2019: 1,201 tonnes).



Managing our environmental performance with solar panels

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 efficiency. The extended state-of-the-art DC will total 37,600m² and will accommodate a product range of over 450,000 articles, three times greater than currently.

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. Many of our strategic suppliers are located in Germany and they will be able to showcase their product lines in the facility. Automation will increase efficiency and decrease waste, particularly in packaging and shipping costs. Solar panels have been fitted (as shown in the image above) and automatic storage and retrieval, and packaging systems will be installed to help manage our environmental performance. We expect the newly expanded Bad Hersfeld DC to open during the calendar year 2021.

People and health & safety

Building a high-performance team is a strategic priority and critical to our ambition to become first choice. 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.

Developing a purpose-led culture

Listening to employees is a central part of building and enhancing our culture. We regularly conduct global employee engagement surveys, known as My Voice, and the latest took place in March 2020. More employees than ever shared their views, with participation rising one percentage point to 83%. The engagement score increased one point to 72, on track to achieve our target of 77 by 2025. The Group's increased commitment and focus on diversity and inclusion (D&I) has had a positive impact, and the feedback was encouraging. The survey also identified areas for improvement, including greater transparency and the need to reduce barriers to execution. We have plans to address these areas in the coming year.

Our aim is to increase engagement by building a globally shared culture. Our internal communications programme supports this with regular stories about people delivering on our purpose of 'making amazing happen'. These bring the Destination 2025 strategy to life and show how our people have a pivotal role in its delivery. We held regular activities to help people keep our strategy front of mind, digitally and face-to-face, such as the

Destination 2025 strategy game played by employees worldwide. In addition, a network of over 260 Destination 2025 Ambassadors across the business ran workshops to connect our people to the strategy and to generate ideas on how we remain focused on becoming first choice.

Our people policies and practices support this ambition, meeting local statutory requirements and often going further to align with best practice. These include global, country and some site-specific policies and procedures. Our policy is to pay fair wages; normally more than the minimum or living wage in countries where this applies. We regularly evaluate the range of additional benefits our employees receive, often exceeding the minimum requirements in areas such as holiday, parental leave and pension provision. The majority of our employees participate in incentive plans, sharing in the success of the business. The Group pays close attention to labour law and employment discrimination law in all of the jurisdictions in which it operates and would report any material proceedings as appropriate. Our employees and others may also use our whistleblowing facility to report issues in this regard (see page 57).

We continue to upgrade our facilities and locations to create modern and vibrant workspaces for our people. Our people moved into new offices in Germany and Italy and work continues to extend and automate our DCs in Germany and the Americas to better serve our customers.

All our efforts combine to continuously improve our reputation as first choice for employees. These actions contribute to our high levels of engagement and low employee turnover. The voluntary turnover rate across our DCs was 5.5%, down from 5.7% in 2019. This is a testament to the positive environment we create in our DCs and is lower than the Group-wide voluntary turnover rate of 10.1% (2019: 9.6%).

Our COVID-19 response

From the outset of the COVID-19 pandemic, our priority has been the health and wellbeing of our people. We have implemented new support structures for home working. As well as the practicalities of the technology to stay connected to our IT network, we have resources to help our employees stay mentally and physically well and connected with their friends and colleagues.

This includes a COVID-19 information site for managers and employees plus a website (keepconnectedec.com) aimed at all employees and their families, as well as being available for customers and suppliers, to help people keep in touch and stay healthy.

We also made changes to our operating practices in our DCs to allow for social distancing and to help ensure the safety of our essential employees who continue to work on site, such as split shifts, hand sanitising equipment and personal protective equipment as well as more frequent cleaning of touch points.

An inclusive environment

We recognise that a diverse and representative workforce is critical to our success and our aim is to create an inclusive environment where people can be their best selves. Our employees expect this as a matter of course and it is fundamental to how we attract, develop and keep the best talent.

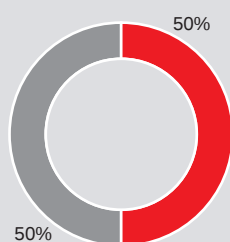
In line with our D&I policy, we recruit, train, and develop employees who are the best suited to the requirements of the job role, regardless of gender, ethnic origin, age, religion, sexual orientation, gender identity or disability. We review our gender, age, and other measures of diversity, including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

Gender representation

Gender representation is evenly split at 50/50 across the Group. We continue to work towards greater female representation at management² level. During the year, we saw female representation at this level increase by six percentage points to 32%, due to a higher number of women being recruited and a fall in the number of males at the management level.

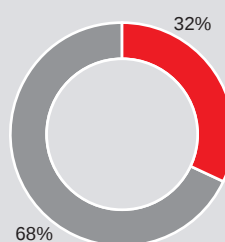
Overall headcount¹

● Female 3,514
● Male 3,505



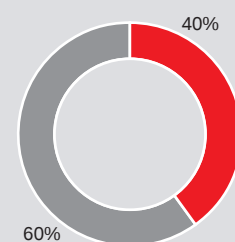
Management²

● Female 29
● Male 63



Board of Directors

● Female 4
● Male 6



1. Permanent and temporary employees as at 31 March 2020.

2. Individuals who operate at a senior level in the Group and typically, although not exclusively, are the Senior Management Team (see pages 64 and 65) and their direct reports.

We work to ensure that our culture allows for and actively encourages views, opinions and talents to be recognised and respected. This helps people feel confident in achieving their full potential to develop and move into broader and larger roles.

We encourage employee-led networks and communities to evolve as a voice for minority groups across our operations worldwide. Embracing and celebrating D&I is fundamental to business success, helping us attract and keep talent, and to help us understand and engage more effectively with our customers. We believe that diverse teams perform better and are more creative and innovative.

During the year, we agreed a new Board sponsored strategy that embeds D&I in all elements of our employer brand and people strategy. We have three global priorities in our D&I strategy: wellbeing, LGBTQ+ and gender. These help us build an inclusive culture where everyone can bring their true selves to work every day in an environment where people can thrive, enjoy, succeed and find work-life balance.

Wellbeing

During the year, we ran a global mental wellbeing campaign. This included events in support of World Mental Health Day and the creation of wellbeing rooms for solace, quiet and safety (see case study on page 52). Events took place across our locations worldwide, with many people sharing activities on our internal social media site – the largest global interaction of its kind across our Group Yammer platform. Many brave people across the business shared their personal #thisisme and #ifeelincluded stories, complemented by a broader external social campaign. Guest speakers, discussion forums, webinars and training workshops took place across the business where people shared their views and opinions about D&I.

LGBTQ+

We supported and celebrated multiple Pride events throughout the year, as well as UK LGBTQ+ History month. We showed our support by transforming our website logos and our social media channels for the events. Our internal LGBTQ+ network, Spectrum, increased its reach and profile last year. We also developed a 'Trans Toolkit' for employees, managers and the wider team, as well as developing strategic partnerships with external organisations such as Diversity Role Models, Talking Talent and myGwork.

Gender

The Group continued to support International Women's Day and this year also celebrated International Men's Day, as well as hosting market-specific events such as Inclusion Week in the UK and others around the globe. We are passionate about encouraging women to enter the technology profession and some colleagues actively engage in community and school activities as female role models. We also have an active internal gender diversity group called Elevate. Recognising that gender diversity is more complex than just male and female representation has driven efforts to introduce facilities such as gender-neutral toilets, now available in our locations in Frankfurt, Germany and Corby, UK. More are planned worldwide. We continue to focus on the underlying factors that contribute to gender equality, and we are working to review our job-role design, job adverts, skills profiling, hiring practices and data monitoring in all markets.

Creating a pipeline for future talent

As well as recruiting for current needs, we also invest in our future talent pipeline. By March 2020, over 5% of the UK workforce were in 'earn and learn' positions, 15% of whom were newly recruited apprentices. Our collaboration with universities and colleges remains key and we have made progress with new global initiatives.



Future initiatives

Building the right culture

- Expand our management development programme to underpin our digital transformation
- Embed our new academies in critical areas such as sales and digital capability to enhance our ability to compete globally.

Investing in our talent

- Identify the kind of leadership needed to continue to deliver Destination 2025, and introduce development programmes to build capability and shift mindsets.

Creating a pipeline of future talent

- Bring in fresh thinking and greater diversity by recruiting apprentices in critical areas of data, digital, technology, sales, marketing, and supply chain.
- Transform our approach to talent acquisition through greater social media-led campaigns and practices, using data and market insight.

Our Grass Roots team helps young people over the age of 18 transition through higher education and into the workplace and, in 2020, 50 interns joined us to work in different areas of the business. IESA's strong graduate programme, 'Leaders in IESA Fast Track', supports 25 new joiners per year. We have introduced our Future Shapers programme Group-wide which develops top early-career talent (see below). We also created Launchpad – a digital experience from the point of employment offer through the first 90 days.



Developing our future shapers

The Future Shapers programme gives our top early-career talent from across the globe a unique opportunity to accelerate their development. Developed in partnership with external leadership experts we piloted this programme with nine of our brightest talent starting in March 2019. Through stretch developmental learning and projects we help prepare them to be our leaders of the future. Networking is an essential element of the programme, with participants receiving ongoing mentoring from current business leaders. Finally, the Future Shapers take part in profile-raising opportunities, which in 2020 was to present on innovation at our Group leadership conference. We have selected a new, increased cohort of global talent to join Future Shapers in 2021.



Investing in our employees

We increased our global focus on learning and development, including sales effectiveness and value-led selling programmes. We launched a new digital management development programme for 900 of our global managers, as well as introducing a Data Academy. This builds critical skills for analysing, using and gaining deeper insight from data, with over 75 people in the first cohort and further cohorts planned for 2021. We also launched two new academies – Digital and Sales. As with the Data Academy, we will continue to use Apprenticeship Levy funding for employees on these programmes who live in England. A key way to help our people develop is through our CI programmes. We have continued to increase our CI training and now have a total of over 680 employees across the business trained in CI.

Health and safety performance

The health, safety and wellbeing of our employees is our number one priority and as such we use our Target Zero programme to drive this agenda. In the past year, Target Zero has focused increasingly on mental health across the Group, alongside our traditional health and safety programmes.

During 2020 we continued to focus on All Accidents on the basis that all accidents are preventable. We saw a mix of results, with reductions in the rate of All Accidents but an increase in lost time accidents (LTAs). Key updates for the year include:

- The All Accident frequency rate was down by 22% to 0.69 per 200,000 hours worked (2019: 0.88). 45 accidents were reported in the year, including 15 LTAs (2019: 13) and 30 first-aid only accidents (2019: 43).
- The LTA frequency rate was up 15% to 0.23 per 200,000 hours worked (2019: 0.20).

- A total of 360 calendar days were lost due to LTAs with an average of 24 calendar days lost per LTA, compared to 19.3 calendar days in 2019. This increase was attributed in the main to two specific LTAs.
- As part of our accident prevention programme, employees reported a total of 10,735 near misses, an average of 1.57 per head, up 3% on 2019.
- In the UK, RS was awarded its seventh consecutive gold award from RoSPA in recognition of its ongoing occupational health and safety programme, control of risks and safety performance.
- 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 23 certified to OHSAS 18001, ISO 45001 or an equivalent standard.

Health and safety initiatives

Working with employees across the business, we continue to challenge traditional ways of doing things in order to improve our safety performance and culture. Our near-miss reporting programme is a key part of this and during the year, we also implemented formal reviews for each LTA. These bring together business leaders, local management and the global environment, health and safety team to focus on corrective and preventive actions while also ensuring learning opportunities are maximised.

We ran global campaigns and best practice sessions, where regional and local health and safety teams shared ideas to help accelerate change and improve performance. These campaigns align regional activities as we work towards our long-term target of zero accidents and are supplemented by local campaigns that are specific to the local market.

Future initiatives

Behavioural safety programme:

All employees across the Group will attend a facilitated session, which includes videos demonstrating the importance of near-miss reporting, how changing culture can improve health and safety performance and what our leaders think. These sessions will include a take away from each participant as to what they will change to support health and safety.

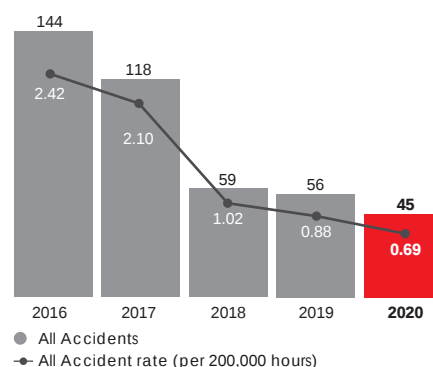
Management focus:

We will continue with our LTA management reviews and will share the outputs and actions across our management community. Our aim is to focus management teams on LTAs to help them learn from previous accidents and address safety-related cultural issues.

During the year, we delivered global campaigns on a wide range of issues, including behavioural safety, minor incidents and ways to address potential mental health issues.

To further support our wellbeing and mental health programme, we are training volunteers to become mental health first aiders. We introduced training sessions for managers which enable them to identify early warning signs and how to deal with those employees affected by this.

All Accidents



Helping mental health with new wellbeing room

In October 2019, in line with World Mental Health Day we opened our first wellbeing room in Corby, UK. The room was designed as a place for anyone to use when they need calm and help from our mental health first aiders. The room has lots of natural light and comfortable seating, a refreshments station and a telephone. We also offer an employee assistance programme for employees and their immediate families. The programme provides information, resources and options to address a wide range of issues both at home and work.



Customers and suppliers

Our vision is to be first choice for our customers and suppliers. We have strong and mutually beneficial relationships with our suppliers to offer our customers innovative products and value-added sustainable solutions.

We work closely with customers to deliver solutions which help them bring their products to market faster, improve performance and, increasingly, to contribute to achieving the UN SDGs.

We help our customers to be future ready with technology that can meet their needs. Our product range is expanding with our sourcing teams identifying the latest technologies to help deliver solutions that are valued by our customers and increasingly contribute to a more sustainable future. Examples include variable speed drives, high efficiency motors, low-energy lighting solutions and leading automation solutions.

Our COVID-19 response

- Electrocomponents has been playing an important role in supporting critical industries such as the public sector, food and beverage, power generation and utilities. We supply critical products to these industries to support health care, maintain nutritional supplies, keep homes powered and ensure that drinking water and sewage systems remain operational.
- See further case studies on pages 16 and 17.

With investments in our network of DCs, including extensions at our sites in Germany and the Americas, we will also have greater flexibility to source and store our products closer to our customers. This enables us to manage inbound as well as outbound logistics more efficiently which lessens our own impact on the environment.

Our suppliers also benefit from our investments through reduced shipping costs and lower environmental impacts by being able to deliver locally into our network. The value we create for our customers and suppliers helps drive growth in our business as well as positive financial returns for our shareholders and other stakeholders.



Future initiatives

Deliver sustainable solutions and services for our customers globally

- Use solutions to monitor our customers' and our own facilities, ensuring optimum efficiency and reducing maintenance and utility costs (see case study on RS Monition).
- Provide audits and Internet of Things (IoT) solutions to help customers identify and eliminate energy losses on site.
- Increase growth of innovation labs in our facilities to support customers' sustainability needs.
- Explore opportunities to develop energy-efficient solutions such as for lighting and water leakage, and brand as a range of environmentally friendly products.
- Collaborate with partners to improve sustainability of end-to-end supply chains, while reducing CO₂ emissions, complexity and cost.
- Work with partners to develop sustainable products, packaging and services.
- Work with our suppliers to assess the products we offer in order to identify those that contribute to the UN SDGs, those with specific sustainability attributes and those that carry third-party sustainability certifications.



RS Monition helps customers become more sustainable

An energy loss survey combined with a robust onsite repair programme is one of the fastest and most cost-effective routes to reducing wasted energy and CO₂ emissions, with payback often achieved in under six months. RS Monition's energy loss survey combines thermography and ultrasonic air-leak technologies to identify and quantify energy losses in customer operations. Since April 2005, Monition has been working with GlaxoSmithKline (GSK) conducting energy loss audits at over 55 of its sites in more than 25 countries. This work has led to a reduction in emissions at GSK and significant annual savings. RS Monition is piloting energy optimisation customer solutions as part of its Connected Factory programme. RS Monition also conducts air leak energy loss surveys across a range of industries for companies including Bakkavor Salads Bourne, Cadbury, Smurfit Kappa and Sheffield Forgemasters.

Community

Across our communities worldwide, we are implementing educational initiatives, particularly focused on science, technology, engineering and mathematics (STEM) to engage primary school to university-level students, to inspire the next generation of engineers and to help students realise the potential of STEM careers.



Girls Go Tech

In Hong Kong, RS is a supporting partner of The Women's Foundation for its Girls Go Tech programme. This aims to build local female STEM talent and to empower underprivileged girls to achieve their full potential through coding workshops and career development opportunities. Our DesignSpark team provides online courses to Girls Go Tech alumni, introducing them to 3D modelling, the DesignSpark software and community, and then on to more advanced hands-on 3D modelling and printing.



Titan II and MAX

Titan II and MAX are our mobile innovation centres, which provide unique and interactive experiences that demonstrate to young people what it is like to be an engineer. They showcase the latest technologies, such as Raspberry Pi, 3D printing, robotics, IoT, thermal imaging, virtual reality and augmented reality. During the year, Titan II has been travelling across Northern Europe while MAX has been travelling through Central Europe, each welcoming around 30,000 visitors on board from schools, customers and suppliers.



Maker Faires

We have attended and sponsored Maker Faires in many markets across the world. These showcase invention, creativity and resourcefulness and celebrate the Maker movement.

In Paris, over 23,000 visitors, including 8,000 students, attended the four-day Maker Faire event where students participated in a variety of interactive workshops on topics including soldering, robotics, coding, 3D printing and vacuum forming. The RS team sponsored awards for the 'best junior maker', the 'best senior maker' and the 'best societal project' at the event.



BrightSparks and Future ING Award

RS UK and Electronics Weekly continue to host the EW BrightSparks programme, celebrating the UK's most talented young electronics engineers. This year, in conjunction with Elektronikpraxis, a German electronics publication, RS Germany launched the Future ING Award, a similar programme to BrightSparks for the German market. The programme is designed to identify and celebrate the best young minds in engineering, either as a student, an entrepreneur or in the early stages of their careers. The ultimate goal of this award is to inspire young people to pursue a career in engineering.



SpaceX Hyperloop Pod Competition

Our participation in the SpaceX Hyperloop Pod Competition continues. This annual event has been sponsored by SpaceX since 2015, with the aim of revolutionising terrestrial transportation. This year, we sponsored a Hyperloop team from the Technical University of Munich (TUM) in the SpaceX Hyperloop Pod Competition. Team TUM won the competition with a record 288mph, beating its own record from the previous year.

Also in Germany, the team supported the Shell Eco-marathon, sponsoring TUFast Eco Team to develop, design and build a new race car with an electric powertrain.



Educational resources

We have extended our range of educational resources and kits for use by young people in the classroom and at home. During the year, we introduced hands-on STEM-based activities including ImagineX, our first offering to the educational industry for primary and secondary schools in the UK. We also launched Sphero interactive robotics, which teach children to learn how to code in an easy and fun way. See page 17 for more on Kits for Kids from our OKdo team.



STEMFEST and our STEM Ambassadors

We held a three-day STEMFEST event in July 2019 at the RS UK headquarters in Corby. This attracted 500 students from 19 primary and secondary schools across Northamptonshire. Students were able to take part in interactive workshops, talks and exhibits from over 30 partners and activities from coding and robotics to space exploration and wildlife conservation.

By January 2020, RS had 220 STEM Ambassadors across the UK and Ireland, giving their time to help bring STEM to life for children. Employees in other markets, such as France, South Africa, the Americas and Asia Pacific, also support STEM education programmes in their markets.



Charitable activities

Charitable activities are ongoing in many of our markets. During two years of supporting Children with Cancer, RS UK raised in excess of £450,000. The fundraising programme culminated in the 'Tour de Branch' raising nearly £250,000. This was an employee-led initiative where the team cycled 1,100 miles across the UK in 12 days. Four employees completed the entire journey and over 60 other colleagues joined for sections along the way. The tour started at the northernmost RS Local in Aberdeen, visited 16 RS Local branches along the route, and finished at the Group headquarters in London.

Future initiatives



- Continue to implement educational initiatives to engage primary school to university-level students and build a student hub to provide a full learning pathway.
- Embed a global social commitment, linked to our CR mission and voted on by our people across the world. This will capture all activities under one umbrella, ensuring they complement each other and maximise the effort in a highly structured manner.
- Introduce two paid corporate volunteering days per year for each employee.

Governance, ethics & compliance

We maintain a global compliance framework and ensure that a risk-based approach is taken across our business and the supply chain. We have a suite of policies and procedures in place to help maintain the highest ethical standards. Our codes of conduct set the tone from the top and the Board receives regular updates on ethics and compliance matters.

Codes of conduct

Codes of conduct set out our business standards and practices for both employees and suppliers. We are committed to the highest ethical and legal standards across our Group and our supply chain; we continue to extend these standards to other business partners.

Our Ethical Sourcing Policy, which can be found on our corporate website, sets out the minimum mandatory requirements for all businesses that are part of the Electrocomponents Group. Our policy is to source products and services from organisations that meet, or are willing to take action to meet, our ethical standards. We work with our suppliers to ensure that they, and their respective suppliers, meet or exceed these minimum requirements and to continuously improve in line with industry best practice.

Our Group code of conduct for employees sets out the standards of behaviour to which our people are expected to work. Published on the corporate website, it is updated annually and is available in seven languages. It details the requirements related to privacy, anti-bribery, competition and data security amongst other topics, together with details of our whistleblowing facility. Our approach to these topics is summarised below.

Each year, all senior leaders and people managers globally are required to review and sign up to the code of conduct. This includes a brief assessment to ensure it is fully understood. Leaders and managers then carry out briefings with their teams on business ethics as part of the renewal process.

Anti-bribery and corruption

In line with UN Global Compact principle 10, we work against corruption in all its forms and take a zero-tolerance approach to bribery and corruption. Our Group-wide anti-bribery policy requires that we do not give, receive or participate in any form of bribery or corruption. The policy sets out limits on gifts and hospitality which employees are permitted to give or receive, including controls on the financial value, the context of any gift / hospitality, and the nature of the recipient.

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 the business activities by nature and geography to assess the risks specific to that area of our business.
- Ensuring contracts with suppliers contain appropriate safeguards.
- Carrying out due diligence on suppliers.
- The operation of an online gifts and hospitality register, which enables managers to assess the appropriateness of gifts and hospitality for their employees in advance.
- An ongoing in-person training programme covering EMEA, the Americas and Asia Pacific.
- Promotion of Speak Up, our whistleblowing policy and helpline, in relation to bribery and corruption matters and, where needed, investigation of all reports by the Vice President Group Operational Audit and Risk and the Vice President of Group Legal.
- Our Group operational audit and risk team includes checks on the controls for compliance with anti-bribery and corruption requirements as part of their functional and geographic audits and report their findings to the Group legal team and the Audit Committee.
- The Audit Committee receives regular reports on any material issues reported with details of relevant follow-up actions, lessons learnt and corrective actions taken.

The Group pays close attention to anti-bribery and corruption law in all of the jurisdictions in which it operates, and would report any material proceedings as appropriate.



Competitive behaviour

Our business is committed to competing vigorously, legally and fairly in all of its activities. There is a specific Board approved Group-wide competition law policy, which sets out the requirements as we engage with our customers, suppliers and the market as a whole.

The key risks linked to competitive behaviour and competition laws arising from the nature of our core business are assessed regularly. The Group legal team oversees compliance in this area, with an ongoing training and awareness programme carried out on a set cycle to ensure all of the relevant parts of our business receive regular training on the topic. There are templates for reporting potential issues and for responding appropriately to third parties seeking to engage us in potentially anti-competitive behaviour. Speak Up, our whistleblowing helpline, is also available in this regard.

The Group pays close attention to competition and antitrust law in all of the jurisdictions in which it operates, and would report any material proceedings as appropriate.

Privacy

Ensuring we treat the personal data of our employees, customers and suppliers with respect is at the heart of our operations. To be first choice for our customers and suppliers, we must respect the trust they place in us when handling their personal data.

Our Data Protection Officer (DPO) works closely with the Chief Information Security Officer and Chief Technology Officer to maintain the framework for this, using a risk-based analysis to help inform the key areas for attention. We have a comprehensive suite of policies setting out the requirements our business must adhere to when processing personal data, together with a toolkit of practical assistance for our colleagues to enable compliance, including a data protection chatbot and templates for contractual forms.

Relevant annual training is mandatory for all employees, with more frequent training and awareness courses for our colleagues who handle personal 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.

With operations across the globe, we have developed a network of local data champions who work to support their business, supported by the central Group 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 operational audit and risk team also undertakes regular assessments to assist the DPO with monitoring the Group's compliance in this area.

Data security

Information security is key to all responsible businesses and information loss / cyber breach is one of the Group's principal operational risks (see page 42). Our ongoing information security programme is aligned with the principles of NIST-CSF and ISO 27001 and supports our business strategy. The trust of our customers, suppliers and employees is crucial and depends on us actively managing risks to their data.

Like all businesses, we operate within an evolving threat environment and encounter a range of information security threats from a variety of sources. We actively monitor the origins of these threats and engage with external sources to achieve this.

We continuously monitor our systems and perform regular testing in order to identify security vulnerabilities, with support from specialist third parties. We take a risk-based approach to remediation, working closely with our internal teams and third-party suppliers.

Our information security team works closely with stakeholders across our businesses to identify and assess information security risks, considering both technology and non-technology aspects, particularly while many more of our employees have been working from home during the COVID-19 pandemic. We have a continuous improvement mindset and balance business needs against security risk management. Information security is also regularly assessed by our Group operational audit and risk team.

We take a proactive role in educating our teams and improving their awareness of information security threats, as well as ethical and regulatory topics, such that they can identify and report any concerns in a prompt manner, as well as understand our policies and procedures. We provide specific training and initiatives in relation to the payment card industry data security standard. We actively monitor a number of 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

We do not disclose these metrics or provide details of corrective actions taken as doing so could compromise data privacy and security. However, should a data breach occur which involves personally identifiable information, our policy is to inform any affected customers, suppliers or employees and the relevant authorities as soon as is practicable.

Human rights

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 employees 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 is published annually on our corporate website.

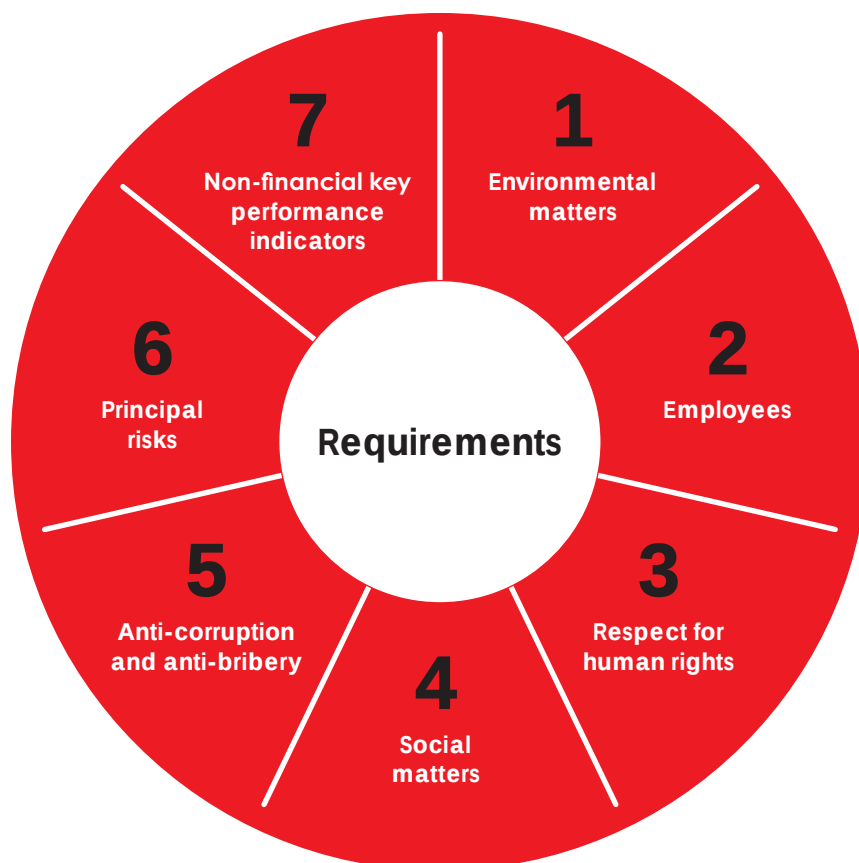
Whistleblowing policy

In line with our whistleblowing policy, Speak Up, we promote an open and accountable culture where employees 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 promote the Speak Up facility to our employees through training and awareness campaigns and the use of the facility is encouraged in cases of possible wrongdoing in matters including contraventions of the Group's code of conduct including, but not limited to, bribery, corruption, financial reporting, anti-competitive behaviour, conflicts of interest, human rights, discrimination, bullying and harassment and other ethical and business conduct issues.

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.

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 \(pages 47 to 49\)](#)

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 \(page 14\)](#)
- > [Key performance indicators – All Accidents \(page 20\)](#)
- > [Risks, viability and going concern \(pages 36 to 44\)](#)
- > [Community \(pages 54 and 55\)](#)
- > [People and health & safety \(pages 50 to 52\)](#)
- > [Corporate governance report \(pages 66 to 75\)](#)
- > [Nomination Committee report \(pages 83 to 85\)](#)

3 Respect for human rights

Policies and standards

- Code of Conduct¹
- Modern Slavery Act
- Transparency Statement¹

Further reading

- > [Corporate responsibility \(page 57\)](#)

4 Social matters

Policies and standards

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

Further reading

- > [Corporate responsibility \(pages 50 to 52, 54 to 55\)](#)

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

- > [Corporate responsibility \(pages 56 and 57\)](#)
- > [Corporate governance report \(page 75\)](#)
- > [Audit Committee report \(pages 76 to 82\)](#)

6 Principal risks

Further reading

- > [Risks, viability and going concern \(pages 36 to 44\)](#)

7 Non-financial key performance indicators (KPIs)

Further reading

- > [Business model \(pages 8 and 9\)](#)
- > [Our strategic priorities \(pages 13 to 15\)](#)
- > [Non-financial KPIs \(pages 20 and 21\)](#)
- > [Corporate responsibility \(pages 45 to 57\)](#)

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

The Board and our stakeholders

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. This success must be for the benefit of our shareholders but also for all of our other stakeholders.

This has never been more relevant than during the current COVID-19 pandemic, where we continue to work hard to keep our employees safe and our business viable; where we endeavour to keep our customers running and also support those critical businesses that rely on us, such as food and beverage, healthcare, utilities, power generation industries and the public sector. These are some of our stakeholders and how we treat and interact with them, especially at this time, we believe demonstrates how seriously the Board takes its responsibilities under section 172.

Detailed information of how we have supported our employees, customers, suppliers, communities and shareholders are set out in the Strategic Report on pages 2 to 58. Other examples of how we have acted for the benefit of our stakeholders throughout the year are set out below, with further information contained in the Corporate Governance Report on page 68.

The long-term consequences of decisions that are taken	
Creating an agile working environment so that we can respond to our customers' needs at any time and, for example, from any of our distribution centres, thus ensuring business continuity for our customers	Page 50
Ensuring the successful implementation of Destination 2025 to continue to drive market share and build on our reputation to become first choice	Pages 13 to 15
Creating centres of expertise for shared business services in the UK, Europe and Foshan, China	Page 15
The interests of all of our employees	
Creating a safe, healthy and supportive environment so that our employees can be themselves and enjoy their work, thus building a reputation for being first choice for employees and having an engaged workforce supporting the business	Pages 50 to 52
Twice-yearly employee engagement surveys, plus Non-Executive Director employee engagement initiative and process	Pages 14, 50, 69 and 72
Diversity and inclusion – new employee-led communities e.g. LGBTQ+	Pages 14, 50 and 51
Increased awareness and solutions for mental health issues	Pages 51 and 52
The need to foster our business relationships with our customers, suppliers, regulators and so forth	
Provide and sell value-added solutions	Pages 8 and 9
Voice of the Customer survey, Trustpilot, Google customer feedback	Pages 14, 20 and 68
Supporting our customers during COVID-19	Pages 16 and 17
Business continuity plan	Page 22
The impact of the Company's operations on the environment and communities	
Revised approach for Group corporate responsibility	Pages 45 and 46
Participation in the annual carbon disclosure project since 2008	Pages 45 and 46
Science, technology, engineering and mathematics (STEM) related activities across the world	Pages 54 and 55
Helping provide solutions, parts and equipment to keep critical industries running	Pages 16 and 17
Our reputation for having high standards of business and ethical conduct	
Codes of conduct: one for employees, Speak Up, and one for suppliers	Page 56
Information security – policies and procedures	Page 57
Training and initiatives in relation to General Data Protection Regulation (GDPR) and the creation of Data Diana, our GDPR chatbot	Pages 56 and 57
The need to act fairly between the members of the Company	
Delivering solid financial results	Pages 28 to 33
Appropriate capital allocation and investment strategies	Pages 10 to 12, 15, 19, and 28 to 33

The Strategic Report was approved by the Board on 1 June 2020 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



Dear fellow shareholder,

On behalf of the Board, I am pleased to present our Corporate Governance Report for 2020.

This year brings the first Report under the UK Corporate Governance Code 2018 (2018 Code), and you will see throughout our Report how we have taken the Principles of the 2018 Code to the heart of all we have done as a Board during the year.

As a business and as a Board, we have, for many years, taken pride in ensuring our business assesses itself from a broad perspective, considering the various stakeholder groups whom we impact upon or who impact upon us. One of the most important changes of the 2018 Code is the requirement for us to report specifically on how the Board fulfils its duty under section 172 of the Companies Act 2006 to take into account the perspectives of our various stakeholders. This has been addressed in this year's Corporate Governance Report on pages 68 and 69.

The importance of corporate governance is never greater than in times of macroeconomic uncertainty and change as we have seen over the last 12 months. The Board plays a vital role in ensuring the stability of the business so it can continue to drive value and achieve its strategy. Our Destination 2025 strategy covers the key objectives for the business over the next five years, together with a new purpose for the Group. Formulated with our

stakeholders in mind, 'making amazing happen' for our shareholders, employees, suppliers, customers and broader community sets the backdrop to ensure that the Board and management consider the longer-term value proposition for decision-making now. It has been particularly important as we deal with the uncertainty created by the UK's exit from the EU and the COVID-19 pandemic. More information about this strategy and our purpose are set out on pages 13 to 15.

Within the business, our strong corporate governance baseline has helped us through a period in the year when our Chief Executive Officer (CEO), Lindsley Ruth, had to take a leave of absence to receive treatment for a medical condition. Throughout this period, I was in regular dialogue with Lindsley and kept our Board informed of his progress, as well as communicating with our stakeholders as appropriate. During this period, the Board and I were confident in entrusting the responsibilities of the CEO to David Egan, Chief Financial Officer (CFO), as the two had worked closely together on both the development of the strategy and driving performance. Whilst I ensured I was fully available if required, the Board was able to retain a clear divide in its executive and non-executive roles. I would like to pay tribute to David for covering the role of CEO as well as his normal role as CFO, and to the Senior Management Team (SMT) for continuing to drive the business forward during Lindsley's brief period of absence.

Overview of the year

This year has seen the Group and all of its stakeholders together dealing with the global outbreak of COVID-19 and its unprecedented effects. During this crisis, the health and welfare of our people has been and continues to be our top priority. I have been extremely impressed by the resilience of our people and their commitment as we have found ever more effective ways of working in these unprecedented times. We also continue to work closely with our customers and suppliers to support them during this difficult period as best as we are able. Details of how the business has responded to the challenges of COVID-19 are set out in our Strategic Report on pages 16 and 17.

During the year, the Board considered long-term sustainability and climate change matters. The Board has been encouraged by the enhancements to the Group's current ways of working, particularly with the introduction of non-financial key performance indicators and targets (see pages 20 and 21) and continually supports the Group's work towards the reporting requirements of the Task Force on Climate-related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB).

A new Directors' Remuneration Policy was approved at the Annual General Meeting (AGM) in July 2019, with 85% approval from you, our shareholders. This has been implemented following its approval, with the Remuneration Committee continuing to monitor its implementation and appropriateness to driving the sustainable success of our business. Further details are set out in the Remuneration Committee Report on pages 86 to 101.

An externally led evaluation of our Board and Committees was carried out, to review our effectiveness and efficiency in promoting the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. Further details are set out on pages 74 and 75. I was pleased with the outcome of the evaluation which showed the Board and Committees carrying out our core governance roles effectively.

Throughout the year, we have placed increased focused on one of our key stakeholder groups: our employees. This has been managed through the activities of Karen Guerra, Non-Executive Director and our Board-appointed employee engagement representative. Karen has visited several of our sites, including Sydney, Australia, and Corby and Warrington in the UK. She has also held a town hall meeting with employees in Shanghai and Hong Kong via videoconferencing facilities. She has reported back to the Board after each of these visits, providing feedback on employee opinions, and the alignment of our culture and values across the various aspects of our business, strategy and purpose. As set out in the Nomination Committee Report on page 85, Karen will be stepping down as Non-Executive Director at the end of the year, at which time the Board will consider how best to build on the good work started by Karen.

Board changes

As mentioned in the 2019 Annual Report, John Pattullo stood down as Non-Executive Director and Senior Independent Director (SID) on 1 September 2019. I thank him once

again for his significant contribution to the Board and the Group over the six years of his tenure. David Sleath joined the Board in June 2019, and succeeded John as SID in September 2019. He was also appointed a member of the Audit, Remuneration and Nomination Committees, and took on the role of Chair of the Nomination Committee in December 2019, upon my own completion of nine years as Chair. He has already brought a valued fresh perspective from his experience as a CEO and previous experience as a SID, both in well-regarded FTSE 100 companies.

The Board has been further strengthened by the addition of Joan Wainwright as Non-Executive Director, who joined in November 2019. Most recently President of Channel & Customer Experience at TE Connectivity, Joan brings extensive distribution experience as well as providing strong insight into the customer dynamic in the US, one of our key markets. Joan is a member of the Nomination Committee.

More information on David and Joan is set out in the Board biographies (see pages 62 and 63) and in the Nomination Committee Report (see page 84).

The year ahead

Our main focus areas for the year ahead, especially given the COVID-19 crisis, is to ensure that the right actions are taken so that we emerge out of the current downturn stronger. We will also continue to embed the strategy and purpose to ensure the culture of the business is aligned to achieve them; and, through the Nomination Committee, managing the search for a successor to myself as Chair.

Peter Johnson

Chair
1 June 2020

The Code

During the year ended 31 March 2020, the Company has been subject to the provisions of the UK Corporate Governance Code published in July 2018. The 2018 Code is publicly available at www.frc.org.uk. There are five main sections of the 2018 Code and the following sections within this Annual Report explain how the Principles of the Code have been applied:

Board leadership and company purpose

Our Board	62
Purpose, values, strategy and culture	66
Engagement with major shareholders	69
Engagement with workforce	69

Division of responsibilities

Division of responsibilities and governance framework	70
---	----

Composition, succession and evaluation

Board evaluation	74
Nomination Committee Report	83

Audit, risk and internal control

Audit Committee Report	76
Effectiveness of internal and external auditors	81
Risk management	80

Remuneration

Directors' Remuneration Policy	88
Directors' Remuneration Report	93

Compliance with the 2018 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 Provision 38 in aligning our Executive	Directors' pension payments with the wider workforce. Pension payments for new executive director appointments will be aligned with the wider workforce and it has been agreed we will reduce pension levels	for our existing Executive Directors over time, including a reduction this upcoming year. Further details are given on page 93 of the Remuneration Report.
--	--	--

Our Board

The Board has a wide range and depth of knowledge drawing from diverse international experience covering the business's key existing and future markets, with the appropriate balance of skills.



Peter Johnson
Chair
Joined in Oct 2010
Committee membership
Nomination

External roles

- Chair of the supervisory board of Wienerberger AG

Past roles

- Chair of DS Smith plc
- Non-executive director of SSL International plc
- Chief executive of George Wimpey plc and The Rugby Group plc

Skills and experience

- Distribution
- Sales and marketing
- M&A
- Emerging markets
- Service industry
- International operations
- Manufacturing
- Chair
- Chief executive officer



Lindsley Ruth
Chief Executive Officer
Joined in Apr 2015
Committee membership
Treasury

External roles

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

Past roles

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



David Egan
Chief Financial Officer
Joined in Mar 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



David Sleath
Senior Independent Director
Joined Jun 2019
Committee membership
Audit, Nomination (Chair), 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



Bertrand Bodson
Independent Non-Executive Director
Joined in Jun 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

Board composition¹



● Female	4
● Male	6

Board tenure¹



● 0-3 yrs	3
● 3-6 yrs	5
● 6+ yrs	2

Number of Board meetings attended during the year¹

Peter Johnson	10/10
Lindsley Ruth ²	7/10
David Egan	10/10
David Sleath ³	9/9
Bertrand Bodson ²	9/10
Louisa Burdett	10/10
Karen Guerra ²	9/10
Bessie Lee	10/10
Simon Pryce	10/10
Joan Wainwright ³	6/6
John Pattullo ³	3/3

1. In the period between 1 April 2020 to 1 June 2020, the Board held two Board meeting calls (in addition to scheduled meetings) to closely monitor business performance and respond to challenges due to COVID-19.
2. Lindsley Ruth was unable to join three meetings due to ill health. Karen Guerra and Bertrand Bodson were unable to attend one meeting each due to scheduled conflicts during the year.
3. John Pattullo stepped down from the Board on 1 September 2019. David Sleath joined the Board on 1 June 2019 and Joan Wainwright joined on 1 November 2019.

Skills and experience

Digital / eCommerce	5/10
Distribution	4/10
Finance	4/10
Sales and marketing	5/10
M&A	7/10
Emerging markets	5/10
Service industry	6/10
Supply chain	2/10
Electronics	2/10

1. As at 31 March 2020.



Louisa Burdett
Independent
Non-Executive
Director

Joined in Feb 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



Karen Guerra
Independent
Non-Executive
Director

Joined in Jan 2013

Committee membership

Audit, Nomination,
Remuneration

External roles

- Non-executive director of Amcor Limited

Past roles

- Non-executive director of Paysafe Group plc, Swedish Match AB, Inchcape plc, More Group plc, Samlerhuset Group BV and Davide Campari-Milano S.p.A.
- Held senior executive positions at Colgate-Palmolive

Skills and experience

- Sales and marketing
- Service industry
- International operations
- Manufacturing



Bessie Lee
Independent
Non-Executive
Director

Joined in Mar 2019

Committee membership

Nomination

External roles

- Chief executive officer of Withinlink
- Non-executive director of Ecovacs Robotics and United Group
- Advisor to Didi Chuxing and Greater Pacific Capital

Past roles

- Chief executive officer roles at Mindshare, GroupM and WPP in China

Skills and experience

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



Simon Pryce
Independent
Non-Executive
Director

Joined in Sep 2016

Committee membership

Audit, Nomination,
Remuneration (Chair)

External roles

- Chief executive officer of Ultra Electronics Holdings plc
- Member of the Council, chair of the Investment Committee 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 financing and capital markets
- M&A
- Emerging markets
- Service industry
- Strategy
- Manufacturing
- International operations
- Chief executive officer



Joan Wainwright
Independent
Non-Executive
Director

Joined Nov 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



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

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

Other directors who served during the year

John Pattullo retired from the Board and as SID in September 2019. John's biography can be found in our Annual Report 2019.

Driving our strategy



1

Lindsley Ruth

Chief Executive Officer

Lindsley is responsible for the Group on a day-to-day basis, for implementing the Group's strategy, execution of our five strategic priorities and for corporate responsibility including climate-related matters.

Past roles

Details on page 62.

2

David Egan

Chief Financial Officer

David is responsible for the Group's strong financial management and effective financial controls.

Past roles

Details on page 62.

3

Mike England

Chief Operating Officer

Mike is responsible for leading the performance and alignment of our go-to-market activities worldwide, customer experience, product and supplier-centric activities, digital priorities and transformation, and innovation. Mike also oversees the commercial operation, business transformation, and strategy and growth initiatives for the EMEA region and the implementation of corporate responsibility across all the regions.

Past roles

- Sales director at Brammer UK Limited
- Held senior commercial and operational roles at Hagemeyer (now Rexel)

4

4

Ken Bradley

President, Allied Electronics & Automation

Ken is responsible for the commercial operation, business transformation, and strategy and growth initiatives for the Americas region.

Past roles

- Senior positions in sales, supply chain, asset management, and product and supplier management
- Leadership positions with Ryder Systems, Inc. and Blackmon Mooring & BMS CAT Inc.

5

Sean Fredericks

President Asia Pacific, RS Components

Sean is responsible for the commercial operation, business transformation, and strategy and growth initiatives for the Asia Pacific region.

Past roles

- VP for Johnson Controls International plc
- Regional MD for Parker Hannifin Corporation

6



7



8



9



10



6

Debbie Bowring

President, IESA

Debbie is responsible for creating and leading the implementation of strategy within IESA to deliver profitable and sustainable growth.

Past roles

- Senior international roles, leading transformation, growth and change to drive growth

7

Simon Ramskill

Chief Technology Officer

Simon is responsible for shaping and implementing a world-class technology infrastructure strategy, and instilling a culture of continuous improvement around delivery, service and innovative ways of working.

Past roles

- Group CIO at Whitbread Plc
- Executive positions at The Body Shop International Limited, Marks and Spencer Group plc and Centrica plc

8

Debbie Lentz

President, Global Supply Chain

Debbie is responsible for the Group's supply chain capability and for an innovative and sustainable market-leading service for customers and suppliers. She also leads the development and implementation of the Group's corporate responsibility programme.

Past roles

- Held senior positions in distribution and supply chain at Tru Kids, Inc., Kraft Foods Inc. and Nabisco

9

Ian Haslegrave

Company Secretary and President, Group Professional Services and People

In addition to Ian's role as Company Secretary, he is responsible for leading the Group's Professional Services and People team which includes Company Secretariat, Legal, Compliance, Pensions, Information Security and global People functions.

Past roles

Details on page 63.

10

Michael Cramb

Senior Vice President, Corporate Development

Michael is responsible for the development of business strategy, including corporate responsibility, programme management, innovation, continuous improvement and M&A activity. He has extensive experience in business transformation and M&A.

Past roles

- Vice president Corporate Development at Alent plc
- Held senior positions at UK Government Investments and Rexam plc
- Led a strategic review and ran M&A and joint venture activity at Imagination Technologies Group plc

SMT Composition



● Female	2
● Male	8

Corporate governance overview

Board leadership and Company purpose

Role of the Board

The Board's primary responsibility is to promote the long-term sustainable success of the Group, leading in an entrepreneurial manner to ensure value is generated for shareholders. It must balance this with ensuring the Group contributes to wider society considering all of 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 below.

Purpose, values, strategy and culture

To achieve the long-term value generation of the Group, the Board has worked closely with management to establish the Group's purpose statement: 'making amazing happen'; linked to the approval of the Group strategy set out in Destination 2025 (see pages 13 to 15). Importantly, the Board has continued to embed the six core values: passion, integrity, innovation, collaboration, accountability and aspiration.

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

- Receiving updates from the President, Group Professional Services and People at each Board meeting on the governance and people team approach to supporting the Group's culture.
- Receiving reports from Karen Guerra on employee engagement after her visits to different parts of the organisation in her role as designated Non-Executive Director (discussed in more detail on page 69).
- Receiving regular information on the usage of the Group's whistleblowing facility and outcomes of follow up investigations, allowing it to assess whether the facility, Speak up, is effective and matters raised are properly evaluated.
- Creating a variety of 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 36 to 42, together with consideration of the sustainability of the Group's business model.

During the year, the Board received regular updates on corporate responsibility, including environmental, social and governance activities. These updates highlighted the positive performance in our environmental metrics and opportunities for enhancements. This included the introduction of non-financial key performance indicators (see pages 20 and 21) and the ongoing work aligning our reporting against the requirements of the TCFD and SASB.

At each Board meeting, the CEO presents a comprehensive update on performance, challenges, the competitive market and opportunities. There is also an interim monthly written update provided by the CEO to ensure the Board is fully up to date with Group performance. This is complemented by members of the Senior Management Team (SMT) and other managers providing updates on how their parts of the business are working toward the achievement of the strategy, and opportunities and risks faced within their sphere of influence. These combine to ensure the Board has insight across the business, allowing the Board's governance processes to contribute strongly to the delivery of the strategy.

Board focus

Board focus 2020

- Development and implementation of Destination 2025 strategy and supporting establishment of 'making amazing happen' purpose and culture.
- Reviewing our governance framework.
- Further strengthening our supply chain strategy.

Further information relating to the activities of the Board during the year is available on our website [electrocomponents.com](https://www.electrocomponents.com)

Board activities during the year

- Transition of new Board members.
- Implementation of new Remuneration Policy.
- Contingency planning for the UK's exit from the EU.
- Review progress of the expansion of distribution centres in US and Germany.
- Review of centres of expertise in China and Europe.
- Employee engagement.
- Updating governance framework in light of the 2018 Code.

Board focus 2021

- Continuing to safeguard our position and reviewing opportunities that will arise out of the market downturn as a result of the COVID-19 crisis.
- Greater focus on corporate responsibility, TCFD and SASB.
- Enhancing our governance practice for the Board and SMT to ensure that the best governance framework is provided for the Board to discharge its responsibilities under section 172.



Section 172 stakeholder engagement

The Board has identified who its key stakeholders are (see pages 68 and 69) and has considered how it engages with them both now and in the future. The Board has enhanced its approach to how it takes section 172 matters into account more overtly during its deliberations and decision making. This has included reviewing the format of Board papers so that those individuals and functions putting forward strategic proposals to the Board set out the relevant section 172 matters that need to be taken into account. One example highlighting how the Board deliberately considers its stakeholders is the discussion the Board had at its Strategy Day in February 2020, when it focused on how the strategy would enable the Group to be first choice for its customers, suppliers, employees and the community by considering the impact on these stakeholders. Governance-led examples of section 172 compliance include the Board having updated its schedule of matters reserved specifically for the Board to ensure section 172 is appropriately reflected in its responsibilities, and putting in place a process for updating its code of conduct accordingly.

One of the many examples highlighting how the Board deliberately considers its stakeholders is in the way it has addressed the COVID-19 crisis. All Board members have made themselves available for additional Board meetings. The Board also continues to receive weekly updates from management. The Board meetings, held remotely via Microsoft Teams since March 2020, ensure two-way communication between the Board and management to ensure management is appropriately supported in its response to keeping our business viable, our customers supported and, in particular, ensuring we can appropriately support those critical businesses that rely on us. The Board has spent considerable time receiving and commenting on reports from management in relation to COVID-19 matters including the health and wellbeing of our employees and regulatory matters such as financial reporting updates and AGM requirements whilst under lockdown. The Board has also considered, in conjunction with our remuneration advisors, how remuneration should be appropriately addressed given the macroeconomic conditions triggered by COVID-19, further details of which can be found in the Directors' Remuneration Report on pages 93 to 101.

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. This year, the Board's schedule was reviewed and streamlined, and updated to include the CEO's responsibilities to clearly set out the separation of responsibilities. Such matters include, but are not limited to:

Matters for the Board	CEO's responsibilities related to the matter
Reviewing and approving the Group's long-term strategic aims and objectives.	The development, and successful achievement, of Group objectives and strategy.
Approving material changes to the Group's management and control structure.	Assessing adequacy of, and executing non-material changes in, the Group's management and control structures on an ongoing basis and proposing material changes.
Approving the Group's procedures for the detection of fraud and bribery prevention.	Ensuring appropriate internal controls are in place.
On advice of the Nomination Committee, reviewing succession plans for the Board and SMT.	Ensuring appropriate management development and succession planning for SMT (for review by the Nomination Committee).

Full details of the Company's schedule of matters reserved for the Board are available on our website [electrocomponents.com](https://www.electrocomponents.com).

The Board and our stakeholders

The voice of our stakeholders is heard by the Board throughout the year by way of reports and data provided by management and also by direct engagement with stakeholders as and when appropriate. Some examples of how the business and the Board discharge their obligations in light of COVID-19 are described in the Strategic Report on pages 16 and 17 and this Report on page 67. Other examples of how we have acted for the benefit of our stakeholders are set out below:

Our stakeholders	How the business interacts with our stakeholders	How the Board interacts with our stakeholders
Customers	Visit trade fairs (customer and supplier interaction) and customer sites	Board visits to industry trade fairs
	Provide and sell value-added solutions	Receives regular updates on business projects where understanding the customer is important, e.g. launch of OKdo (new customer market) and potential new acquisitions
	Customer interaction, including inbound telephony customer contact, live chat support, email support and social media enquiries 24 / 7 / 365	Receives customer dashboard as standing Board agenda item
	Voice of the Customer survey, Trustpilot, Google customer feedback	Board visit to major IESA customer in September 2019
	Various points of engagement including RS local branch network, field sales teams and corporate account sales teams	
	Customer performance reviews	
Suppliers	Quarterly progress reviews, attended by senior management	Presentations about suppliers during Board visits, e.g. the Americas and France
	Regional supplier events as well as annual events	Presentations on the product and supplier management strategy
	Supplier scorecard with defined targets – commercial, relationship and inventory health	Receives progress updates on execution of strategic initiatives which cover suppliers
	Voice of the Supplier survey every two years	Joan Wainwright's supplier experience brings the voice of the supplier to the Board's deliberations
	Category management is in place, focusing on data insight from suppliers, economic trends as well as customer trends	
	EXPO: biannual event in Allied, inviting over 300 suppliers to showcase their products	
Employees	Partnering with suppliers to engage on showcase opportunities with customers	
	Health and safety initiatives (including Target Zero and All Accident reporting)	Quarterly standing Board item
	Employee engagement – employee engagement surveys twice a year and Non-Executive Director initiatives	Reviews results of employee engagement survey, plus Non-Executive Director employee engagement initiative, including Board member visits to operations
	Learning and development – including online learning resources for all employees and managers	Receives People function updates both as main topics and as part of the Company Secretary's report to the Board
	Diversity and inclusion – initiatives focused on employees' wellbeing, LGBTQ+ community	Remuneration Committee receives papers on topics such as sharing in the Company's success, CEO pay ratio and Gender Pay Gap reporting
	Succession planning – each function reviews succession planning and opportunities with its team	Nomination Committee reviews senior management team plans
Community	Onboarding – provision of a new online onboarding tool and revised processes	
	Health and wellbeing, and financial awareness programmes	
	Supplying critical products to the power generation, telecommunications and water industries to help keep communities operational during the COVID-19 crisis	Discussion of the corporate responsibility (CR) plan
	STEM (Science, Technology, Engineering and Mathematics) programme – teaming up with STEM Learning, the biggest provider of STEM learning and careers, including activities such as Imagine-X; First Lego League; Titan II and MAX education visits; and STEMFEST	Visits to businesses and receiving presentations on initiatives, e.g. STEM
	Post-graduate initiative to encourage careers in engineering	
	Various global charitable initiatives	
Environment	Community support: dedicated event to provide Thomas Cook ex-employees support with tasks such as CV writing, LinkedIn profiles and interview tips, as well as sharing openings at RS, plus detailed follow-up actions	
	Reviewing and developing the CR plan and implementing the TCFD recommendations	Receives quarterly environmental updates and specific reports on CO ₂ emissions
	Carbon & Energy Management and Reduction Scheme Gold Certification Award eight years in a row	Reviews the CR plan that is being developed
	CRC (Energy Efficiency) scheme applies to all our facilities in the UK and also Article 8 of the EU Energy Efficiency Directive (2012/27/EU) applies to our facilities in France, Germany, Italy and the UK	
	Green initiatives in the Americas, specifically the installation of four electric vehicle charging stations in Fort Worth, Texas and at the end of 2019 and switching to 100% compostable paper cups / cutlery products	

Our stakeholders	How the business interacts with our stakeholders	How the Board interacts with our stakeholders
Others	Financial Conduct Authority, Information Commissioner, local and overseas tax authorities	Reviews and approves policies
	Finance / banking – US private placement loan notes, debt financing	Reviews and approves policies
	Pensions regulator / ombudsman	Reviews pensions deficit payments, reviews trust structure, members' rights
	Industry Organisations: Company and individual members of several different organisations, ERA, NAED, NAW where we engage with suppliers and industry market leaders	
Investors	Delivering robust financial results	Ensures appropriate capital allocation and investment
	Effective cost controls	Careful consideration of acquisition and investment opportunities
	Meetings / consultations with institutional shareholders as appropriate	Chair meets with institutional shareholders Opportunities for individual shareholders to meet Board members at AGM
All stakeholders	Code of conduct including whistleblowing policy, Speak Up	Receives quarterly updates on Speak Up and reviews annually the process undertaken by the Audit Committee
	Training and initiatives in relation to General Data Protection Regulation (GDPR), information security (policies and procedures) and Payment Card Industry Data Security Standard (PCI DSS)	Audit Committee receives regular updates on GDPR, information security and PCI DSS
	Destination 2025	Annual strategy days to review and approve strategy including focusing on being first choice for our stakeholders
	COVID-19 outbreak	Receives and considers regular management updates on the business, customers, suppliers and the workforce via additional Board calls
	Materiality assessment with our key stakeholders to ensure the Group's CR approach is focused on sustainability issues that matter most to them	Fully supportive of executive management in its operational responses to COVID-19

Board and employee engagement

As reported last year, the Board revisited how it engages with a key group of our stakeholders: our employees. The revised approach provides for a two-way flow of communication between the Board and our global workforce. In order to facilitate this, it was agreed that Karen Guerra would become the Board-appointed Non-Executive Director and make regular visits to our businesses around the globe. Karen acts as a conduit between the Board and the employees and her position when undertaking these visits is therefore neutral.

This allows her to retain her independence as a Non-Executive Director but also encourages employees to speak freely with her about what is important to them, for example:

- What the Company does well
- What it could do better
- What it should do less of for its employees
- What it could do more of for its employees

Employees are also encouraged to suggest new and more effective practices that they feel would help the business to continually improve its performance.

At the end of the last financial year, Karen engaged with employees in Hong Kong / Shanghai (via video conferencing); and visited Sydney, Australia, the case study of which can be found on page 72 of this Report. In this financial year, Karen visited the Corby distribution centre in the UK; and IESA in the UK. A visit to Beauvais, France and Texas, US had been arranged but postponed due to the outbreak of COVID-19. The diagram below sets out the employee engagement process.

Employee engagement process



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 62 and 63, the Non-Executive Directors have diverse backgrounds, skills and experience to enable appropriate challenge at Board and committee discussions. None of them has any conflicts of interest in general, whether from relationships with management, the Company or third parties which would compromise their independence. There is a process in place for identifying and managing any conflicts on particular topics which may arise.

- **Entrepreneurial leadership**
- **Framework of controls**
- **Assessment of risk**
- **Strategic aims**
- **Values and standards**

Chair: Peter Johnson

- Responsible for leadership of the Board and ensuring its effectiveness.
- Promotes adequate discussions and debate.
- Facilitates constructive relations between Non-Executive and Executive Directors.
- Ensures delivery of accurate, timely and clear information to all Directors.

Senior Independent Director: David Sleath

- Responsible for evaluating the Chair's performance.
- Chairing the meeting of Non-Executive Directors when evaluating the Chair.
- Available as an alternative communication channel for shareholders.
- A sounding board for the Chair.

Chief Executive Officer: Lindsley Ruth

- Responsible for the Group on a day-to-day basis.
- Accountable to the Board for operational performance.
- Responsible for development and implementation of strategy.
- Ensures robust management succession plans are in place.
- Responsible for corporate responsibility, including climate-related matters.

Chief Financial Officer: David Egan

- Responsible for strong financial management and effective financial controls.
- Develops the Group's financial policies and strategies.
- Ensures a commercial focus across all business activities and appropriateness of risk management.
- Supports and advises the CEO.

Non-Executive Directors

- Responsible for independent external perspectives.
- Contribute an independent view to the Board's deliberations.
- Constructively challenge the strategy and performance of management.
- Satisfy themselves on the integrity of financial information and controls, and systems of risk management.

Company Secretary: Ian Haslegrave

- Supports the Chair in the effectiveness and governance of the Board.
- Supports and advises the Chair on various matters including succession planning.
- Leads the Board evaluation process.
- Keeps the Board informed of corporate governance developments.
- Supports the Remuneration Committee Chair in remuneration design and implementation, and consultations.
- Actively involved in the recruitment and induction of 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 76 to 82



Nomination Committee

Chair:
David Sleath

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

Read more:
Nomination Committee Report on pages 83 to 85



Remuneration Committee

Chair:
Simon Pryce

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

Read more:
Remuneration Committee Report on pages 86 to 101



Senior Management Team

CEO:
Lindsley Ruth

- Proposes and executes strategy.
- Drives business performance.
- Ensures customer focus.
- Approves investments.

Read more:
Senior Management Team on pages 64 to 65



Treasury Committee

Chair:
David Egan

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

Composition, succession and evaluation

Composition and training

As described in greater detail in the Nomination Committee Report on pages 83 to 85, the Board and its committees have been refreshed considerably during 2020, with two new independent Non-Executive Directors joining not only the Board but also the Nomination Committee and one joining the Audit Committee.

These individuals bring strong additional experience and skills to the Board, particularly in electronics and distribution, ensuring there continues to be an appropriate diversity of skills, experience and knowledge.

Members of the Board are assisted with their continuous professional development through a regular update from the Company Secretary on available relevant training courses. A focus this year has been particularly on the changes to the corporate governance regime brought in through the 2018 Code, and how the Board ensures it is considering the interests of all relevant stakeholders in its decisions. Presentations from senior management on particular topics (for example, the impact of the Payment Services Directive) also increases 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.



Board and employee engagement case study

In 2019 the Board appointed Karen Guerra to be its Non-Executive Director responsible for Board and employee engagement. Karen's remit in this regard is set out on page 69 of the Corporate Governance Report, together with the framework for preparation, format of the visit and for follow-up reporting and actions.

One of the visits Karen made in March 2019, the outcomes of which were actioned during 2020, was to our Australia and New Zealand (ANZ) office, just outside of Sydney. This visit coincided with the office's International Day. The office has employees who come from many different ethnic backgrounds, and an International Day is organised every year to celebrate this cultural diversity.

Against this backdrop of inclusion, Karen met with the management team in the morning and then held a town hall meeting with as many employees and members of management present as possible. Here, she introduced herself and the purpose of her visit. The town hall was followed by smaller meetings in the style of drop-ins / coffee meetings, without the presence of management, during the rest of the day.

Suggestions for enhancement of processes as well as local concerns were raised by employees and Karen brought these to the following Board meeting. These suggestions included:

- The need to clarify roles and points of contact following the move of certain functions to the centre of expertise in Foshan, China.
- Continuity of pricing policy.
- Enhancing the content of data sheets.

These points were raised with the relevant members of the SMT and their direct reports and appropriate actions were taken throughout 2020. For example, an improved method was implemented for RS PRO Shanghai to process customer feedback captured by the ANZ customer service technical team and for it to be accurately reflected in the thousands of data sheets that are produced.

All actions taken to address their suggestions have been fed back to employees by the Vice President, Australia & New Zealand and his team. We continue to engage with the business if there are actions requiring more involved solutions.

Induction

Each new Director undertakes an induction programme based on the framework set out below. The framework is then adapted according to the new Director's experience and needs. As part of the induction, new Directors are given 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. A site visit is also arranged to one of our distribution centres 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, Bessie Lee, David Sleath and Joan Wainwright each undertook a tailored induction programme following their appointment as Non-Executive Directors. Their inductions involved meeting with the Company Secretary to receive a detailed overview of their role and responsibilities as a director before having one-to-one meetings with each member of the SMT and key managers in the business. As Bessie and Joan have not had any prior exposure to the UK-listed environment, as part of their induction programme, they received further targeted training to bring them up to speed with the relevant laws and regulations in the UK.



Bessie Lee's induction

"As my first appointment to a UK-listed company, it was important for me to not only have a deeper understanding of the business but to fully comprehend the UK-listed environment in which the Company operates. The induction programme I undertook was thoughtfully structured and comprehensive, with particular focus on the UK regulatory and governance landscape. This included a face-to-face session with the Company Secretary and his team providing me with in-depth learnings around the Companies Act, Listing Principles and the Corporate Governance Code. This session provided me with the essential information to fully understand my duties as a Director and the obligations to which I must adhere."

Our induction framework



Evaluation

This year we undertook an external evaluation and appointed Constal Limited to carry out this exercise for us. This is the third time Constal has facilitated our external Board evaluation, other than that it has no other connection to the Company or any individual Director. The Board recognises the benefit of an external evaluation which it believes provides fresh insight and objectivity to its committees and Directors, enabling it to improve its leadership, effectiveness and focus.

The evaluation process

1

The Chair, the Company Secretary and Constal discussed and agreed the scope of the evaluation, reflecting on the activities undertaken and the focus of the Board during the year.

2

Constal, with the support of the Company Secretary, prepared a set of predetermined questions. This was sent to each Board member prior to their interviews. A number of questions from the previous year were also included to ensure progress could be monitored.

3

Constal analysed the responses and prepared a report of the findings identifying strengths, challenges and priorities. A number of recommendations were also included for discussion by the Board.

4

The Company Secretary presented reports of the findings and recommendations to the Board and each of the Committees. These reports were then discussed and any relevant actions were agreed for the year ahead.



This year's evaluation was conducted by individual interviews. A set of indicative questions were circulated to each Board member to frame the interview process. These questions were set to obtain views on certain key corporate governance areas, address areas of focus from the previous evaluation, as well as to gauge the Board's own effectiveness.

The indicative questions 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.

The interview process gave each Director an opportunity to discuss their thoughts more candidly: what was being done well and what needed to be improved. It also allowed the interviewer to assess which areas required further discussion. Views were also sought on the Chair, the Executive Directors, as well as the workings of the committees of the Board. As David Sleath had only been appointed SID for a period of two months at the time of the interviews, it was agreed that the views on the SID role be excluded from the evaluation.

In addition to the interviews, the Chair held one-to-one meetings with each Director covering the themes outlined above, the dynamics of the Board, and the training and development needs of the Directors, 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.



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 AGM. As illustrated on pages 62 and 63, the Board has a diverse and appropriate range of skills and experience, and works effectively in its role. The Board, following the external evaluation process, also considers each Director performs effectively and demonstrates their commitment to the role. The Board therefore recommends that they 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 separately considers the risk management and internal controls of the Group, including an annual review of their effectiveness. Further detail on these activities is set out in the Audit Committee Report on pages 81 and 82.

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 36 to 42.

Going concern and viability

The Board is responsible for assessing the Group's long-term viability and deciding 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 is set out in the Audit Committee Report on pages 76 to 82.

The Board's statements on going concern and viability can be found in the Strategic Report on pages 43 and 44.

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 86 to 101.

2020 evaluation outputs

Outputs for 2020

Succession planning

Actions for 2021

- 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.

Culture and purpose

- To ensure that the culture of the Company is more prominently brought into the Board room.
- To define a long-term strategy for the employment engagement survey, MyVoice.

Strategy

- 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.

Audit Committee



Members and attendance

Louisa Burdett (Chair)	5/5
Karen Guerra	5/5
John Pattullo ¹	2/2
Simon Pryce	5/5
David Sleath ²	4/4

1. John Pattullo stood down from the Audit Committee with effect from 1 September 2019.
2. David Sleath was appointed to the Audit Committee with effect from 1 June 2019.

2020 highlights

- Ensuring the efficient conclusion of the year-end audit process in light of COVID-19 and that the Group's risk and internal control frameworks remained appropriately robust to deal with its impacts
- Assessed the control environment in shared business services in China, particularly for the new and expanding use of automated processes and artificial intelligence
- Accounting changes, in particular IFRS 16
- Continued focus on the Group's information security, data protection and payment card processing compliance

2021 priorities

- Ensure the Group maintains robust processes throughout the COVID-19 crisis
- Further drive the Group's information security strategy
- Continued risk assurance on significant post-investment capital expenditure reviews

Committee responsibilities

- Monitoring the integrity of financial statements and announcements
- Reviewing the Group's internal financial controls and internal control and risk management systems
- Monitoring the Internal Audit function
- Managing the external Auditor

Dear shareholder

As Chair of the Audit Committee, I am pleased to present the Committee's Report for the year ended 31 March 2020.

The Committee undertakes a key role in the Company's governance framework. Its purpose is to provide oversight of the Group's financial reporting processes and internal control framework as well as acting as a source of independent challenge to management. It also oversees the effectiveness and independence of our external Auditor, PricewaterhouseCoopers LLP (PwC). This Report sets out the role and responsibilities of the Committee, as well as the work that it has undertaken during the course of the year.

During the year the composition of the Committee underwent two changes. First, David Sleath joined the Committee on 1 June 2019 following his appointment as a Non-Executive Director. I would like to thank David for his work to date and I look forward to his continued and much-valued contributions to the Committee.

Second, John Pattullo stepped down from the Committee on 1 September 2019, having stepped down from the Board on that date. I would like to thank John for his valuable contributions to the Committee's work throughout his tenure and wish him the best for the future.

Specific focus during the year

A fundamental part of the Committee's work this year has been the focus on ensuring that the Group's robust internal controls and risk mitigation frameworks have continued to operate effectively in light of the COVID-19 pandemic, as well as overseeing the work that management and the external Auditor have undertaken together to complete an effective audit of the Group's year-end results. This oversight by the Committee has been all the more important in circumstances that have meant the majority of the statutory audit and recent internal operational audit reviews have had to be undertaken remotely. The Committee has taken the utmost care when carrying out detailed reviews of year-end disclosures in relation to COVID-19 throughout the Annual Report and Accounts and, in particular, the additional complex scenarios and stress testing that have had to be put in place to be able to prepare the viability statement, as set out on pages 43 and 44.

As well as dealing with the impact of COVID-19, the Committee also received a number of updates and progress reports to help in its work in supporting the Board. The Committee received updates on shared business services and automation. These updates included actions and progress following operational audits of the centre of expertise (COE) in Foshan, China, the expansion of the EMEA Customer Services COE, and the automation programme and strategy together with its associated governance processes.

Following British Steel Limited entering compulsory liquidation, the Committee reviewed the impact on the Group's results and the actions taken by IESA to minimise this impact. It discussed proposed refinements to IESA's processes to manage and mitigate the impact of the risk of its clients failing in the future.

As a result of the Group's strategic investments in electronics inventory, the Committee considered the methodology used to estimate the net realisable value of inventories and, after careful review, agreed to the methodology being updated.

The Committee was kept up to date on the impact of the new accounting standard IFRS 16 'Leases' and the progress of the project to choose and implement a system to manage and account for leases on an ongoing basis.

During the year, the Committee continued its focus on the Group's information security strategy, in particular how the Group was approaching the delivery and prioritisation of compliance and risk-related changes. It discussed payment card processing risk and received a report from the Data Protection Officer who had been appointed during the year.

The Committee was also updated on a crisis management exercise undertaken by the Senior Management Team (SMT) and facilitated by an external provider. The exercise was designed to ensure that the Company's crisis plan is fit for purpose, and I am pleased to report that the findings were positive.

Further details of the Committee's work during the year can be found within this Audit Committee Report.

On behalf of the Committee, I would like to thank everyone for their time and contributions over the past year, including our internal audit and finance teams and PwC, in particular Sandeep Dhillon who took over from Chris Richmond as our new Senior Statutory Audit Partner after the completion of last year's audit. This has been especially appreciated given the challenges raised by COVID-19.

Louisa Burdett

Chair of the Audit Committee
1 June 2020

Composition of the Committee

The composition of the Committee underwent two changes this year: on 1 June 2019 when David Sleath was appointed as a member of the Committee; and on 1 September 2019 when John Pattullo stood down from the Committee. Further information about David's roles and commitments are set out on page 62 of the Corporate Governance Report and pages 83 to 85 of the Nomination Committee Report.

The Board is satisfied that the Chair of the Audit Committee continues to have current and relevant financial and accounting experience required by the provisions of the UK Corporate Governance Code 2018 (2018 Code) and that the other members of the Committee have a sufficiently wide range of business experience, expertise and competence such that the Committee can effectively fulfil its responsibilities. Details of the skills and experience of the Committee members are given in their biographies on pages 62 and 63.

Meetings of the Committee are generally scheduled to take place four times a year in accordance with the financial and reporting cycles of the Company and are generally held prior to Board meetings to ensure effectiveness of the collaboration with the Board. This year, an additional ad hoc Committee meeting was held bringing the total number of meetings during the year to five. Members and their attendance at meetings during the year are set out on page 76.

Attendance of other individuals at the Committee's meetings is at the invitation of the Committee Chair and does not restrict the Committee's independent decision-making. Regular attendees include 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), 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 Officer also attends to provide regular progress updates against the Group's information security strategy. The newly appointed Data Protection Officer started to attend meetings during the year and will continue to give regular updates to the Committee on data protection matters.

The Committee has independent access to the internal audit team and to the external Auditor. 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 of each meeting.

Activities during the year

While the 2018 Code was refreshed in July 2018, the main functions of the Committee have not especially changed from previous years. The following activities remain our key focus:

- Assisting the Board in ensuring the integrity of the financial and corporate reporting and auditing processes.
- Ensuring effective internal control and risk management systems are in place.
- Measuring the Group's effectiveness in managing risk.
- Assisting the Board to present a fair, balanced and understandable assessment of the Group's position and prospects in the full-year and half-year financial reports.
- 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.
- 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 fees.
- Monitoring progress on the implementation of the information security strategy to mitigate one of the Group's major risks.
- Reviewing the scope and effectiveness of the external audit process.
- Reviewing whistleblowing and fraud procedures.

The main activities of the Committee during the course of the year are set out on the following pages and further information can 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. It considers the principal accounting policies used when preparing these results as well as reviewing the significant accounting issues and areas of judgements made as noted on page 79. To support the Committee's work in this regard, it receives regular reports from the CFO and the Group Financial Controller.

As part of its role, the Committee provides advice to the Board as to whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and whether the assessment of the Group's going concern assumptions and longer-term viability are reasonable.

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.

The Committee continued to apply its robust approach when assessing whether it can recommend to the Board that it can make this confirmation. This approach included:

- Ensuring that there was a thorough understanding of the regulatory requirements for the Annual Report and Accounts.
- Reviewing draft copies of the Annual Report and Accounts early in the drafting process to assess the broad direction and key messages, with a further draft 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, including the cascaded sign-off across the Group to determine the accuracy, consistency and clarity of the data, information and language.
- Ensuring that a thorough review of the Annual Report and Accounts was undertaken by all appropriate parties including external advisors.

The use and disclosure of alternative performance measures were also considered by the Committee as part of this process and it confirmed its belief that separate disclosure of these measures enables readers of the Annual Report and Accounts to understand more clearly the underlying financial and operating performance of the Group. Further details on alternative performance measures including their definitions and reconciliations are set out in Note 3 on pages 119 to 123. The Committee reviewed the costs associated with the conclusion of the second phase of the Performance Improvement Plan and agreed that they continued to amount to substantial reorganisation costs which are excluded from adjusted measures and with their disclosure in Note 7 on page 125. It also reviewed the impact and disclosure in Notes 19 and 23 on pages 138 and 144 respectively of the receivables written off due to British Steel Limited entering compulsory liquidation on 22 May 2019 and agreed that these amounted to substantial one-off asset write-downs which are excluded from adjusted measures.

The Committee has reviewed the Annual Report and Accounts for the year ended 31 March 2020 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. It believes the Annual Report and Accounts includes sufficient disclosure of the impact and expected impact of the COVID-19 pandemic.

Significant accounting issues and areas of judgement

When preparing the Group accounts, there are a number of areas which require management to exercise judgement. The Committee focuses in particular on any significant areas of judgement that may materially impact reported results, as well as the clarity and transparency of related disclosures. The Committee assesses whether these judgements are reasonable and appropriate.

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

Significant accounting issues and areas of judgement	How the Committee addressed these matters and conclusions reached
Inventories valuation Inventories represent a material proportion of the Group's net assets. At 31 March 2020, the Group had £419.0 million (2019: £387.2 million) of inventories on the balance sheet. Key judgements are made in estimating the net realisable value of inventories. See Note 18 on page 138.	The Group estimates the net realisable value of inventories in order to determine the value of any provision required. As a result of the Group's strategic investments in electronics inventory, the methodology used to estimate the net realisable value of inventories was updated during the year in order for it to continue to reflect commercial reality. The overall effect on the estimation of net realisable value as a result of these investments and updating the methodology was not material. The Committee reviewed the updated methodology and, after discussion with management and the external Auditor, agreed it would better reflect commercial reality. In the estimation of net realisable value, key judgements 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 latest review was presented to the Committee and it reviewed and agreed the reasonableness of the assumptions. It agreed that the COVID-19 pandemic is currently not expected to have a material impact on the net realisable value of inventories. In order to reach these conclusions, the Committee also discussed with senior managers the inventory management process and the improvements made during the year.
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 2020, the total net deficit in relation to these retirement benefit obligations was £55.8 million (2019: £83.6 million), of which the UK was £43.3 million (2019: £69.4 million). Key judgements are made in relation to the assumptions used when valuing the retirement benefit obligations. See Note 10 on pages 128 to 132.	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 and Group Pension Manager 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.
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. Key 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 2020 (2019: £7.8 million). See Note 11 on pages 132 to 134.	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 the full year and relevant disclosures, and discusses the position with senior managers as well as the external Auditor. It also reviewed the adoption of IFRIC 23 'Uncertainty over Income Tax Treatments' in the year and its impact on the Group's taxation provision. The Committee agreed the reasonableness of the tax provision and that the disclosures were reasonable and appropriate.
Impairment of goodwill and other assets There is £241.1 million of goodwill on the balance sheet at 31 March 2020 (2019: £231.2 million), the majority of which relates to the acquisition of Allied Electronics, Inc. in July 1999. Key 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 135 and 136. The Committee reviews these impairment tests every year, including the key assumptions. The Committee also reviewed the updated impairment tests which take into consideration the possible impact of the COVID-19 pandemic. 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 key assumptions, confirming that the valuation is reasonable. The Committee also reviewed and agreed with management's assessment that there should be an impairment allowance and subsequent write off of £7.3 million for receivables still outstanding relating to transactions with British Steel Limited before it entered compulsory liquidation. The Committee also reviewed and agreed with the additional trade receivable impairment allowance described in Note 23 on pages 142 to 146 due to the COVID-19 pandemic.

Going concern and viability statements

As part of the Committee's responsibility to provide advice to the Board, the Committee reviewed the Group's going concern assumptions and reviewed and challenged the process and assessment of the Group's longer-term viability. For the viability statement, this included reviewing the assessment period selected as well as the assumptions used in the stress testing performed, which was based on plausible scenarios arising from selected principal risks. The Committee also reviewed the additional scenarios and reverse stress tests performed to assess the impact of the COVID-19 pandemic on the viability of the Group. Details of these statements are noted on pages 43 and 44 of the Strategic Report.

Other matters

The Committee also carried out a range of other activities in relation to financial reporting in the year, including:

- Receiving reports on the progress of the Group's implementation project for IFRS 16 'Leases' at every meeting from November 2017 to November 2019. It reviewed and discussed the progress of the project and agreed with the impact assessments included in these reports.
- Reviewing the progress of the project to choose and implement a system to manage and account for leases under IFRS 16 on an ongoing basis which was completed during the year.
- Reviewing the impact of other 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.

Internal control and risk management

The Board is responsible for the Group's systems of internal control and risk management, and their effectiveness is detailed in the Corporate Governance Report on page 75, together with the going concern and viability statements on pages 43 and 44.

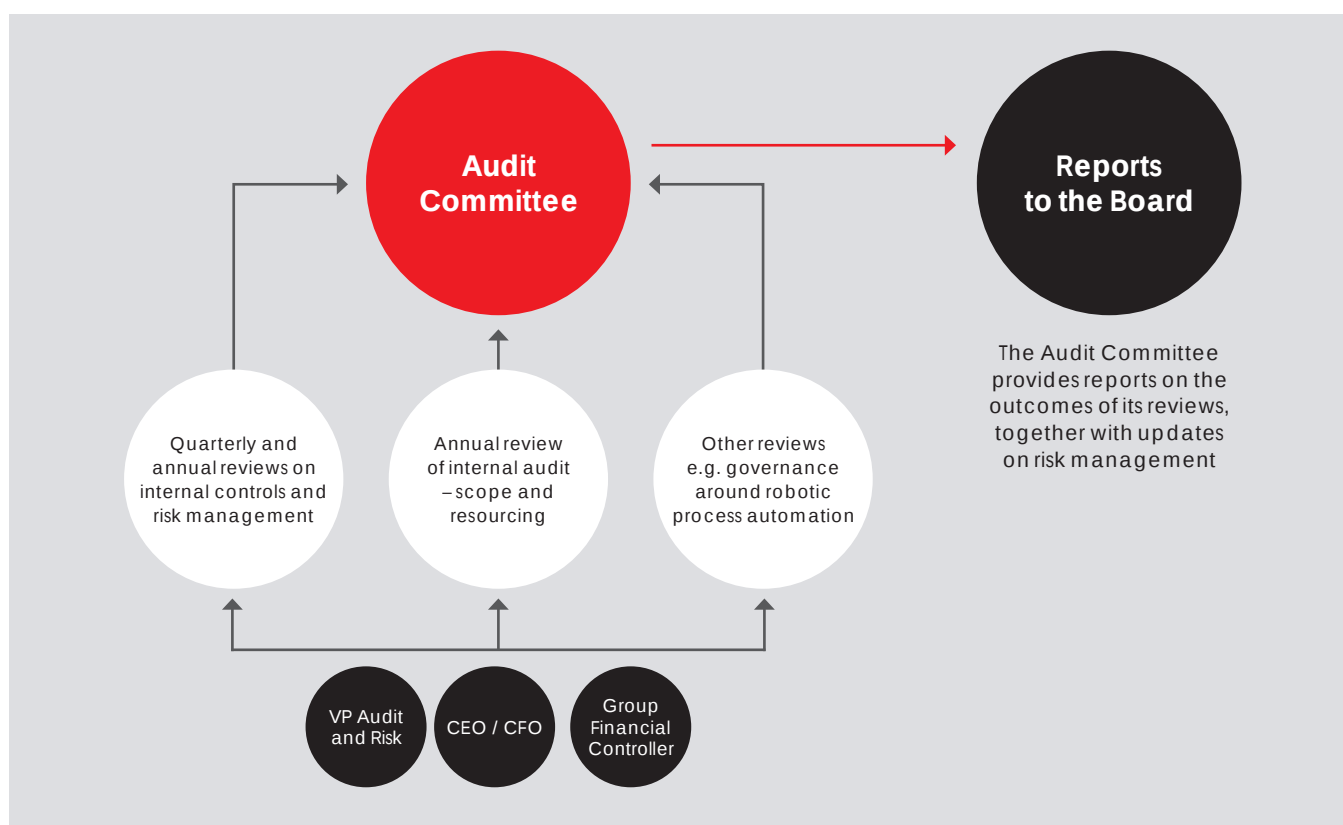
The Committee receives quarterly reports from the VP Audit and Risk on the performance of the Group's system of internal control and its effectiveness in managing our principal risks and in identifying control failings or weaknesses. These reports and their findings are carefully considered by the Committee, with special attention paid to those reports which cover delivery of the Group's key strategic objectives or that indicate improvement is required in any given process or control.

The Committee reviews the Group's risk management process annually, as required by the 2018 Code, the Financial Reporting Council (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, and their outcomes are shared with the Board. These, together with the regular updates to the Board on the Group's principal risks, allowed the Board to assess the systems of internal control and the residual risk for the purposes of making its public statement within this Annual Report and Accounts. Further information regarding the Group's principal risks and uncertainties is given on pages 36 to 44 of the Strategic Report.

The effectiveness of the business's operational controls in the current COVID-19 trading environment are being reviewed by the Group's internal audit team. This is on a risk-based approach (by business function and market) with reporting, as normal, to the relevant management teams and to the Committee.

Where weaknesses in the internal control system have been identified, plans for strengthening them are put in place and regularly monitored. The Committee is pleased to report that there were no significant control failings or weaknesses identified during the year.

Audit Committee reviews of internal control and risk management



Internal financial controls

Internal financial controls are the systems employed by the Group to support the Directors in discharging their responsibilities for financial matters. Those responsibilities are noted on page 104.

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 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.

Internal audit

The work of the internal audit function spans the whole Group 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. This plan has been recently updated to focus on the changed roles and business practices as a result of COVID-19.

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 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 work overseeing the enhancement of the Group's information security strategy together with updates on data protection and card processing compliance. This included receiving reports on the Group's Payment Card Industry (PCI) compliance workstream in relation to PCI Data Security Standards, the technical and operational requirements set by the PCI Security Standards Council to protect cardholder data.

The Committee also received its first report on the Company's Data Protection Compliance programme from the Company's newly appointed Data Protection Officer. It is anticipated that these reports will be presented to the Committee twice a year, with additional reports as required.

During 2020, the Committee was updated on the results of a crisis management exercise which was carried out in the latter half of 2019 by our SMT and facilitated by an external provider. This was the third such exercise that the team has undertaken in the last few years, with the objective being to ensure that the Company's crisis plan was fit for purpose. The conclusion was that the exercise did meet its objective and the results were shared with the Committee.

Following British Steel Limited entering compulsory liquidation, the Committee received a report from IESA's management detailing the actions taken to minimise the financial impact of this on the Group's results. The Committee discussed the improvements being made to IESA's processes and procedures to reduce the impact of any new or existing customers failing in the future.

Auditor

Effectiveness and independence

The Committee is responsible for reviewing the performance and effectiveness of the external Auditor.

This review is undertaken annually and covers qualification, expertise, resources and appointment as well as ensuring that there are no issues which could adversely affect the external Auditor's independence and objectivity. It also considers the robustness of the audit activity itself, the quality of delivery and feedback received from senior managers across the Group.

The Committee assesses how well the external Auditor, PwC, has exercised professional scepticism and whether it has provided an appropriate degree of constructive challenge to management. As part of risk evaluation planning, the Committee also considers the risk of PwC withdrawing from the market.

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 meetings. They provided the Committee with information and PwC's conclusions on the Group's key accounting judgements, internal control processes, Annual Report and Accounts and half-year report.

Having given careful consideration to the above requirements and the performance of PwC, the Committee concluded that it would recommend to the Board that PwC be reappointed as external Auditor. The Board accepted the Committee's recommendation and agreed that a resolution be put to shareholders to reappoint PwC at the forthcoming Annual General Meeting.

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. The Committee also confirms that, as in other years, the Group does not engage PwC to undertake any work that could threaten this independence.

The Committee is satisfied 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 report continued

Tender and rotation

PwC was appointed as the Group's external Auditor following an external tender process carried out in 2014. It is our intention to retender the audit at the latest in 2024 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 keep this under review. Shareholders should rest assured that, in their best interests, the tender process will be conducted at the most conducive time. There are no contractual obligations that restrict the Committee's choice of external Auditor.

Sandeep Dhillon took over from Chris Richmond as Senior Statutory Audit Partner after the completion of last year's audit. Sandeep is due for rotation after the 2024 audit.

Non-audit assignments undertaken by the Auditor

To safeguard the independence of the external 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 the policy, the Committee has taken 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.

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 reviewed by the Committee during the year and no changes were required.

During the year under review the non-audit fees for PwC were £3,000 compared to audit fees of £1.7 million. Further information on fees payable to PwC are included in Note 5 on page 124.

The Committee is satisfied that the external Auditor complies with both the 2018 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, in accordance with the 2018 Code, the Board underwent an externally facilitated evaluation. As part of this process, the activities of the Committee were also reviewed. The external evaluation concluded that members were happy with how the Committee works, and that the Chair had continued to perform well in her role, with much praise for her organisation, agenda setting and chairing.

Further details of the evaluation process can be found in the Corporate Governance Report on pages 74 and 75.

Fraud

The Committee is also responsible for reviewing the procedures for the prevention and detection of fraud in the Group. 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 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. An external third party operates the reporting tools, except in Germany where local regulations prohibit this and an in-house alternative has been set up. 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 are available in the corporate governance section on the corporate website [electrocomponents.com](https://www.electrocomponents.com).

Nomination Committee



Members and attendance

David Sleath (Chair) ¹	4/4
Bertrand Bodson	4/4
Louisa Burdett	4/4
Karen Guerra ²	3/4
Peter Johnson	4/4
Bessie Lee	4/4
John Pattullo ³	1/1
Simon Pryce	4/4
Joan Wainwright ⁴	2/2

1. David Sleath was appointed to the Committee on 1 June 2019 and subsequently Chair of the Committee on 13 December 2019.
2. Karen Guerra was unable to join one meeting due to a scheduled conflict.
3. John Pattullo stood down from the Nomination Committee with effect from 1 September 2019.
4. Joan Wainwright was appointed to the Committee on 1 November 2019.

2020 highlights

- Board refresh
- Enhanced Non-Executive Director induction process
- Diversity and inclusion (D&I)

2021 priorities

- Identify a suitable candidate to succeed Peter Johnson as Chair of the Board
- Internal Board and committee evaluation
- Embedding and continuing to support the Group's work on its D&I policy

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

Dear fellow shareholder

I am pleased to present my first report as Chair of the Nomination Committee since being appointed to that role in December 2019.

During the year, we saw several changes to the Committee. Peter Johnson stood down as Chair of the Committee in December 2019 as he reached the ninth anniversary of his appointment to the Board. Peter remains a member of the Committee and I look forward to continued collaboration with him.

In September 2019, John Pattullo stood down from the Board and therefore also stood down from his role on the Committee. I would like to thank John for his contribution to the Committee during his tenure and wish him all the best for the future.

In 2019, the Committee identified the need to appoint two new Non-Executive Directors: one who had experience in China, and another who could succeed John as SID. The subsequent searches led to the appointments of Bessie Lee and myself in March 2019 and June 2019 respectively. The Committee also managed the appointment of Joan Wainwright as a Non-Executive Director. Joan brings a wealth of experience of the distribution industry. Like myself, both Bessie and Joan became members of the Committee on their appointment.

As well as reviewing candidates and recommending the above appointments to the Board, the Committee's work during the year also included receiving and considering updates on succession planning for the Group's Senior Management Team (SMT) and the Group's Future Shapers programme (our global early career talent development programme). Further details on this work are set out in this Report.

The Committee's focus for next year will centre on finding a suitable successor to Peter as Chair of the Board and drawing up effective induction and training plans for embedding the selected candidate.

I would like to thank my fellow Committee members for their work during what has been a very busy year.

David Sleath

Chair of the Nomination Committee
1 June 2020

Nomination Committee report continued

Composition of the Committee

The Committee is comprised entirely of Non-Executive Directors and the Board is satisfied that, with the exception of Peter Johnson, the Non-Executive Directors are completely independent. Peter reached his nine-year tenure in October 2019, but the Board believes Peter should remain a member of both the Board and the Committee in order to ensure a smooth transition of the role of Chair to a new incumbent once appointed. Details of the skills and experience of the Committee members are given in their biographies on pages 62 and 63.

Activities during the year

Non-Executive succession planning and diversity	In light of the 2018 UK Corporate Governance Code's (2018 Code) position on chair tenure, the Committee confirmed its current approach to succession planning for Peter Johnson as Chair of the Board. Following consultations with major shareholders, it was agreed for Peter to remain as Chair until around the middle of the calendar year 2021 to ensure that David Sleath had time to settle in as the new SID and to oversee a smooth transition of Peter's responsibilities to the new Chair, once appointed.
Executive succession planning	The Committee reviewed executive succession and development plans for internal successors to the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO).
Senior management succession planning	The Committee received updates on the performance of direct reports to the CEO and other senior hires across the business as well as progress on the Group's Future Shapers programme.

Board membership

Following their appointments to the Board, both Bessie Lee and David Sleath were fully inducted into the business this year. Details of the induction framework are set out on page 73.

David also took on the role of SID following John Pattullo's resignation from the Board on 1 September 2019, having been identified as the most appropriate Non-Executive Director to do so.

Early in 2019, the Committee had identified the need for a Board member with significant distribution experience, a skill missing from the overall Board composition. The Committee pursued its search for such an individual during the year and looked for candidates with experience in distribution and customer dynamics. The search culminated in the recommendation and appointment of Joan Wainwright, who was appointed to the Board as a Non-Executive Director in November 2019.

An external search firm was not engaged to find Joan as she was already well known in the distribution sector given her roles at TE Connectivity as President, Channel & Customer Experience, and at Merck as Vice President of Public Affairs. She was therefore approached directly to gauge whether she might be interested in joining the Board. The Committee recognises that this is a deviation from its normal practice of engaging external consultants, which is its usual method for selecting candidates. However, Joan was subject to rigorous interviews and meetings with all members of the Committee and the Board as a whole, in order to test her knowledge, skills and overall suitability before the Committee was prepared to recommend her appointment to the Board.

Joan's experience and skill set cover extensive distribution experience as well as strong insight into the customer dynamics in the US, having previously worked at TE Connectivity for 13 years. During her time there, she built their Global Channel business, which generates US\$2 billion in annual sales through nearly 250 distributors around the world serving approximately 400,000 TE customers. Furthermore, Joan created TE's Customer Experience programme that resulted in five years of continuous improvement and a 20-point increase in its Net Promoter Score, plus a 25% improvement in Customer Effort Score in just over a year. These were the type of credentials which the Committee was searching for and both the Committee and the Board were fully satisfied that Joan would be an excellent addition to the Board.

Chair tenure

Peter Johnson was appointed to the Board as Chair in October 2010. Since his appointment, Peter has overseen the appointment of our current Executive Directors and driven the shape of our Board that we see today. The business transformation programme is still in progress while we work through our journey to Destination 2025. We therefore wish for a careful and phased transition between Peter and his successor to help sustain our business momentum. The Committee believes that Peter continues to act and perform effectively as Chair. For these reasons, while mindful of the 2018 Code position, the Committee believes that it is in the best interest of the Company that Peter remain as Chair of the Board for an extended period with a view that Peter steps down in or around mid calendar year 2021.

Succession planning

The Committee continues to keep its focus on size and composition of the Board and its Committees including whether the increase in size following the recent appointments remains appropriate given the nature and scale of the business.

In the next financial year, the Committee will be focusing heavily on finding a suitable successor to Peter Johnson as Chair of the Board. After a review of search firms carried out in the year, it was agreed that Russell Reynolds would be used for the search process for potential chair candidates. The Committee will also ensure a robust and detailed induction process is in place to promote the smooth transition from Peter to his successor.

Senior Management Team

As part of its ongoing work to identify and recommend potential internal successors to the CEO and the CFO, the Committee received updates on the performance and development of emerging talent further along the pipeline. The Committee will continue to review the succession pipeline, including potential successors to Lindsley Ruth, as well as review contingencies for any unexpected departures at the senior management level.

The Committee also received updates during the year on the Group's Future Shapers programme. This global programme involves identifying and investing in people who are early in their career and who have the potential and the desire to be critical to the business's future success. Most of those undertaking the programme are expected to have an accelerated career trajectory as a result and to be moving into a bigger role in the Group. Further details on this initiative can be found on page 51.

Stakeholder engagement

The Committee had previously agreed that in order to best facilitate Board engagement with the Group's employees, Karen Guerra would undertake the opportunity to meet with employees around the business and provide the Board with her findings. These were to include issues raised by employees, what employees would like to see more of and what employees would like to see changed or further developed. During the year, a framework for how to do this in a manner that was best suited to the business was developed and can be found on page 69 of the Corporate Governance Report. A case study describing one of Karen's visits can be found on page 72.

Committee evaluation

This year's Board evaluation was externally facilitated by Bernice Dunsmuir at Constal Limited. Under the 2018 Code, Board evaluations are owned by the Nomination Committee. Given the changes during the year to the Chair of the Committee, the Committee composition as a whole and the change in SID, the evaluation was carried out under the remit of the Board and excluded an evaluation of David Sleath. Results of the evaluation are set out in the Corporate Governance Report on pages 74 and 75.

The results of the Committee's evaluation showed that the Committee needs to keep the size of the Board in mind going forward, but that Board members were very satisfied with its work. They were highly supportive of David Sleath handling the search for a new Chair of the Board, expressing confidence that he would manage the transition well.

Diversity and inclusion

The Committee maintains its Policy Statement emphasising its adherence to the Group Diversity Policy in considering succession planning and recruitment at Board level. The Committee believes that it is in the Company's best interests to maintain and encourage diversity in its broadest sense at Board level. Therefore recruitment consultants are expected to have wide search parameters so that a diverse range of candidates for any Board position may be considered, including with regard to gender, ethnicity, social and educational background. The Committee is pleased to note that, following the appointments of Joan and Bessie to the Board, 40% of its members are female.

The Committee is also responsible for ensuring proper succession planning below Board level, in particular the senior management pipeline. It is therefore important that D&I is embedded throughout the Group. To actively ensure this is the case, the Company has been developing a Group-wide D&I strategy that aligns with its business strategy and is designed to increase momentum and make a step change impact on the Group's people and culture. This strategy is fully aligned with the corporate responsibility strategy set out on pages 45 to 57, together with the five strategic priorities which underpin all of the Group's D&I activity and guide both the approach and how success is determined.

Terms of appointment

Executive Directors have one-year rolling contracts. Non-Executive Directors do not have service contracts but instead have a letter of appointment which sets out expected time commitments. Such time commitments can involve peaks of activity at particular times.

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 100.

Non-Executive Directors are normally expected to serve for six years on the proviso that they maintain independence, can honour their time commitments and meaningfully contribute to the Board's discussions and its activities. They may be invited to serve longer, with any extension being on an annual basis, but this would be subject to rigorous review by, and the recommendation of, the Committee as well as at the discretion of the Board. Service beyond nine years is considered on a purely exceptional basis and if such extension can be proven to be in the best interests of both the Board and the Company, and to assist in any necessary succession planning.

Karen Guerra has served on the Board for seven years. In light of her continued independence and commitment to the role, the Committee has recommended that her term of service be extended in accordance with her letter of appointment. Karen will therefore be standing for re-election at the 2020 AGM and will step down from the Board at the end of the calendar year.

The 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.

Remuneration Committee



Members and attendance

Simon Pryce (Chair)	4/4
Louisa Burdett	4/4
Karen Guerra	4/4
John Pattullo ¹	2/2
David Sleath ²	3/3

1. John Pattullo stood down from the Remuneration Committee with effect from 1 September 2019.
2. David Sleath joined the Remuneration Committee with effect from 1 June 2019.

2020 highlights

- Review of Executive Directors and the Senior Management Team (SMT) remuneration in light of COVID-19 pandemic, including delivering the 2020 annual bonus in deferred shares
- Implementation of new Remuneration Policy
- Implementation of revised approach to the Long Term Incentive Plan (LTIP)
- Agreed reduction in Executive Director pension provision for 2021 from 20% to 18% of salary

2021 priorities

- Continue to ensure that the Company has a measured response to remuneration in light of the COVID-19 crisis
- Continue to monitor governance developments in light of the UK Corporate Governance Code 2018 (2018 Code)

- Ensure management continues to be incentivised to deliver stretch performance against the agreed corporate strategy

Committee responsibilities

- Maintaining a strong link between shareholder return and executive reward
- Keeping the Directors' Remuneration Policy fit for purpose and aligned with business strategy
- Approving reward outcomes for the Executive Directors and the SMT
- Oversight of key reward matters including Chief Executive Officer (CEO) pay ratio and reward to general employees globally

Dear fellow shareholder

On behalf of the Remuneration Committee, I am pleased to present the Remuneration Report for 2020.

This is the first year that we are reporting under the 2018 Code. It was also the first year of operation under the Remuneration Policy approved by shareholders at our 2019 Annual General Meeting (AGM). A summary of the Policy is set out on pages 88 to 91.

It has been a busy year for the Committee, particularly towards the end of 2020, as we have had to consider remuneration outcomes for 2020 and structures, measures and targets for 2021 against the volatile, opaque and unprecedented trading environment created by government mandated actions to address the COVID-19 pandemic. In our deliberations we have reviewed formulaic incentive scheme outcomes against performance in its broadest sense, and how actions being taken to manage the business in the short term are impacting our wider stakeholders. The way we have chosen to address these matters is set out in more detail here and later in this Report.

Committee changes

There were two changes to the Committee during the year. John Pattullo stepped down from the Committee on 1 September 2019, having stepped down from the Board on that date. I would like to thank John for all that he has done for the Company in his previous role as Chair of this Committee and his most valuable input over the past year. I wish him well for the future.

On 1 June 2019, David Sleath joined as a member of the Committee and is already making a positive contribution to our deliberations.

Performance during the year

In 2020, we saw a year of continued progress for the Group, increasing our market share and revenue growth whilst also making significant investment in the Group's strategic initiatives. This meant that when we entered the macroeconomic downturn triggered by COVID-19, we did so from a strong financial position. Whilst we delivered a strong relative performance throughout the year, COVID-19 did have an adverse impact on trading at the end of the year. Further information about progress against our strategic priorities are set out in the Strategic Report on pages 13 to 15.

2020 remuneration outcomes

In terms of reward, the Committee assessed business performance in its broadest sense throughout the entire financial year against targets, relative to markets and competitors and to results delivered for all the Company's stakeholders. Against that background it considered if formulaic reward outcomes were balanced, equitable and proportionate and whether or not it was appropriate to exercise any discretion.

For the annual bonus, the Committee determined that 21.7% of the maximum opportunity should be awarded to Executive Directors based on performance against the targets. Full details of the annual bonus targets and performance are disclosed on page 95. The Committee reflected on the bonus outcome in the context of the impact of COVID-19 and decided to proceed with applying the bonus to eligible employees throughout the Group to recognise the hard work of those employees and management teams across the whole financial year, including the 10 months preceding COVID-19 and achieving the strong position in which the Company found itself as we entered this unprecedented period. Providing a bonus also recognises their huge efforts to keep both our business and our customers, suppliers, critical businesses and the public sector supported throughout the pandemic.

However, the Committee made two additional determinations in respect of the delivery of the bonus for the Executive Directors. First, their award will be paid fully in deferred shares (rather than one-third shares / two-thirds cash) which will vest after two years thus reducing cash outlays for the organisation and further increasing long-term alignment with shareholders. Second, in recognition of the deferred final dividend for the year ended 31 March 2020 (discussed further on page 33), the vesting of this award will be conditional on the Company making a suitably equivalent distribution to shareholders in the future.

The 2017 LTIP exceeded maximum performance on the return on capital employed (ROCE) and adjusted earnings per share (EPS) performance conditions, as well as the adjusted EPS multiplier, and above threshold on total shareholder return (TSR). Therefore 91.3% of the maximum award will vest. Given the strong performance by the business under Lindsley's leadership for the past three years, including adjusted EPS growth of 79.5% over the performance period, to deliver further shareholder value growth, the Committee felt it remained appropriate to vest the award in full rather than apply discretion to reduce the level. Further details regarding the performance targets and how they were met are given on page 95.

Remuneration for interim CEO role during the year

As explained on page 60 of the Chair's letter, for a three month period commencing in November 2019, David Egan, Chief Financial Officer (CFO), fulfilled the role of interim CEO in addition to his role as CFO. During this period, David led the SMT to successfully drive the business forward.

To reflect the performance of these additional CEO duties and responsibilities, the Committee increased David's base remuneration. The total uplift in respect of this period was £60,000.

In the context of the Company's prudent approach to cash management in response to the ongoing COVID-19 pandemic, the Committee determined that it would be preferable for this value to be delivered to David in the form of shares, rather than as cash. Further information is included in the single figure for total remuneration reported on page 94.

Remuneration approach for the year ended 31 March 2021

Given the situation with COVID-19, the Committee agreed there will be no increases to base pay for the Executive Directors and SMT at this time.

Bearing in mind the unprecedented market and trading uncertainty, which prevents setting fair and robust full year targets at this point, the Committee has decided that the 2021 bonus will be based on targets for each half of the financial year. The performance measures for the first half will be like-for-like Group revenue growth, adjusted profit before tax (PBT), adjusted free cash flow and Group Net Promoter Score (NPS) (all equally weighted).

We will continue to set stretching performance targets which drive performance for shareholders, which will be appropriately disclosed in next year's Directors' Remuneration Report, and the Committee retains the discretion within our Policy to adjust the overall bonus outcome to ensure alignment of pay with performance and fairness to shareholders and participants.

Given the complex challenges of COVID-19 we will be deferring the grant of the LTIP award until later in the year to ensure that the targets set are sufficiently robust and stretching. Full details of the awards to the Executive Directors, together with their associated targets, will be disclosed at the time of grant.

Executive Directors' pensions

As noted in last year's Directors' Remuneration Report, the Committee recognises our shareholders' expectations with regards to aligning Executive Directors' pensions with the wider workforce. Whilst needing to recognise that a 20% pension contribution is a contractual entitlement of the CEO and CFO, with their support it is our intention to reduce this to that of the broader workforce over time. We do not intend to specify a period over which this will be achieved but the Committee will continue to monitor emerging policy and practice in this area. However, for 2021 Executive Directors' pension entitlement will be reduced by 2 percentage points to 18% of salary.

Finally, and in compliance with the 2018 Code, the Board and its Committees underwent an external evaluation this year. Overall, the findings for the Remuneration Committee were very positive and further details can be found within this Report.

In the meantime, the Committee will continue to maintain a dialogue with shareholders and keep market practice and governance developments under review.

Simon Pryce

Chair of the Remuneration Committee
1 June 2020

Directors' remuneration policy

The 2019 Remuneration Policy was approved at the AGM held on 17 July 2019 and has applied from that date. How we have applied the 2019 Remuneration Policy is set out on pages 93 and 94. A summary of changes between the 2016 Remuneration Policy and the 2019 Remuneration Policy is set out below.

	2016 Policy	2019 Policy
LTIP – maximum award opportunities	CEO: 225% of salary (including multiplier) CFO: 187.5% of salary (including multiplier)	CEO: 250% of salary CFO: 210% of salary
LTIP – performance measures	Base award 50% – EPS growth 25% – Relative TSR 25% – ROCE Multiplier Up to 1.5x – EPS growth	50% – EPS growth 50% – Relative TSR Underpin – ROCE
LTIP – EPS growth targets	2018 award Maximum (including multiplier): 119p Threshold: 98p	2019 award Maximum: 150p Threshold: 124p
LTIP – relative TSR peer group	35 UK listed companies within the following lists in the FTSE All Share Index: • Industrial Suppliers / Industrial Machinery • Electrical Components & Equipment • Electronic Equipment	Bespoke group of 16 international listed peers from industrial and electronics segments
LTIP – ROCE underpin	N/A	Underpin set at an average of 20% over the performance period. If underpin not met, the Remuneration Committee will review the formulaic level of vesting and has discretion to reduce vesting to reflect performance delivered
Share ownership guidelines	CEO – 200% of salary CFO – 100% of salary 50% of vested shares must be retained until guideline met	CEO – 250% of salary CFO – 210% of salary Guidelines are in line with the maximum LTIP award under policy 50% of vested shares must be retained until guideline met.
Post-employment shareholdings	N/A	Unvested LTIP awards will continue to the normal vesting date (subject to leaver status) Once LTIP awards vest, the two-year holding period will continue to apply post-employment
Pension	20% allowance	Reduce allowance for new hires to 10.5% in line with the UK workforce Retain current approach for incumbent Executive Directors

Directors' Remuneration Policy

A summary of the 2019 Remuneration Policy for our Executive Directors is reproduced below for information only. 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	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% 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.
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.

Directors' remuneration report continued

Component: Annual bonus continued	
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: • Revenue growth • Adjusted profit before tax (PBT) • Cash flow • Net Promoter Score (NPS) 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.
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	A conditional award of shares (Award) may be made annually under the Company's LTIP. 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. There will be a further holding period of two years following vesting. Malus and clawback provisions apply (see notes to this table). The Committee will operate the LTIP in accordance with the rules of the plan.
Opportunity	The maximum annual award size under the LTIP in respect of a financial year will be 250% of salary.
Performance measures	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. The performance measures for Awards are determined annually and will include metrics linked to profitability, shareholder value and capital efficiency. The performance measures for Awards in respect of 2020 are as follows: • Adjusted earnings per share (EPS) – 50% • Comparative total shareholder return (TSR) – 50% • The LTIP will also be subject to a return on capital employed (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. 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.
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	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: • CEO: 250% of salary • CFO: 210% of salary
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	Unvested LTIP awards will continue to the normal vesting date (subject to leaver status). Once LTIP awards vest the two-year holding period will continue to apply post-employment.
Opportunity	Not applicable.
Performance measures	Not applicable.

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 six-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	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. 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. 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. 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.
Opportunity	Aggregate ordinary fees for Directors are limited to £800,000 by the Company's Articles of Association. 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.
Performance measures	Not applicable.

Directors' remuneration report continued

Compliance with Provision 40 of the 2018 Code

The Committee considers that the executive remuneration framework appropriately addresses the following factors under Provision 40 of the 2018 Code.

As well as a focus on Executive Director remuneration, the Committee has oversight for the remuneration policies of the organisation to ensure alignment with the business strategy and values of the organisation. We value the contribution employees make to the success of the organisation 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 organisation. We use benchmarking information to ensure we pay competitively to attract and retain talent.

Part of building a sustainable organisation 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 section on page 97.

We engage regularly with employees on remuneration. Over the past year we have held regular sessions for employees on their pensions, financial planning, ranging from basic budgeting to savings, and our bonus plan.

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	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. 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.

Annual report on remuneration

Implementation of the 2019 Remuneration Policy for the year ending 31 March 2021

Base salary

Base salaries for the Executive Directors effective from 1 June 2020 (with the prior year comparator and the change) are shown below:

	Salary effective 1 June 2020	Salary effective 1 June 2019	Change
Lindsley Ruth	£642,503	£642,503	–
David Egan	£419,709	£419,709	–

There will be no increases at this time to Executive Director base salaries.

Benefits

Benefits will be provided in accordance with the approved 2019 Remuneration Policy.

Pension

The Executive Directors will receive a cash contribution in lieu of pension of 18% of base salary. It is our intent to reduce this to that of the broader workforce over time as referenced in the Chair's letter on page 87.

Performance-related annual bonus

The maximum annual bonus opportunity for Executive Directors will remain unchanged (at 150% of base salary).

Given the unprecedented market and trading uncertainty, which prevents setting fair and robust full year targets at this point, the Committee has decided that the 2021 bonus will be based on targets for each half of the financial year. We will continue to set stretching performance targets which drive performance for shareholders, which will be appropriately disclosed in next year's Remuneration Report, and the Committee retains the discretion within our 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 profit before tax (PBT) must be achieved.

The performance measures for the first half will be like-for-like Group revenue growth, adjusted PBT, adjusted free cash flow, and Group Net Promoter Score (NPS) (all equally weighted). 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.

LTIP

As explained in the Chair's letter on page 87, given the challenges of COVID-19 we will be deferring the grant of the LTIP award until later in the financial year to ensure we are able to set targets that are appropriate and sufficiently challenging in the circumstances. Details on levels of award and the targets set will be announced to the market at the time of grant.

All employee share plans

Executive Directors will be 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 2021

The Chair's and Non-Executive Directors' fees will remain unchanged at this time.

Directors' remuneration report continued

Implementation of Executive Director 2019 Remuneration Policy for the year ended 31 March 2020

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 2020 and the prior year. The value of the annual bonus includes the element of bonus deferred under the DSBP, where relevant.

	2020	2019
Lindsley Ruth		
Base salary	£639,485	£619,441
Taxable benefits ¹	£17,649	£20,811
Annual bonus ²	£208,846	£655,353
LTIP ³	£1,448,182	£3,001,195
Pension benefit ⁴	£128,501	£123,888
Total	£2,442,663	£4,420,688
David Egan		
Base salary	£417,738	£405,900
Taxable benefits ¹	£16,139	£15,973
Annual bonus ²	£136,426	£428,103
LTIP ³	£803,647	£1,750,697
Pension benefit ⁴	£83,942	£81,180
Additional amount for interim CEO role ⁵	£60,000	–
Total	£1,517,892	£2,681,853

1. Taxable benefits consist of medical insurance, company car (or allowance) and personal fuel allowance.

2. Annual bonus shows the full value of the annual bonus in respect of each year. For 2020, this value will be delivered solely in the form of deferred shares which will vest after two years. For 2019, the value was delivered two-thirds in cash and one-third in deferred shares.

3. The LTIP value for 2020 shows the value of LTIP awards made on 26 May 2017 which will vest in June 2020. The plan will vest at 91.3% of maximum. The value on vesting on the LTIP performance award has been calculated using the share price of 630.29p, being the average share price over the three months to 31 March 2020 and will be updated in the 2021 Annual Remuneration Report based on the actual share price on the date of vesting. The figure includes a dividend equivalent payment of £74,018 for Lindsley Ruth and £41,075 for David Egan in respect of the shares vesting which will be delivered in the form of shares. £227,265 of the total value for Lindsley Ruth and £126,117 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 630.29p.

The LTIP value for 2019 shows the value of LTIP awards made in July 2016 which vested on 22 July 2019. The value on vesting of the LTIP performance award has been restated based on the share price on the date of vesting of 593.60p. The figure includes dividend equivalent payments of £191,022 to Lindsley Ruth and £111,429 to David Egan in respect of the shares vesting. £1,763,696 of the total value for Lindsley Ruth and £1,028,823 of the total value for David Egan is in respect of the share price growth and dividends over the period between grant and vesting.

4. Each of the Executive Directors received the amounts shown above (20% of base salary) as a cash supplement in lieu of pension. No Executive Director has prospective benefit under a defined benefit pension relating to qualifying service.

5. This relates to the performance of additional interim CEO duties and responsibilities for a period of three months during the financial year. This value will be delivered in the form of shares.

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 2020 and the prior year:

	Total fee	
	2020	2019
Peter Johnson	£270,000	£260,000
Bertrand Bodson	£60,000	£55,000
Louisa Burdett	£70,000	£65,000
Karen Guerra	£68,333	£55,000
Bessie Lee	£60,000	£4,583
John Pattullo ¹	£29,166	£68,083
Simon Pryce	£70,000	£62,083
David Sleath ²	£59,166	–
Joan Wainwright ³	£25,000	–

1. John Pattullo stepped down from the Board on 1 September 2019.

2. David Sleath was appointed to the Board on 1 June 2019, was appointed SID on 1 September 2019 and appointed Chair of the Nomination Committee on 13 December 2019.

3. Joan Wainwright was appointed to the Board on 1 November 2019.

For the year ended 31 March 2020, the Chair's fee was £270,000 per annum. This was increased from £260,000 in 2019.

The Non-Executive Directors received base fees of £60,000 per annum, which were increased from £55,000 in 2019. John Pattullo received an additional fee of £10,000 per annum for his responsibilities as SID until he stepped down from the Board on 1 September 2019, at which time David Sleath received an additional fee of £10,000 per annum for taking on the role of SID. David also received an additional £10,000 per annum as Chair of the Nomination Committee when he took over the role on 13 December 2019 from Peter Johnson. Such fees were paid on a pro rata basis reflecting length of time in the role. Louisa Burdett received an additional £10,000 as Chair of the Audit Committee and Simon Pryce received an additional £10,000 as Chair of the Remuneration Committee. From June 2019, Karen Guerra received an additional £10,000 per annum for her role as the Board's representative on employee engagement.

Incentive outcomes for the year ended 31 March 2020 (audited)

Annual bonus in respect of performance for the year ended 31 March 2020

The performance measures attached to the 2020 annual bonus plan were like-for-like Group revenue growth (30%), like-for-like RS PRO revenue growth (10%), adjusted PBT (30%), adjusted free cash flow (10%) and Group NPS (20%). Target 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.

Based on the Group's performance in the year ended 31 March 2020, against targets set at the start of the year for each performance measure, the Committee confirmed a bonus outcome of 21.7% of maximum for each of the Executive Directors. Full details of the target ranges and performance against each of the metrics, are as follows:

Measure and weighting	Performance level	Payout (% of max bonus)	Target	Actual performance	Earned bonus (% of max)
Like-for-like Group revenue growth (30% weighting)	Threshold	0%	3.4%	2.2%	0%
	Target	15%	5.9%		
	Maximum	30%	8.4%		
RS PRO revenue growth (10% weighting)	Threshold	0%	5.9%	8.9%	7.5%
	Target	5%	7.9%		
	Maximum	10%	9.9%		
Adjusted PBT (30% weighting)	Threshold	0%	£219.2m	£215.0m	0%
	Target	15%	£233.2m		
	Maximum	30%	£247.2m		
Adjusted free cash flow (10% weighting) ^{1, 2}	Threshold	0%	£128.0m	£119.4m ²	0%
	Target	5%	£140.0m		
	Maximum	10%	£152.0m		
Group NPS (20% weighting) ²	Threshold	0%	54.0	55.7	14.2%
	Target	10%	55.2		
	Maximum	20%	56.4		
Total					21.7%

1. In 2020 adjusted free cash flow was £80.9 million. This was adjusted to exclude the additional capital expenditure on the expansion of the Allied and German distribution centres as the targets also excluded this expenditure.

2. Note that last year's report contained a typographical error incorrectly disclosing the intended weighting for the 2020 bonus as 15% for both adjusted free cash flow and Group NPS. The weighting was intended to be 10% and 20%, respectively, in line with the previous year and as shown on this page.

The final bonus outcome was 21.7% resulting in payments for Lindsley Ruth of £208,846 and £136,426 for David Egan. The amounts will be paid 100% in deferred shares (rather than one-third shares / two-thirds cash) and deferred for a period of two years in accordance with the Remuneration Policy. Dividend equivalents will be deferred in the form of shares. These deferred 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 2021 Annual Report on Remuneration.

As referred to in the Chair's letter, in recognition of the deferred final dividend for the year ending 31 March 2020 (discussed further on page 33), the Committee will retain discretion to cancel the vesting of these deferred shares if a suitably equivalent distribution is not made to shareholders in the future.

2017 LTIP awards vesting

An award of shares was made under the LTIP in May 2017 to Lindsley Ruth over 238,927 shares and to David Egan over 132,589 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 financial years ended 31 March 2020. 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, 2019, 2020)	50.0%	71p	80p	103.1p	50.0%
TSR (vs industrial / electronic peer group)	25.0%	Median	Upper quartile	Above threshold	16.3%
ROCE (average over 2018, 2019, 2020) ²	25.0%	19.5%	23.5%	26.4%	25.0%
Total base LTIP vesting					91.3%
		Threshold (1x base vesting)	Maximum (1.5x base vesting)	Performance achieved	Vesting (% of maximum)
Adjusted EPS Multiplier (cumulative 2018, 2019, 2020)		83p	88p	103.1p	100.0%
Total vesting					136.9%

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 IFRS 16 'Leases' in 2020.

Directors' remuneration report continued

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 2020 (audited)

DSBP

During the year under review the following DSBP awards, which have a two year vesting period, were made to the Executive Directors (relating to the annual bonus earned for performance over the financial year ended 31 March 2019):

	Lindsley Ruth	David Egan
Basis of award	One-third of earned bonus	One-third of earned bonus
Number of shares awarded	34,852	22,767
Award date face value (609.13p per share) ¹	£212,294	£138,681
Performance conditions	None	None

1. The awards were made using the average of the share prices for the three dealing days immediately preceding 3 June 2019, the date the shares were awarded.

LTIP

During the year under review, the following LTIP awards were made to the Executive Directors:

	Lindsley Ruth	David Egan
Basis of award (% of base salary)	250%	210%
Number of shares awarded	269,959	148,133
Award date face value (595.00p per share) ¹	£1,606,256	£881,391
Performance period	1 April 2019 – 31 March 2022	
Threshold vesting outcome	25%	
Post-vesting holding period	Two years	

1. The awards were made using the average of the share prices for the three dealing days immediately preceding 18 July 2019, the date the shares were awarded.

The performance conditions were as follows:

Measure	Weight	LTIP targets	
		Threshold (25% of base)	Maximum (100% of base)
Adjusted EPS (cumulative 2020, 2021, 2022) ¹	50%	124p	150p
TSR (vs Industrial / Electronic peer group) ^{1, 2}	50%	Median	Upper quartile
ROCE (average over 2020, 2021, 2022)	Underpin	Set at 20%. If the underpin is not met, the Remuneration 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 (base LTIP and multiplier).

2. See page 89 of the 2019 Annual Report for details of the comparator group.

SAYE

During the year under review, no SAYE awards were granted to the Executive Directors.

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 20% of base salary instead, the value of which is captured in the single figure for total remuneration (table on page 94). It remains our position to recognise the contractual agreements in place with our current Executive Directors in regard to their pension arrangements, however, for 2021 Executive Directors' pension entitlement will be reduced by 2 percentage points to 18% of base salary. It is our intention to reduce this to that of the broader workforce over time as set out in the Chair's letter on page 87.

Payments to past Directors (audited)

There were no payments to past Directors during the year.

External appointments in the year

As announced on 1 May 2019, Lindsley Ruth was appointed non-executive director of Ashted Group plc on 1 May 2019. His fees for this role in 2020 were £55,000.

Percentage change in remuneration for the CEO

The table below shows the percentage change in the annual cash remuneration of the CEO (comprising base salary, the value of taxable benefits and earned annual bonus), as disclosed in the single figure for total remuneration (table on page 94) from the prior year compared with the average percentage change for the members of our global management team. This group consists of our Executive Directors, SMT and their direct reports on a global basis. 68 managers have been included in this calculation.

	CEO	Global management team
	Change 2019 – 2020	Change 2019 – 2020
Base salary	3.2%	6.0%
Taxable benefits	(15.2)%	4.0%
Annual bonus	(68.1)%	(44.0)%

CEO Pay Ratio reporting

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019 ¹	A	207:1	166:1	105:1

1. UK based employee data was taken from 31 January 2020. CEO data was taken from the single figure for total remuneration as published in the 2019 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.

The median pay ratio is consistent with pay policies for UK employees.

It should be noted that a significant proportion 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 2019, 66.4% of the CEO's ratio was based on LTIP as it vested in full.

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 an 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.

We provided briefing sessions to employees covering Gender Pay Gap during the year. As this is the Company's first year of reporting the CEO pay ratio, there are no changes to report against the previous years.

Directors' remuneration report continued

Relative importance of spend on pay

The graphs below show the Company's shareholder distributions (i.e. dividends) and expenditure on total employee pay for the year and the prior year, and the percentage change year on year.

Dividend (£m)

16.3%



Total employee pay expenditure (£m)

(6.4)%



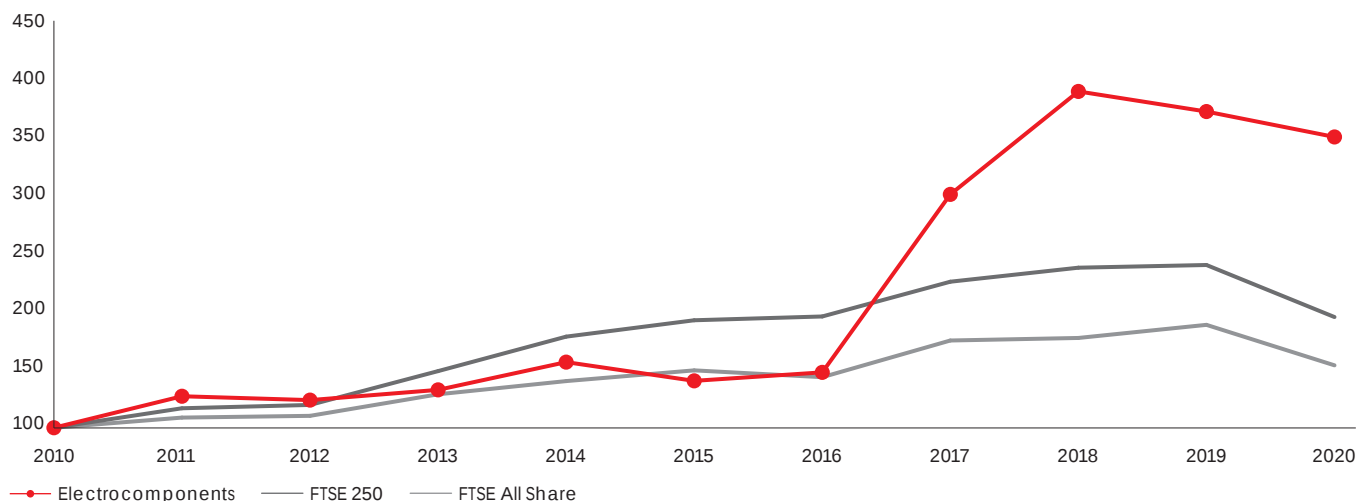
The total employee pay expenditure figures above include labour exit costs set out in Note 8 on page 125.

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 2010)



CEO single figure of remuneration (£000)	Year ended 31 March 2011	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
	Ian Mason	Ian Mason	Ian Mason	Ian Mason	Ian Mason	Lindsley Ruth	Lindsley Ruth	Lindsley Ruth	Lindsley Ruth	Lindsley Ruth
CEO total remuneration	1,862	1,176	1,223	1,287	891	2,072	1,401	4,410	4,421	2,443
Annual bonus award (as a % of maximum opportunity)	100.0%	28.2%	3.7%	89.1%	16.9%	23.8%	82.5%	90.1%	68.0%	21.7%
LTIP vesting (as a % of maximum opportunity)	50.0%	20.5%	55.5%	0%	0%	N/A ¹	N/A ¹	100%	100%	91.3%

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 2020. We have introduced new guidelines for Executive Directors in relation to both share ownership and shareholding requirements.

	Shares held				Share awards held		Options held
	Owned outright	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	750,063	250%	736%	Yes	704,681	72,188	15,706
David Egan	231,673	210%	348%	Yes	387,306	47,630	13,100
Bertrand Bodson	20,000						
Louisa Burdett	–						
Karen Guerra	49,351						
Peter Johnson	159,400						
Bessie Lee	–						
John Pattullo	16,344						
Simon Pryce	28,000						
David Sleath	10,590						
Joan Wainwright	–						

The value of the shares used to calculate whether the shareholding guideline is met is 630.29p, being the average share price over the three months to 31 March 2020. Between the year end and the date of this Annual Report, there has been no movement in Directors' shareholdings. Details of the scheme interests contained in columns A–C are provided in the table below.

Directors' share scheme interests (audited)

Share awards

	Scheme	Notes	Date of award	Shares awarded at 1 April 2019	Awarded during the year	Vested during the year	Lapsed during the year	Shares awarded at 31 March 2020	Normal vesting date
Lindsley Ruth	LTIP	1	20 Jul 16	473,412	–	473,412	–	–	22 Jul 19
			26 May 17	238,927	–	–	–	238,927	26 May 20 ³
			7 Jun 18	195,795	–	–	–	195,795	7 Jun 21
			18 July 19	–	269,959	–	–	269,959	18 Jul 22
	DSBP	2	26 May 17	41,618	–	41,618	–	–	3 Jun 19
			7 Jun 18	37,336	–	–	–	37,336	7 Jun 20
			3 Jun 19	–	34,852	–	–	34,852	3 Jun 21
				987,088	304,811	515,030	–	776,869	
David Egan	LTIP	1	20 Jul 16	276,157	–	276,157	–	–	22 Jul 19
			26 May 17	132,589	–	–	–	132,589	26 May 20 ³
			7 Jun 18	106,584	–	–	–	106,584	7 Jun 21
			18 July 19	–	148,133	–	–	148,133	18 Jul 22
	DSBP	2	26 May 17	28,359	–	28,359	–	–	3 Jun 19
			7 Jun 18	24,863	–	–	–	24,863	7 Jun 20
			3 Jun 19	–	22,767	–	–	22,767	3 Jun 21
				568,552	170,900	304,516	–	434,936	

1. All awards made to the Executive Directors under the LTIP are subject to the performance conditions set out on page 90. The normal vesting date for the LTIP is the third anniversary of grant or such earlier date as the performance conditions are determined.
2. DSBP awards are subject to the terms set out on page 95.
3. The actual vesting date for the 2017 LTIP will be June 2020.

Share options

	Scheme	Date of grant	Vesting date	Expiration date	Exercise price	Shares under option 1 April 2019	Granted during the year	Exercised during the year	Lapsed during the year	Shares under option 31 March 2020
Lindsley Ruth	SAYE	24 Jun 15	1 Sep 20	28 Feb 21	191.00p	15,706	–	–	–	15,706
Total						15,706	–	–	–	15,706
David Egan	SAYE	22 Jun 16	1 Sep 21	28 Feb 22	229.00p	13,100	–	–	–	13,100
Total						13,100	–	–	–	13,100

Directors' remuneration report continued

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
- John Pattullo (until 1 September 2019)
- David Sleath (from 1 June 2019)

Details of the skills and experience of the Committee members are given in their biographies on pages 62 and 63. In addition, the Company Chair, CEO, CFO, other Board members and President of 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 86.

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 the following services:

- Continued independent advice to support the Committee in developing the 2019 Directors' Remuneration Policy put to shareholders at the Company's AGM on 17 July 2019, as well as support around engagement with major investors.
- Independent advice to support the Committee in setting performance targets.
- Support in drafting the Directors' Remuneration Reports for the years ended 31 March 2019 and 2020.
- 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 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 £48,500.

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 are set out below:

Name	Date of appointment	Length of service as at 31 March 2020	
		Years	Months
Peter Johnson	1 Oct 10	9	6
Bertrand Bodson	1 Jun 15	4	10
Louisa Burdett	1 Feb 17	3	2
Karen Guerra	1 Jan 13	7	3
Bessie Lee	1 Mar 19	1	1
Simon Pryce	26 Sep 16	3	6
David Sleath	1 Jun 19	–	10
Joan Wainwright	1 Nov 19	–	5

External evaluation

In compliance with the 2018 Code, the Board underwent an external evaluation this year. As part of this the process, the activities of the Committee were also reviewed. The findings for the Committee were very positive with members agreeing that Simon Pryce has stepped seamlessly into his role. There was a question raised as to whether the Committee had struck the right stretch / reward balance in ensuring that the achievements of the Group are recognised while taking into account corporate governance requirements. The Committee will discuss this further and reflect on how this might impact future decision making.

Summary of shareholder voting

Summarised below are the results at the 2019 AGM of the vote on the Directors' 2019 Remuneration Policy and at the 2019 AGM of the vote on the Annual Report on Remuneration:

	Total number of votes	% of votes cast
2019 vote on Directors' Remuneration Policy		
For (including discretionary)	323,872,303	85.17
Against	56,405,880	14.83
Total votes cast (excluding withheld votes)	380,278,183	
Votes withheld	286,904	
Total votes (including withheld votes)	380,565,087	
2019 vote on Annual Report on Remuneration		
For (including discretionary)	366,989,456	96.44
Against	13,559,709	3.56
Total votes cast (excluding withheld votes)	380,549,165	
Votes withheld	15,922	
Total votes (including withheld votes)	380,565,087	

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

This section (together with the information on pages 60 to 101 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 2 to 59 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	5, 10 to 12
Policy on disability ¹	50 and 51
Employee engagement ¹	50, 69 and 72
Other stakeholder engagement	16, 17, 45 to 55, 68 and 69
Greenhouse gas emissions ¹	49
Names of Directors who served during the year	62 and 63
Details of employee share schemes	90, 125 to 128
Subsidiary and associated undertakings and branches	148 to 150
Risk management (including hedging) and financial instruments	139 to 146
Activity on Company culture	66
Interest capitalised by the Group	136
Long-term incentive schemes	90, 126 and 127

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 111. The Directors have declared dividends as follows:

Ordinary shares	
Paid interim dividend of 5.9p per share (paid on 8 January 2020)	2019: 5.3p per share
Final dividend deferred	2019: 9.5p per share
Total ordinary dividend of 5.9p per share for year ended 31 March 2020	2019: 14.8p per share

As a result of the COVID-19 pandemic, and the uncertain external environment, the Board believes it is prudent to defer the decision on the final dividend for the year ended 31 March 2020 until it has greater visibility. See page 33 for further details.

The trustees of the Electrocomponents plc Employee Benefit Trust have waived their right to receive dividends over their total holding of 140,963 ordinary shares as at 31 March 2020.

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 2020.

Share capital

As at 31 March 2020, the Company's issued share capital comprised a single class of 446,308,426 ordinary shares of 10p each, totalling £44,630,843.

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 125 to 128.

The Company was authorised by shareholders at the Annual General Meeting (AGM) held on 17 July 2019 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 2020 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 2019, which was renewed for 2020. 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 2020 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 11.00am on Thursday, 16 July 2020. In light of the COVID-19 pandemic and in the interest of the health and safety of our employees, shareholders and other stakeholders, this year's AGM will be a closed meeting and shareholders should therefore not attend the AGM in person. 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.

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 2020

Outside of the Group having to deal with the impact of COVID-19, in the period between 1 April 2020 to 1 June 2020, 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:

Shareholder	Number of shares	Percentage held
Columbia Threadneedle Investments	74,648,626	16.73%
Majedie Asset Management	43,383,489	9.72%
Merian Global Investors	23,103,280	5.18%
Wellington Management	21,356,854	4.79%
BlackRock Inc	20,149,966	4.51%
The Vanguard Group, Inc	18,555,147	4.16%
M&G Investments Management	16,436,478	3.68%

In the period from 1 April 2020 to 1 June 2020, there have been no changes advised to the Company. 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 and 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

All of the Company's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time. There are no other significant agreements that alter or terminate upon a change of control.

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 special resolution.

The Directors' Report was approved by the Board on 1 June 2020 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 Financial Reporting Standards (IFRS) as adopted by the European Union and Company accounts 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). 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 by 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, are fair, balanced and understandable and provide 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 62 and 63 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 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', 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 by 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 2020 and of the Group's profit and cash flows for the year then ended;
- the Group accounts have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- 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 accounts have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group accounts, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts for the year ended 31 March 2020 (the Annual Report), which comprise: the Group and Company balance sheets as at 31 March 2020; 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.

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

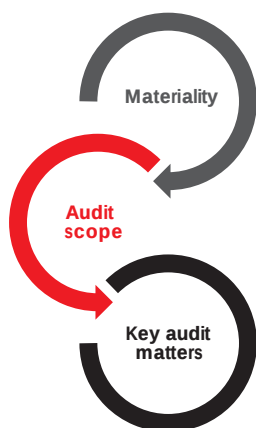
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities 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 to the Group or the Company.

Other than those disclosed in the Audit Committee Report, we have provided no non-audit services to the Group or the Company in the period from 1 April 2019 to 31 March 2020.

Our audit approach

Overview



- Overall Group materiality: £10.5 million (2019: £10.5 million), based on 5% of Group profit before tax adjusted for substantial reorganisation costs and substantial asset write-downs.
- Overall Company materiality: £3.4 million (2019: £2.1 million), based on 0.5% of net assets.
- We identified 7 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 1 component, with the Group team performing the remainder of our procedures.
- The Group consolidation, financial statement disclosures and a number of complex items (including tax, group bonus provision, goodwill and treasury) prepared by the head office finance function, were audited by the Group engagement team.
- The RS inventory provisioning was audited by the UK component engagement team.
- The components that are part of our audit scope as set out above account for 76% of Group revenue and 78% of Group profit before tax, substantial reorganisation costs and substantial asset write-downs.
- Key audit matters were: inventory obsolescence provision (Group); tax provisioning (Group); revenue cut-off (Group); and impact of COVID-19 on going concern and viability (Group).

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.

Capability of the audit in detecting irregularities, including fraud

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 legislation, 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 estimation of inventory obsolescence provisions and uncertain tax provisions (see related key audit matters); and
- identifying and testing higher risk journal entries, in particular any journal entries posted with unusual account combinations, journals posted by senior management and consolidation journals.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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.

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.

Key audit matter	How our audit addressed the key audit matter
Inventory obsolescence provision (Group) Refer to page 79 (Audit Committee Report), page 138 (Note 18 Inventories) and page 115 (Note 1 Basis of preparation). The balance of gross inventories at 31 March 2020 was £446.6 million, against which a provision of £27.6 million was held. The valuation of the inventory provision was a focus of our audit for the following reasons: • 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. • The inventory provisioning methodology was updated by management during the year to move from a product life cycle basis to an inventory cover basis. The underlying calculation is based on appropriate product categorisation and assumptions over historic sales trends, provision rates and recoverable amounts. 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, for instance where there is a right of return in place.	We updated our understanding of the new inventory provisioning methodology and reviewed the underlying historic data used to support the new basis and determine the key assumptions to be applied. For the year end provision amount we assessed the completeness of the data used by the 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 updated methodology. We noted no material exceptions. We assessed the reasonableness of management's judgement 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. We tested manual overlays to the automated calculation by validating whether there was a right of return under the contractual arrangements. We noted no material exceptions. In assessing management's consideration of the potential impact of COVID-19 on inventory obsolescence provisioning, we reviewed management's impact assessment stress testing which considered an increase in inventory cover days and provisioning rates, and a significant decrease in sales in the short term. 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.

Key audit matter	How our audit addressed the key audit matter
Tax provisioning (Group) Refer to page 79 (Audit Committee Report), page 115 (Note 1 Basis of preparation) and page 132 (Note 11 Taxation). 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, financing and transfer pricing arrangements arising from centralised functions that drive value across a number of different countries. 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. As a result of the adoption of IFRIC 23 'Uncertainty over Income Tax Treatments' during the year, a restatement of £0.7 million reduced the provision's opening balance with a further £0.1 million reduction in the provision during the year.	In relation to the uncertain tax provision 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. We have reassessed this for developments 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. 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. 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. We also considered the progress of audits during the year regarding the level of provisions 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. We reviewed the adoption of IFRIC 23 during the year and the impact of this on the opening balance sheet and also to the year end provision. We consider the probabilities used to determine the provisions to be reasonable. We also evaluated whether the liabilities and potential exposures were appropriately disclosed in the financial statements.
Revenue cut-off (Group) Refer to page 123 (Note 4 Revenue recognition). The Group's accounting systems recognise revenue at the point that goods are dispatched. This reflects the fact that the terms and conditions are such that control has passed to the customer or that the majority of goods have a guaranteed next day delivery and so the year-on-year impact is not material. Our work identified that the shipping terms are different across the Group and therefore control does not always pass to the customer on dispatch.	We have assessed differences between the date of revenue recognition and the transfer of control through understanding the terms of shipment and the associated lead times for delivery to the customer. We also assessed management's estimation of the value of sales of products which were dispatched but not delivered at year end, using a point-in-time report. We tested a sample of revenue transactions during the period and around the year end, and analysed daily shipping reports obtained from the delivery companies. We also considered the value and nature of the transactions at the prior year end. Based on our audit procedures we noted no material exceptions.
Impact of COVID-19 on management's going concern assessment (Group) Refer to pages 43 and 44. Towards the end of the financial year, the scale and impact of the COVID-19 pandemic on the global economy and markets in which the Group operates increased significantly. This has impacted the results of the Group for the end of the year ended 31 March 2020 and is expected to have a continued impact throughout the year ending 31 March 2021, albeit the severity of the impact is expected to reduce over time. The different industry sectors in which the Group operates in each market have been affected in different ways. In order to conclude that it is appropriate for the financial statements to be drawn up on a going concern basis and on the viability of the Group, management performed a detailed bottom-up analysis of the impact of COVID-19 on revenue, profit and cash flows including potential cost mitigation. In doing so, management made estimates and judgements that are critical to the outcome of these considerations. This analysis had been used in conjunction with an assessment of the Group's liquidity and consideration of debt covenants, which are based on the ratios of EBITA to interest and net debt to adjusted EBITDA. Disclosure of the risk to the Group of COVID-19 and management's conclusions on going concern and viability have been included within the relevant sections of the Annual Report.	We have assessed the base case going concern model prepared by management including specific assumptions in relation to COVID-19. We have considered the key inputs including revenue, gross margin, adjusted EBITDA and net debt values against current year performance and the previously approved five year strategic plan. In addition, we have considered the historical accuracy of the budgeting process to assess the reliability of the data. Specifically, in relation to the COVID-19 assumptions we have obtained management's analysis and discussed the underlying assumptions used with regional finance and Group management. This included consideration of both the customer mix by industry and size within the regions and an understanding of any mitigating cost actions being taken. We have assessed these assumptions based on our understanding of the business, the Group's performance in the first eight weeks of the year ending 31 March 2021 and our knowledge of the industry sectors in which the Group operates. We have also assessed if the mitigating cost actions are achievable and within management's control. In conjunction with the above, we have reviewed management's analysis of both liquidity and debt covenant compliance to satisfy ourselves that no breaches are anticipated over the period of assessment. In relation to debt covenant compliance we have assessed the stress testing performed on management's adjusted base case model and considered to what extent sufficient headroom exists to absorb any further downside risk in relation to both EBITA to interest and net debt to adjusted EBITDA. On the basis of the analysis performed we are satisfied that management's going concern assessment provides an appropriate basis for management's conclusion and that appropriate disclosures are given within the Annual Report.

Independent Auditors' report continued

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 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, US, Germany, France, Italy, China and Electrocomponents plc. In each country we used PwC component auditors to audit and report on the aggregated financial information of that country. This work is supplemented by audit procedures over specific balances performed on IESA Limited and procedures performed centrally including the consolidation, taxation and certain component balances not covered by local country component teams.

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 components.

The components that are part of our audit scope as set out above account for 76% of Group revenue and 78% of Group profit before tax, substantial reorganisation costs and substantial asset write-downs.

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:

	Group accounts	Company accounts
Overall materiality	£10.5 million (2019: £10.5 million).	£3.4 million (2019: £2.1 million).
How we determined it	5% of Group profit before tax adjusted for substantial reorganisation costs and substantial asset write-downs.	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 and substantial asset write-downs 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 £5.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.5 million (Group audit) (2019: £0.5 million) and £0.168 million (Company audit) (2019: £0.099 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to 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 the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

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 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

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. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 36 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on pages 43 and 44 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the Code); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 104, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 76 to 82 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

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. (CA06)

Independent Auditors' report continued

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 set out on page 104, 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.

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 received 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 6 years, covering the years ended 31 March 2015 to 31 March 2020.

Sandeep Dhillon (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 June 2020

Group income statement

For the year ended 31 March 2020

	Notes	2020 £m	2019 £m
Revenue	2,3,4	1,953.8	1,884.4
Cost of sales	5	(1,099.1)	(1,045.8)
Gross profit		854.7	838.6
Distribution and marketing expenses		(596.2)	(580.0)
Administrative expenses		(53.2)	(57.6)
Operating profit	2,3,5	205.3	201.0
Finance income	6	3.3	3.5
Finance costs	6	(9.2)	(9.6)
Share of profit of joint venture	17	0.2	0.3
Profit before tax		199.6	195.2
Income tax expense	11	(44.9)	(47.1)
Profit for the year attributable to owners of the Company		154.7	148.1
Earnings per share			
Basic	13	34.7p	33.4p
Diluted	13	34.6p	33.2p

Financial statements

Group statement of comprehensive income

For the year ended 31 March 2020

	Notes	2020 £m	2019 £m
Profit for the year		154.7	148.1
Other comprehensive income			
Items that will not be reclassified subsequently to the income statement			
Remeasurement of retirement benefit obligations	10	21.1	(15.1)
Income tax on items that will not be reclassified to the income statement	11	(1.9)	2.7
		19.2	(12.4)
Items that may be reclassified subsequently to the income statement			
Foreign exchange translation differences of joint venture		(0.1)	–
Foreign exchange translation differences		20.5	20.0
Movement in cash flow hedges		4.3	3.8
Income tax on items that may be reclassified to the income statement	11	(0.5)	(1.4)
		24.2	22.4
Other comprehensive income for the year		43.4	10.0
Total comprehensive income for the year attributable to owners of the Company		198.1	158.1

The Notes on pages 115 to 150 form part of these Group accounts.

Group balance sheet

As at 31 March 2020

Company number: 647788

	Notes	2020 £m	2019 represented* £m
Non-current assets			
Intangible assets	14	329.6	320.9
Property, plant and equipment	15	167.5	119.6
Right-of-use assets	16	54.4	–
Investment in joint venture	17	1.0	0.9
Other receivables	19	0.9	4.3
Interest rate swaps	22	1.0	1.8
Retirement benefit net assets	10	1.9	0.3
Deferred tax assets	11	17.1	15.6
Total non-current assets		573.4	463.4
Current assets			
Inventories	18	419.0	387.2
Trade and other receivables	19	406.6	414.7
Cash and cash equivalents – cash and short-term deposits	22	200.8	129.2
Other derivative assets	21	4.3	2.7
Current income tax receivables		13.6	2.1
Total current assets		1,044.3	935.9
Total assets		1,617.7	1,399.3
Current liabilities			
Trade and other payables	20	(358.7)	(384.5)
Cash and cash equivalents – bank overdrafts	22	(166.0)	(78.1)
Other borrowings	22	(7.5)	–
Lease liabilities	16,22	(15.0)	–
Other derivative liabilities	21	(2.4)	(0.8)
Provisions	24	(2.6)	(6.9)
Current income tax liabilities		(18.2)	(17.2)
Total current liabilities		(570.4)	(487.5)
Non-current liabilities			
Other payables	20	(5.8)	(11.4)
Retirement benefit obligations	10	(57.7)	(83.9)
Borrowings	22	(161.8)	(175.3)
Lease liabilities	16,22	(41.3)	–
Provisions	24	(1.5)	(1.6)
Deferred tax liabilities	11	(59.3)	(50.3)
Total non-current liabilities		(327.4)	(322.5)
Total liabilities		(897.8)	(810.0)
Net assets		719.9	589.3
Equity			
Share capital	25	44.6	44.4
Share premium account		51.4	49.6
Hedging reserve		–	0.2
Own shares held by Employee Benefit Trust (EBT)	25	(0.7)	(1.2)
Cumulative translation reserve		81.5	61.1
Retained earnings		543.1	435.2
Equity attributable to owners of the Company		719.9	589.3

* represented to show retirement benefit net assets separately to retirement benefit obligations.

The Notes on pages 115 to 150 form part of these Group accounts.

These Group accounts were approved by the Board of Directors on 1 June 2020 and signed on its behalf by:

David Egan

Chief Financial Officer

Group cash flow statement

For the year ended 31 March 2020

	Notes	2020 £m	2019 £m
Cash flows from operating activities			
Profit before tax		199.6	195.2
Depreciation and amortisation	2	50.9	31.9
Impairment of intangible assets		–	2.2
Loss on disposal of non-current assets		0.1	0.1
Equity-settled share-based payments	8,9	3.4	7.7
Net finance costs		5.9	6.1
Share of profit of and dividends received from joint venture	17	(0.2)	(0.1)
Increase in inventories		(25.2)	(50.7)
Decrease / (increase) in trade and other receivables		10.0	(28.7)
(Decrease) / increase in trade and other payables		(36.0)	14.6
(Decrease) / increase in provisions		(5.3)	5.9
Cash generated from operations		203.2	184.2
Interest received		3.4	3.8
Interest paid		(9.6)	(9.9)
Income tax paid		(49.9)	(50.8)
Net cash from operating activities		147.1	127.3
Cash flows from investing activities			
Acquisition of businesses		(0.2)	(34.6)
Cash and cash equivalents acquired with businesses		–	1.3
Purchase of intangible assets, property, plant and equipment		(74.7)	(50.8)
Net cash used in investing activities		(74.9)	(84.1)
Cash flows from financing activities			
Proceeds from the issue of share capital		2.0	2.6
Purchase of own shares by EBT		(0.9)	(2.3)
Loans drawn down		162.7	97.7
Loans repaid		(178.6)	(70.5)
Settlement of interest rate swap		2.6	–
Payment of lease liabilities		(14.8)	–
Dividends paid	12	(68.5)	(58.9)
Net cash used in financing activities		(95.5)	(31.4)
Net (decrease) / increase in cash and cash equivalents		(23.3)	11.8
Cash and cash equivalents at the beginning of the year		51.1	35.4
Effect of exchange rate changes		7.0	3.9
Cash and cash equivalents at the end of the year	22	34.8	51.1

Financial statements

The Notes on pages 115 to 150 form part of these Group accounts.

Group statement of changes in equity

For the year ended 31 March 2020

	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 2018	44.2	47.1	(0.5)	(4.2)	41.1	354.8	482.5
Profit for the year	–	–	–	–	–	148.1	148.1
Remeasurement of retirement benefit obligations	–	–	–	–	–	(15.1)	(15.1)
Foreign exchange translation differences	–	–	–	–	24.1	–	24.1
Fair value loss on net investment hedges	–	–	–	–	(4.1)	–	(4.1)
Cash flow hedging gains taken to equity	–	–	4.4	–	–	–	4.4
Cash flow hedging losses transferred to income statement	–	–	0.1	–	–	–	0.1
Cash flow hedging gains transferred to administrative expenses as hedged future cash flows no longer expected to occur	–	–	(0.7)	–	–	–	(0.7)
Tax on other comprehensive income (Note 11)	–	–	(1.4)	–	–	2.7	1.3
Total comprehensive income	–	–	2.4	–	20.0	135.7	158.1
Cash flow hedging gains transferred to inventories	–	–	(2.6)	–	–	–	(2.6)
Tax on cash flow hedging gains transferred to inventories	–	–	0.9	–	–	–	0.9
Dividends (Note 12)	–	–	–	–	–	(58.9)	(58.9)
Equity-settled share-based payments (Notes 8 and 9)	–	–	–	–	–	7.7	7.7
Settlement of share awards	0.2	2.5	–	5.3	–	(5.4)	2.6
Purchase of own shares by EBT	–	–	–	(2.3)	–	–	(2.3)
Tax on equity-settled share-based payments	–	–	–	–	–	1.3	1.3
At 31 March 2019	44.4	49.6	0.2	(1.2)	61.1	435.2	589.3
Effect of transition to IFRS 16 (Note 1)	–	–	–	–	–	(1.1)	(1.1)
Effect of transition to IFRIC 23 (Note 1)	–	–	–	–	–	0.7	0.7
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 12)	–	–	–	–	–	(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

The Notes on pages 115 to 150 form part of these Group accounts.

Notes to the Group accounts

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 2020 are presented in sterling and rounded to £0.1 million. They are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC) as adopted by the European Union and with the Companies Act 2006 as applicable to companies reporting under IFRS.

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 conformity 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 have been reviewed to take account of the Group's latest assumptions of the likely impact of the COVID-19 pandemic.

The significant estimates made in preparing the accounts were in relation to retirement benefit obligations (Note 10), inventories (Note 18) and uncertain tax positions (Note 11). Further details on the application of these estimates can be found in the relevant notes. The Group is also required to make estimates in the review of intangibles and other assets for impairment. Further details are provided in Note 14. While not a significant estimate, more focus has been placed on the forward-looking adjustments used to calculate the impairment allowance for trade receivables as a result of the COVID-19 pandemic (Note 23).

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.

Notes to the Group accounts

continued

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 2019.

IFRS 16 'Leases'

The Group adopted IFRS 16 'Leases' on 1 April 2019 which resulted in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases has been removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals discounted to present value are recognised. The only exceptions are short-term leases and leases of low-value assets which are both recognised on a straight-line basis over the lease term as an operating expense. Initial adoption resulted in the recognition of right-of-use assets of £52.3 million and lease liabilities of £53.3 million with a weighted average incremental borrowing rate of 2.0% at 1 April 2019.

The Group has applied the new standard retrospectively with the cumulative effect of applying the new rules recognised in equity as an adjustment to the opening balance of retained earnings on 1 April 2019 and with no restatement of comparative information. Lease liabilities were measured at the present value of the remaining lease payments discounted at the relevant incremental borrowing rate at 1 April 2019. The Group elected on a lease-by-lease basis whether to measure the right-of-use asset at its carrying amount as if IFRS 16 had applied since the start of the lease discounted using the relevant incremental borrowing rate at 1 April 2019, or at the same value as the lease liability adjusted for any prepaid or accrued lease payments. The new accounting policies are disclosed in Note 16.

In applying IFRS 16 for the first time, the Group has used the following practical expedients:

- to apply this standard to contracts that were previously identified as leases under International Accounting Standard (IAS) 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease' and not to apply IFRS 16 to leases which were not identified as containing a lease under IAS 17 or IFRIC 4.
- to treat leases with a remaining lease term of less than 12 months at 1 April 2019 as short-term leases.
- to exclude initial direct costs from the measurement of the right-of-use assets at 1 April 2019, applied on a lease-by-lease basis.
- to use hindsight in determining the lease term where the lease contains an extension or termination clause.

Judgements were made in calculating the initial impact of adoption including determining the lease term where extension or termination options exist. In such instances, all facts and circumstances that may create an economic incentive to exercise an extension option, or not exercise a termination option, were considered to determine the lease term. Extension periods (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The reconciliation of the operating lease commitments under IAS 17 disclosed at 31 March 2019 and the IFRS 16 lease liability at 1 April 2019 was:

	£m
Operating lease commitments disclosed as at 31 March 2019	59.1
Effect of discounting using Group's incremental borrowing rate of 2.0%	(2.9)
Less: short-term leases not recognised as a liability	(2.1)
Less: leases of low-value assets not recognised as a liability	(0.8)
Lease liability recognised as at 1 April 2019	53.3

The impact of the adoption of IFRS 16 on the opening balance sheet as at 1 April 2019 was:

	As at 31 March 2019 £m	Impact of IFRS 16 £m	As at 1 April 2019 £m
Right-of-use assets	–	52.3	52.3
Non-current other receivables	4.3	(3.4)	0.9
Deferred tax assets	15.6	0.3	15.9
Trade and other receivables	414.7	(0.6)	414.1
Trade and other payables	(384.5)	1.3	(383.2)
Current lease liabilities	–	(13.8)	(13.8)
Non-current other payables	(11.4)	2.3	(9.1)
Non-current lease liabilities	–	(39.5)	(39.5)
Equity	589.3	(1.1)	588.2

1 Basis of preparation continued

The accounting for leases under IFRS 16 has resulted in higher operating profit, with a lower lease expense partly offset by depreciation of the right-of-use asset, and higher finance costs due to the unwinding of the discount on the present value of the liability. This is immaterial with operating profit for the year ended 31 March 2020 increasing by £1.3 million and finance costs increasing by £1.1 million, with a net increase to profit before tax of £0.2 million.

Depreciation of right-of-use assets was £15.6 million and so EBITDA increased by £16.9 million. The definition of net debt has been updated to include lease liabilities as a result of IFRS 16 and so net debt increased by £56.3 million at 31 March 2020. As a result, net debt to adjusted EBITDA increased by 0.2x. IFRS 16 has no impact on the covenants of the private placement loan notes and bank facilities that existed at 1 April 2019 as they are on frozen GAAP. Return on capital employed decreased by 1.2 percentage points.

There is no net cash flow impact arising from the adoption of IFRS 16, although payment of lease liabilities has moved from operating activities to financing activities and so some of the Group's alternative performance measures have been affected. Under IFRS 16 the Group's free cash flow and adjusted free cash flow for the year ended 31 March 2020 have increased by £14.8 million and the adjusted operating cash flow conversion increased by 6.9 percentage points.

IFRIC 23 'Uncertainty over Income Tax Treatments'

The Group adopted IFRIC 23 'Uncertainty over Income Tax Treatments' on 1 April 2019 and has consequently measured the effect of uncertainty on income tax positions using either the most likely amount or the expected value amount depending on which method is expected to better reflect the resolution of the uncertainty.

The Group has applied the new interpretation retrospectively with the cumulative effect of applying the new rules recognised in equity as an adjustment to the opening balance of retained earnings on 1 April 2019 and with no restatement of comparative information. This increased current income tax assets by £4.8 million and current income tax liabilities by £4.1 million at 1 April 2019 with a corresponding increase to retained earnings of £0.7 million.

Amendments to IFRS 9, IAS 39 and IFRS 7 'Interest Rate Benchmark Reform'

With effect from 1 April 2019, the Group has early adopted Amendments to IFRS 9, IAS 39 and IFRS 7 'Interest Rate Benchmark Reform'. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments referencing the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms. There was no material impact on the reported results or financial position of the Group.

Other

Amendments to IFRS 9 'Prepayment Features with Negative Compensation', Amendments to IAS 28 'Long-term Interests in Associates and Joint Ventures', 'Annual Improvements to IFRS Standards 2015-2017 Cycle' and Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement' 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.

Notes to the Group accounts

continued

2 Segmental reporting

The Group's operating segments comprise three regions: EMEA, the Americas and Asia Pacific. Their principal activities are described on pages 22 to 25. 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. Intersegment 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 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 (Notes 19 and 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

Depreciation and amortisation includes depreciation of right-of-use assets of £15.6 million (2019: £nil) on the adoption of IFRS 16 (Note 1).

Year ended 31 March 2019

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Revenue from external customers	1,210.0	483.6	190.8	1,884.4
Segmental operating profit	193.5	62.1	3.0	258.6
Central costs				(38.3)
Adjusted operating profit				220.3
Amortisation of acquired intangibles				(4.4)
Substantial reorganisation costs (Note 7)				(13.1)
One-off pension costs				(1.8)
Operating profit				201.0
Net finance costs				(6.1)
Share of profit of joint venture				0.3
Profit before tax				195.2
Segmental capital expenditure	27.7	20.9	0.6	49.2
Central costs				0.1
Capital expenditure				49.3
Segmental depreciation and amortisation	21.7	4.9	0.4	27.0
Central costs				0.5
Amortisation of acquired intangibles				4.4
Depreciation and amortisation				31.9

2 Segmental reporting continued

Disaggregation of revenue

In the table below, revenue is disaggregated by major products / services and sales channels. Of Electronic products / services' revenue £360.1 million is recognised at a point in time and £1.2 million over time (2019: £369.6 million at a point in time and £1.4 million over time). Of Industrial products / services' revenue £1,575.8 million is recognised at a point in time and £16.7 million over time (2019: £1,497.3 million at a point in time and £16.1 million over time).

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Year ended 31 March 2020				
Major products / services lines				
Industrial products / services	1,019.7	436.6	136.2	1,592.5
Electronic products / services	220.1	79.1	62.1	361.3
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
Year ended 31 March 2019				
Major products / services lines				
Industrial products / services	982.2	406.4	124.8	1,513.4
Electronic products / services	227.8	77.2	66.0	371.0
Group	1,210.0	483.6	190.8	1,884.4
Sales channel				
Digital	846.2	202.9	111.9	1,161.0
Offline	363.8	280.7	78.9	723.4
Group	1,210.0	483.6	190.8	1,884.4

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	
	2020 £m	2019 £m	2020 £m	2019 £m
UK (country of domicile)	517.3	498.7	198.8	169.7
USA	490.1	480.4	275.9	245.6
France	237.2	233.0	9.8	9.2
Germany	148.2	156.8	45.6	16.0
Italy	86.5	87.6	6.6	0.3
Rest of world	474.5	427.9	15.8	4.6
Group	1,953.8	1,884.4	552.5	445.4

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. The Directors also 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.

Notes to the Group accounts

continued

3 Alternative Performance Measures (APMs) continued

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. Our acquisitions were purchased during the year ended 31 March 2019.

	2020		
	Base business £m	Acquisitions £m	Group £m
Revenue			
EMEA	1,233.1	6.7	1,239.8
Americas	515.7	–	515.7
Asia Pacific	198.3	–	198.3
Group	1,947.1	6.7	1,953.8
Segmental operating profit			
EMEA	195.7	1.3	197.0
Americas	57.8	–	57.8
Asia Pacific	3.7	–	3.7
Segmental operating profit	257.2	1.3	258.5
Central costs	(37.8)	–	(37.8)
Adjusted operating profit	219.4	1.3	220.7
Adjusted profit before tax	213.9	1.1	215.0
Adjusted earnings per share	37.5p	0.2p	37.7p
Adjusted diluted earnings per share	37.4p	0.2p	37.6p

Like-for-like revenue growth

Like-for-like revenue growth is growth 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 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.

	2020 base business £m	2019 £m	2019 at 2020 rates and trading days £m	Like-for-like growth %
EMEA	1,233.1	1,210.0	1,206.5	2.2%
Americas	515.7	483.6	505.0	2.1%
Asia Pacific	198.3	190.8	193.1	2.7%
Group's base business	1,947.1	1,884.4	1,904.6	2.2%

	£m
Revenue for 2019	1,884.4
Effect of exchange rates	10.9
Effect of trading days	9.3
Revenue for 2019 at 2020 rates and trading days	1,904.6

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.

	2020 Group £m	2020 base business £m	2019 £m	2019 at 2020 rates £m	Like-for-like change pts
Revenue	1,953.8	1,947.1	1,884.4	1,895.3	
Gross profit	854.7	849.9	838.6	841.3	
Gross margin	43.7%	43.6%	44.5%	44.4%	(0.8) pts

3 Alternative Performance Measures (APMs) continued

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.

	2020 base business £m	2019 £m	2019 at 2020 rates £m	Like-for-like change %
Segmental operating profit of base business				
EMEA	195.7	193.5	191.6	2.1%
Americas	57.8	62.1	64.4	(10.2)%
Asia Pacific	3.7	3.0	3.0	23.3%
Segmental operating profit for base business	257.2	258.6	259.0	(0.7)%
Central costs	(37.8)	(38.3)	(38.4)	1.6%
Adjusted operating profit for base business	219.4	220.3	220.6	(0.5)%
Adjusted profit before tax for base business	213.9	214.5	214.9	(0.5)%
Adjusted earnings per share for base business	37.5p	37.0p	37.1p	1.1%

The principal exchange rates applied in preparing the Group accounts and in calculating the above like-for-like measures are:

	2020 Average	2020 Closing	2019 Average	2019 Closing
US dollar	1.27	1.24	1.31	1.30
Euro	1.14	1.13	1.13	1.16

Adjusted profit measures

These are the equivalent IFRS measures adjusted to exclude amortisation of intangible assets arising on acquisition of businesses, substantial reorganisation costs, substantial asset write-downs, one-off pension credits or costs, significant tax rate changes and, where relevant, associated tax effects.

	Operating profit £m	Operating profit margin ¹ %	Operating profit conversion ² %	Profit before tax £m	Profit for the year £m	Basic earnings per share p	Diluted earnings per share p
Year ended 31 March 2020							
Reported	205.3	10.5%	24.0%	199.6	154.7	34.7p	34.6p
Amortisation of acquired intangibles	5.4			5.4	5.2	1.2p	1.2p
Substantial asset write-downs (Notes 19 and 23)	7.3			7.3	5.9	1.3p	1.3p
Substantial reorganisation costs (Note 7)	2.7			2.7	2.3	0.5p	0.5p
Adjusted	220.7	11.3%	25.8%	215.0	168.1	37.7p	37.6p
Year ended 31 March 2019							
Reported	201.0	10.7%	24.0%	195.2	148.1	33.4p	33.2p
Amortisation of acquired intangibles	4.4			4.4	3.7	0.8p	0.8p
Substantial reorganisation costs (Note 7)	13.1			13.1	10.5	2.5p	2.4p
One-off pension costs	1.8			1.8	1.5	0.3p	0.3p
Adjusted	220.3	11.7%	26.3%	214.5	163.8	37.0p	36.7p

1. Operating profit margin is operating profit expressed as a percentage of revenue.

2. Operating profit conversion is operating profit expressed as a percentage of gross profit.

Working capital as a percentage of revenue

Working capital is inventories, current trade and other receivables and current trade and other payables.

	2020 £m	2019 £m
Inventories	419.0	387.2
Current trade and other receivables	406.6	414.7
Current trade and other payables	(358.7)	(384.5)
Working capital	466.9	417.4
Revenue	1,953.8	1,884.4
Working capital as a percentage of revenue	23.9%	22.2%

Notes to the Group accounts

continued

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 one-off pension costs, substantial asset write-downs and substantial reorganisation costs.

	2020 £m	2019 £m
Operating profit	205.3	201.0
Add back: depreciation and amortisation	50.9	31.9
EBITDA	256.2	232.9
Add back: substantial asset write-downs	7.3	–
Add back: substantial reorganisation costs	2.7	13.1
Add back: one-off pension costs	–	1.8
Adjusted EBITDA	266.2	247.8
Net debt (Note 22)	189.8	122.4
Net debt to adjusted EBITDA	0.7x	0.5x

The adoption of IFRS 16 resulted in net debt to adjusted EBITDA increasing by 0.2x (Note 1).

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 net finance costs including capitalised interest.

	2020 £m	2019 £m
Adjusted EBITDA	266.2	247.8
Less: depreciation	(27.6)	(10.6)
EBITA	238.6	237.2
Finance costs	9.2	9.6
Finance income	(3.3)	(3.5)
Add back: capitalised interest	1.2	0.2
Interest (per debt covenants)	7.1	6.3
EBITA to interest	33.6x	37.7x

The adoption of IFRS 16 resulted in EBITA to interest decreasing by 5.9x.

Return on capital employed (ROCE)

ROCE is adjusted operating profit expressed as a percentage of net assets excluding net debt and retirement benefit obligations.

	2020 £m	2019 £m
Net assets	719.9	589.3
Add back: net debt	189.8	122.4
Add back: retirement benefit (net assets) / obligations	55.8	83.6
Capital employed	965.5	795.3
Adjusted operating profit	220.7	220.3
ROCE	22.9%	27.7%

The adoption of IFRS 16 resulted in ROCE decreasing by 1.2 percentage points (Note 1).

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.

	2020 £m	2019 £m
Depreciation and amortisation	50.9	31.9
Less: amortisation of acquired intangibles	(5.4)	(4.4)
Less: depreciation of right-of-use assets	(15.6)	–
Adjusted depreciation	29.9	27.5
Capital expenditure	78.6	49.3
Ratio of capital expenditure to depreciation	2.6 times	1.8 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 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.

	2020 £m	2019 £m
Net (decrease) / increase in cash and cash equivalents	(23.3)	11.8
Add back: cash used in financing activities	95.5	31.4
Add back: cash used in acquisition of businesses	0.2	34.6
Less: cash and cash equivalents acquired with businesses	–	(1.3)
Free cash flow	72.4	76.5
Add back: impact of substantial reorganisation cash flows	8.5	8.0
Adjusted free cash flow	80.9	84.5
Add back: income tax paid	49.9	50.8
Add back: net interest paid	6.2	6.1
Adjusted free cash flow before income tax and net interest paid	137.0	141.4
Adjusted operating profit	220.7	220.3
Adjusted operating cash flow conversion	62.1%	64.2%

The adoption of IFRS 16 resulted in free cash flow and adjusted free cash flow increasing by £14.8 million and adjusted operating cash flow conversion increasing by 6.9 percentage points (Note 1).

Inventory turn

Inventory turn is cost of sales divided by inventories.

	2020 £m	2019 £m
Cost of sales	1,099.1	1,045.8
Inventories	419.0	387.2
Inventory turn	2.6	2.7

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 cases is on delivery to the customer and in other cases on collection from the Group's warehouse 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. When a customer has a right to return goods purchased, the Group estimates the obligation for the expected value of the refunds using historical experience and deducts this from the revenue recognised when the goods are sold. Obligations for retrospective customer volume discounts are estimated using historical experience and deducted from the revenue recognised when the goods are sold.

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. 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. Licence fee income earned from suppliers for access to the Group's online procurement portal is recognised as their products are purchased by the Group's clients. Invoices are raised monthly.

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.

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.

Notes to the Group accounts

continued

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 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 judgements in relation to the likely volume of eligible purchases to be made over the remaining rebate period. As at 31 March 2020, the Group has £4.1 million (2019: £6.0 million) of supplier rebates recognised within trade and other receivables.

Operating profit is stated after charging / (crediting):

	2020 £m	2019 £m
Fees payable to the Company's auditor for the audit of the Company and Group accounts	0.4	0.4
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries	1.2	0.9
Audit-related assurance services	0.1	0.1
Total fees payable to the Company's auditor and its associates	1.7	1.4
Depreciation of property, plant and equipment	12.0	10.6
Amortisation of intangible assets included in distribution and marketing expenses	17.9	16.9
Amortisation of intangible assets included in administrative expenses	5.4	4.4
Amortisation of government grants	(0.1)	(0.1)
(Gain) / loss on foreign exchange	(0.3)	1.0
Net gains on forward foreign exchange contracts classified as fair value through profit or loss	(0.1)	(0.8)
Loss on disposal of property, plant and equipment	0.1	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.

	2020 £m	2019 £m
Finance income		
Interest income on financial assets measured at amortised cost	3.2	3.4
Interest income on interest rate swaps	0.1	0.1
Finance income	3.3	3.5
Finance costs		
Interest expense on financial liabilities measured at amortised cost	(7.2)	(9.4)
Interest expense on lease liabilities	(1.4)	–
Interest expense on interest rate swaps	(0.1)	–
Interest on uncertain income tax positions	(0.7)	–
Invoice finance charges	(0.1)	(0.2)
Finance costs	(9.2)	(9.6)

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

The Group launched a second phase to the Performance Improvement Plan (PIP) in May 2018 which was concluded during the year and gave rise to substantial reorganisation costs in several of the Group's regions and activities. Substantial reorganisation costs are excluded from adjusted performance measures.

	2020 £m	2019 £m
Redundancy and associated costs	2.7	13.8
Dilapidation costs for leased buildings	–	0.1
Onerous lease credits	–	(0.8)
Total substantial reorganisation costs	2.7	13.1

On 10 April 2019, the Group completed the assignment of the lease of its Oxford premises to a third party and so, during the year ended 31 March 2019, released the surplus related onerous contract provision.

8 Employees

Average number of employees	2020	2019
Management and administration	1,306	1,049
Distribution and marketing	5,738	5,554
	7,044	6,603

Employment costs	2020 £m	2019 £m
Wages and salaries	239.8	244.4
Social security costs	32.1	30.5
Share-based payments – equity-settled (Note 9)	3.4	7.7
Share-based payments – cash-settled (Note 9)	1.5	3.8
Defined contribution retirement benefit costs (Note 10)	15.2	10.9
Defined benefit retirement benefit costs (Note 10)	6.0	7.5
	298.0	304.8
Termination benefits	3.5	17.2
Total	301.5	322.0

Information on the Directors' remuneration is given in the Directors' Remuneration Report on pages 86 to 101.

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. During and prior to the year ended 31 March 2019, the Group also operated the Recruitment Award.

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.

Recruitment Award – equity settled

During the year ended 31 March 2016, Lindsley Ruth was granted 513,784 share awards under the Recruitment Award plan, the vesting of which was subject, in normal circumstances, to continued service and to the Remuneration Committee being satisfied that the remuneration arrangements from his previous employment had been forfeited. There were no other performance conditions. 256,892 shares vested during the year ended 31 March 2018 and 256,892 during the year ended 31 March 2019.

Notes to the Group accounts

continued

9 Share-based payments continued

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 of shares are made to plan participants subject to service conditions and performance conditions. At the vesting date, the share 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 July and November 2016 (vested in June 2019); May, July and December 2017; and June and December 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 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.

During the year ended 31 March 2019, the last awards made under the LTIP 2014 in July 2015 vested (in May 2018). Those that were subject to performance conditions were subject to a market performance condition based on TSR of the Group versus the FTSE 250 and a non-market performance condition based on cumulative growth in adjusted EPS over the vesting period.

Some of the awards are equity settled and some are cash settled. All awards have £nil exercise price and receive accrued dividends on settlement.

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	2020		2019	
	Dec 2019	Jul 2019	Dec 2018	Jun 2018
Grant date				
Market performance conditions				
Awards granted	58,806	849,802	17,306	200,703
Fair value at grant date	285p	267p	282p	456p
Assumptions used:				
Share price	692p	594p	510p	714p
Expected volatility	27.2%	29.2%	30.3%	31.7%
	2 years		2 years	
Expected life	5 months	3 years	5 months	3 years
Risk-free interest rate	0.58%	0.49%	0.72%	0.79%
Other conditions				
Awards granted	58,806	854,844	53,860	923,778
Fair value at grant date	692p	594p	510p	714p

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 is the year-end share price of 516p (2019: 562p).

Cash-settled LTIPs	2020		2019	
	Dec 2019	Jul 2019	Dec 2018	Jun 2018
Grant date				
Market performance conditions – awards granted	3,055	14,626	5,141	44,020
Other conditions – awards granted	3,055	14,626	20,446	191,992

9 Share-based payments continued

The movements in the LTIP awards (equity and cash settled) were:

	2020 Number of awards	2019 Number of awards
Outstanding at 1 April	4,897,198	5,450,627
Forfeited during the year	(576,406)	(877,470)
Exercised during the year	(2,138,807)	(1,133,205)
Granted during the year	1,857,620	1,457,246
Outstanding at 31 March	4,039,605	4,897,198

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 2020 will be awarded in June 2020. The fair value of the shares awarded during the year was 598p (2019: 714p) per share award which was the share price at the date of award.

The movements in the DSBP awards were:

	2020 Number of awards	2019 Number of awards
Outstanding at 1 April	245,437	210,566
Forfeited during the year	(55,202)	(38,391)
Exercised during the year	(126,795)	(59,521)
Granted during the year	135,729	132,783
Outstanding at 31 March	199,169	245,437

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 2020	5 year 2020	3 year 2019	5 year 2019
Grant year ended 31 March				
Options granted	1,296,907	390,487	812,047	136,961
Fair value at grant date	172p	185p	218p	219p
Assumptions used:				
Share price	599p	599p	753p	753p
Exercise price	439p	439p	563p	563p
Expected volatility	28.9%	30.2%	32.5%	29.7%
Expected option life	3 years	5 years	3 years	5 years
Expected dividend yield	2.30%	2.30%	2.90%	2.90%
Risk-free interest rate	0.33%	0.34%	0.72%	1.00%

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 of 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.

Notes to the Group accounts

continued

9 Share-based payments continued

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 2020	5 year 2020	3 year 2019	5 year 2019
Grant year ended 31 March				
Options granted	590,962	99,256	506,276	35,052
Fair value at year end	117p	137p	63p	79p
Assumptions used:				
Year-end share price	516p	516p	516p	516p
Exercise price	439p	439p	563p	563p
Expected volatility	31.6%	32.8%	35.8%	30.8%
Expected remaining option life	2.5 years	4.5 years	1.5 years	3.5 years
Expected dividend yield	2.40%	2.40%	2.40%	2.40%
Risk-free interest rate	0.11%	0.22%	0.13%	0.17%

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 of 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:

	2020		2019	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at 1 April	402p	4,005,614	277p	4,689,476
Forfeited during the year	515p	(692,673)	431p	(403,416)
Expired during the year	405p	(41,251)	213p	(84,985)
Exercised during the year	246p	(1,042,853)	200p	(1,685,797)
Granted during the year	439p	2,377,612	563p	1,490,336
Outstanding at 31 March	439p	4,606,449	402p	4,005,614
Exercisable at 31 March	n/a	—	n/a	—

SAYE options outstanding at the year end were:

	2020	2019
Option prices:		
£1.00-£1.99	396,621	446,541
£2.00-£2.99	195,073	1,142,870
£4.00-£4.99	3,138,273	1,060,667
£5.00-£5.99	876,482	1,355,536
	4,606,449	4,005,614
Weighted average remaining contractual life (in years)	1.94	1.68

The weighted average share price during the period of exercise of SAYE options was 621p (2019: 703p).

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, 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.

10 Retirement benefit obligations continued

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.

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 of exercising 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.

Based on the funding position as at 31 March 2020, in the year ending 31 March 2021 the Group expects to pay £13.5 million of contributions to the UK scheme, including £10.3 million of shortfall contribution payments, and £0.5 million to the other defined benefit schemes.

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 has recognised an additional liability of £41.2 million.

Investment strategy and risk exposure

The defined benefit schemes expose the Group to actuarial risks such as longevity, interest rate, inflation and investment risks. For the UK scheme, after consultation with the Company, the Trustee has been following a de-risking cash flow driven investment strategy over the last few years. This has seen the move away from growth assets (equities and diversified growth funds) into a predominantly fixed income strategy with lower risk credit assets, gilts and corporate bonds and was completed during the year. 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.

Notes to the Group accounts

continued

10 Retirement benefit obligations continued

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:

	2020		2019	
	UK	Other	UK	Other
Discount rate	2.40%	1.65%	2.40%	1.42%
Rate of increase in pensionable salaries	Nil	2.50%	Nil	2.50%
Rate of RPI inflation	2.60%	1.41%	3.10%	1.73%
Rate of CPI inflation	1.90%	1.41%	2.10%	1.73%
Rate of pension increases				
RPI inflation capped at 5.0% p.a.	2.55%	n/a	3.00%	n/a
RPI inflation capped at 2.5% p.a.	1.90%	n/a	2.05%	n/a

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:

	2020 Years	2019 Years
Member aged 65 (current life expectancy) – male	22.2	22.8
Member aged 65 (current life expectancy) – female	23.7	24.1
Member aged 45 (life expectancy at aged 65) – male	22.7	24.1
Member aged 45 (life expectancy at aged 65) – female	25.0	26.7

At 31 March 2020, the weighted average duration of the UK defined benefit obligation was 19 years (2019: 20 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 2020:

	Increase in assumption £m	Decrease in assumption £m
Effect on obligation of a 0.1% change to the assumed discount rate	(9.5)	9.8
Effect on obligation of a 0.1% change in the assumed inflation rate	7.7	(5.3)
Effect on obligation of an assumed increase in one year's life expectancy	18.1	

Income statement

The net charge / (credit) recognised in operating profit for retirement benefit obligations was:

	2020			2019		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
Current service cost	3.2	0.2	3.4	3.4	0.2	3.6
Past service cost	–	–	–	1.8	(0.3)	1.5
Interest expense on obligation	14.0	0.3	14.3	14.9	0.4	15.3
Interest income on scheme assets	(12.5)	(0.1)	(12.6)	(13.5)	(0.1)	(13.6)
Administrative expenses	0.9	–	0.9	0.7	–	0.7
Total charge for defined benefit schemes	5.6	0.4	6.0	7.3	0.2	7.5
Total charge for defined contribution schemes and personal pensions	7.3	7.9	15.2	3.1	7.8	10.9

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 were:

	2020			2019		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
Fair value of scheme assets	534.4	8.0	542.4	524.9	7.5	532.4
Present value of defined benefit obligations	(536.5)	(20.5)	(557.0)	(594.3)	(21.7)	(616.0)
Effect of asset ceiling / onerous liability	(41.2)	–	(41.2)	–	–	–
Retirement benefit obligations	(43.3)	(12.5)	(55.8)	(69.4)	(14.2)	(83.6)
Amount recognised on the balance sheet – liability	(43.3)	(14.4)	(57.7)	(69.4)	(14.5)	(83.9)
Amount recognised on the balance sheet – asset	–	1.9	1.9	–	0.3	0.3

The other defined benefit schemes were:

	2020			2019		
	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	–	(9.7)	(9.7)	–	(9.9)	(9.9)
Republic of Ireland's defined benefit pension scheme	8.0	(6.1)	1.9	7.5	(7.2)	0.3
France's defined benefit retirement indemnity scheme	–	(3.4)	(3.4)	–	(3.3)	(3.3)
Italy's defined benefit retirement indemnity scheme	–	(1.3)	(1.3)	–	(1.3)	(1.3)
Other	8.0	(20.5)	(12.5)	7.5	(21.7)	(14.2)

Movements in the present value of the defined benefit obligations in the year were:

	2020			2019		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
At 1 April	594.3	21.7	616.0	562.7	21.4	584.1
Current service cost	3.2	0.2	3.4	3.4	0.2	3.6
Past service cost	–	–	–	1.8	(0.3)	1.5
Interest expense	14.0	0.3	14.3	14.9	0.4	15.3
Insurance premiums for risk benefits	(0.1)	–	(0.1)	(0.2)	–	(0.2)
Effect of changes in demographic assumptions	(21.7)	(0.1)	(21.8)	–	0.1	0.1
Effect of changes in financial assumptions	(34.8)	(1.8)	(36.6)	34.0	1.2	35.2
Effect of experience adjustments	2.5	–	2.5	–	(0.1)	(0.1)
Benefits paid	(20.9)	(0.3)	(21.2)	(22.3)	(0.7)	(23.0)
Exchange differences	–	0.5	0.5	–	(0.5)	(0.5)
At 31 March	536.5	20.5	557.0	594.3	21.7	616.0

Of the UK scheme's present value of the defined benefit obligations £66.0 million relates to active members, £219.7 million to vested deferred members and £250.8 million to retirees.

Movements in the fair value of the schemes' assets in the year were:

	2020			2019		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
At 1 April	524.9	7.5	532.4	504.6	7.1	511.7
Interest income	12.5	0.1	12.6	13.5	0.1	13.6
Return on scheme assets (excluding interest income)	6.3	0.1	6.4	19.6	0.5	20.1
Contributions by company	12.6	0.4	13.0	10.4	0.7	11.1
Benefits paid	(20.9)	(0.3)	(21.2)	(22.3)	(0.7)	(23.0)
Administrative expenses	(0.9)	–	(0.9)	(0.7)	–	(0.7)
Insurance premiums for risk benefits	(0.1)	–	(0.1)	(0.2)	–	(0.2)
Exchange differences	–	0.2	0.2	–	(0.2)	(0.2)
At 31 March	534.4	8.0	542.4	524.9	7.5	532.4

Notes to the Group accounts

continued

10 Retirement benefit obligations continued

The fair values of the schemes' assets were:

	2020			2019		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
QIAIF (liability driven investment and credit portfolio of quoted assets)	408.9	–	408.9	294.9	–	294.9
Diversified growth funds	–	–	–	92.5	–	92.5
Quoted equities	–	1.8	1.8	–	5.1	5.1
Quoted debt instruments	55.3	6.2	61.5	101.1	2.4	103.5
Unquoted debt instruments	69.8	–	69.8	34.9	–	34.9
Cash	0.4	–	0.4	1.5	–	1.5
Total market value of scheme assets	534.4	8.0	542.4	524.9	7.5	532.4

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 underlying unquoted assets in the diversified growth funds and 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. At 31 March 2019, around 65% of the underlying assets in the diversified growth funds were quoted.

Movements in the effect of asset ceiling / onerous liability were:

	2020			2019		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
Change in asset ceiling / onerous liability (excluding interest income)	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.

Significant estimates in tax

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 2020, the total value of these tax provisions was £7.0 million (2019: £7.8 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

	2020 £m	2019 £m
Current tax		
Current tax on profits for the year	43.0	49.8
Adjustments for prior years	(0.9)	(0.5)
Total current tax	42.1	49.3
Deferred tax		
Origination and reversal of temporary differences	1.9	(2.8)
Changes in tax rates and laws	1.0	–
Adjustments for prior years	(0.1)	0.6
Total deferred tax	2.8	(2.2)
Income tax expense	44.9	47.1

The income tax expense for the year can be reconciled to the profit per the income statement as follows:

	2020 £m	2019 £m
Profit before tax	199.6	195.2
Expected tax charge at UK corporation tax rate of 19% (2019: 19%)	37.9	37.1
Recurring items		
Differences in overseas corporation tax rates	6.3	6.8
Impact of tax losses	(0.3)	(1.8)
Items not taxable for tax purposes	(1.0)	(0.4)
Items not deductible for tax purposes	1.7	1.8
Other local taxes suffered overseas	0.4	0.3
Non-recurring items		
Changes in tax rates and laws	1.0	–
Movement in uncertain tax provisions in current year	1.2	4.4
Movement in uncertain tax provisions for prior years	(1.3)	(1.2)
Prior year adjustments	(1.0)	0.1
	44.9	47.1

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 2020, the UK government reversed the previous September 2016 enactment that changed the UK corporation tax rate from 19% to 17% effective from 1 April 2020. Therefore the UK deferred tax balances have been calculated at 19%.

Tax expense / (income) recognised directly in other comprehensive income

	2020 £m	2019 £m
Relating to remeasurement of retirement benefit obligations	1.9	(2.7)
Relating to movement in cash flow hedges	0.5	1.4
	2.4	(1.3)

Notes to the Group accounts

continued

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 2018	(3.1)	(44.6)	12.1	6.1	1.7	1.3	(26.5)
Acquisitions	(7.9)	–	–	–	–	–	(7.9)
Credit / (charge) to income	0.4	(0.2)	(0.6)	0.5	1.0	1.1	2.2
Recognised directly in equity	–	–	2.7	(1.2)	–	(0.5)	1.0
Translation differences	(0.1)	(3.3)	(0.1)	–	–	–	(3.5)
At 31 March 2019	(10.7)	(48.1)	14.1	5.4	2.7	1.9	(34.7)
Effect of transition to IFRS 16 (Note 1)	0.3	–	–	–	–	–	0.3
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)

Analysed in the balance sheet as:

	2020 £m	2019 £m
Deferred tax assets	17.1	15.6
Deferred tax liabilities	(59.3)	(50.3)
	(42.2)	(34.7)

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 £3.5 million (2019: £3.6 million) which carries no expiry date.

12 Dividends

	2020 £m	2019 £m
Final dividend for the year ended 31 March 2019 – 9.5p (2018: 8.0p)	42.1	35.4
Interim dividend for the year ended 31 March 2020 – 5.9p (2019: 5.3p)	26.4	23.5
	68.5	58.9

The amount waived by the trustees of the EBT in respect of the interim and final dividends was £nil (2019: £nil).

13 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.

	2020 Number	2019 Number
Weighted average number of shares	445,325,071	442,925,353
Dilutive effect of share-based payments	2,303,406	3,332,050
Diluted weighted average number of shares	447,628,477	446,257,403
Basic earnings per share	34.7p	33.4p
Diluted earnings per share	34.6p	33.2p

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 10% – 50%; customer contracts and relationships 10% – 14%; and acquired research 11%.

	Goodwill £m	Software £m	Customer contracts and relationships £m	Acquired research £m	Total £m
Cost					
At 1 April 2018	186.5	242.1	–	–	428.6
Additions	–	18.2	–	–	18.2
Acquisitions	30.7	4.4	41.8	1.1	78.0
Reclassifications	–	0.9	–	–	0.9
Translation differences	14.0	1.4	–	–	15.4
At 31 March 2019	231.2	267.0	41.8	1.1	541.1
Additions	–	22.0	–	–	22.0
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
Amortisation					
At 1 April 2018	–	195.3	–	–	195.3
Charge for the year	–	17.6	3.7	–	21.3
Impairment losses	–	2.2	–	–	2.2
Reclassifications	–	0.5	–	–	0.5
Translation differences	–	0.9	–	–	0.9
At 31 March 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
Net book value					
At 31 March 2020	241.1	53.8	33.6	1.1	329.6
At 31 March 2019	231.2	50.5	38.1	1.1	320.9

As at 31 March 2020, the net book value of internally generated intangible assets included in software was £12.5 million (2019: £9.5 million).

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 cash generating unit (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.

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. The key assumptions used are the revenue and gross margin growth rates, the selection of which involves significant judgement. 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 adjusted for the estimated tax cash flows and risk applicable for the CGU.

Notes to the Group accounts

continued

14 Intangible assets continued

Of the total goodwill, £210.0 million (2019: £200.0 million) relates to the Americas CGU and £31.1 million (2019: £31.2 million) relates to the EMEA CGU. The goodwill relating to the Americas CGU has been fully amortised for tax purposes.

For the Americas CGU, the long-term growth rate is 1.8% (2019: 1.8%) which is consistent with the market estimate of long-term average growth rates for the distribution industry and does not exceed expected long-term GDP growth for the Americas. The pre-tax discount rate is 8.1% (2019: 9.8%). The selection of both of these involves significant judgement.

For the EMEA CGU, the long-term growth rate is 1.8% (2019: 1.8%) which is consistent with the market estimate of long-term average growth rates for the distribution and value-added solutions industries and does not exceed expected long-term GDP growth for EMEA. The pre-tax discount rate is 9.5% (2019: 10.0%). The selection of both of these involves significant judgement.

The goodwill impairment reviews have been updated to take account of the Group's latest assumptions of the COVID-19 pandemic, using the "U" shaped scenario described on page 43. There is still 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. 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 and leasehold buildings 2% (or the lease term if shorter); plant and machinery 10% – 20%; and computer equipment 20% – 33%.

	Land and buildings £m	Plant and machinery £m	Computer equipment £m	Total £m
Cost				
At 1 April 2018	114.5	155.3	73.2	343.0
Additions	14.5	12.6	4.0	31.1
Acquisitions	–	0.8	0.3	1.1
Disposals	(0.2)	(0.3)	(1.6)	(2.1)
Reclassifications	0.6	–	(1.5)	(0.9)
Translation differences	0.8	0.6	0.5	1.9
At 31 March 2019	130.2	169.0	74.9	374.1
Additions	17.1	13.5	26.0	56.6
Disposals	(1.5)	(2.8)	(2.0)	(6.3)
Reclassifications	–	–	0.2	0.2
Translation differences	2.3	1.6	1.8	5.7
At 31 March 2020	148.1	181.3	100.9	430.3
Depreciation				
At 1 April 2018	47.2	131.8	66.7	245.7
Charge for the year	2.3	5.3	3.0	10.6
Disposals	(0.2)	(0.2)	(1.6)	(2.0)
Reclassifications	0.5	(0.6)	(0.4)	(0.5)
Translation differences	–	0.4	0.3	0.7
At 31 March 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
Net book value				
At 31 March 2020	96.5	40.6	30.4	167.5
At 31 March 2019	80.4	32.3	6.9	119.6

Included above are £61.1 million of property, plant and equipment under construction at 31 March 2020 (2019: £19.1 million). Finance costs capitalised were £1.2 million (2019: £0.2 million) calculated using a capitalisation rate of 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. 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, unless a rate implicit in the lease can be readily determined, and is charged to finance costs in the income statement as it unwinds. 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.

The amounts recognised relating to leases were:

	2020 £m
Right-of-use assets	
Buildings	40.2
Plant and machinery	1.2
Computer equipment	7.6
Vehicles	5.4
Right-of-use assets	54.4
Lease liabilities	
Current	15.0
Non-current	41.3
Lease liabilities	56.3
Depreciation charge for right-of use assets	
Buildings	8.3
Plant and machinery	0.4
Computer equipment	4.3
Vehicles	2.6
Depreciation charge for right-of use assets	15.6
Additions to right-of-use assets	18.4
Interest expense	1.1
Expense relating to short-term leases	2.1
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	0.4
Expense relating to variable lease payments not included in measurement of lease liabilities	1.1
Total cash outflow for leases	19.5

The contractual maturity analysis of lease liabilities is included in liquidity risk in Note 23.

Notes to the Group accounts

continued

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.

	2020 £m	2019 £m
At 1 April	0.9	0.8
Group's share of profit for the year	0.2	0.3
Group's share of other comprehensive expense	(0.1)	–
Group's share of total comprehensive income	0.1	0.3
Dividends	–	(0.2)
At 31 March	1.0	0.9

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.

	2020 £m	2019 £m
Raw materials and consumables	75.5	70.6
Finished goods and goods for resale	371.1	344.4
Gross inventories	446.6	415.0
Inventory provisions	(27.6)	(27.8)
Net inventories	419.0	387.2

As a result of the Group's strategic investments in electronics inventory, the methodology used to estimate the net realisable value of inventories was updated in order for it to continue to reflect commercial reality. The overall effect on the estimation of net realisable value as a result of these investments and updating the methodology was not material.

£6.4 million (2019: £8.0 million) was recognised as an expense relating to the write-down of inventories to net realisable value.

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 inventories, inventory provisions would increase by £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 100% provision per article, would increase the inventory provisions by £1.6 million. Therefore, currently the Group does not expect the COVID-19 pandemic to have a material impact on the net realisable value of inventories.

19 Trade and other receivables

	2020 £m	2019 £m
Current		
Gross trade receivables	355.5	365.2
Impairment allowance (Note 23)	(6.9)	(3.5)
Net trade receivables	348.6	361.7
Amounts owed by joint venture	0.9	0.7
Prepayments	21.3	21.6
Contract assets	8.4	5.1
Other receivables	27.4	25.6
Current trade and other receivables	406.6	414.7
Non-current		
Prepayments	–	0.6
Other receivables	0.9	3.7
Non-current other receivables	0.9	4.3

2019 amounts have been reclassified to better reflect the nature of the assets and to separate out contract assets where the Group has performed its part of the contract with customers but is yet to raise the invoice.

Trade receivables from British Steel Limited of £7.3 million were written off in the year (see Note 23).

20 Trade and other payables

	2020 £m	2019 £m
Current		
Trade payables	241.1	257.8
Other taxation and social security	17.9	20.4
Government grants	0.1	0.1
Cash-settled share-based payment liability	2.8	5.1
Accruals	82.4	86.8
Contract liabilities	0.7	0.6
Other payables	13.7	13.7
Current trade and other payables	358.7	384.5
Non-current		
Government grants	3.0	3.1
Cash-settled share-based payment liability	1.1	2.8
Other employee benefits	1.7	3.2
Other payables	–	2.3
Non-current other payables	5.8	11.4

2019 amounts have been reclassified to better reflect the nature of the liabilities and to separate out contract liabilities where the Group has received payment from customers but is yet to perform its part of the contract. All of the contract liabilities at 31 March 2019 have been recognised as revenue in the year ended 31 March 2020.

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 grants relate.

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 do not differ to those under the supplier contracts and therefore the amount owed to the bank of £0.2 million (2019: £nil) is included in trade payables.

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 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.

Notes to the Group accounts

continued

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

	2020		2019	
	Current assets £m	Current liabilities £m	Current assets £m	Current liabilities £m
Forward foreign exchange contracts designated as cash flow hedges (principal amount £100.3 million (2019: £126.7 million))	2.8	(1.6)	1.7	(0.6)
Forward foreign exchange contracts classified as fair value through profit or loss	1.5	(0.8)	1.0	(0.2)
Other derivatives	4.3	(2.4)	2.7	(0.8)

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:

	2020		2019	
	Carrying amounts £m	Fair value £m	Carrying amounts £m	Fair value £m
Non-current private placement loan notes	(161.4)	(166.4)	(76.6)	(76.1)

The fair values are calculated using Level 2 inputs by discounting future cash flows to net present values using prevailing interest rate curves.

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 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)
At 31 March 2019			
Interest rate swaps	1.8	–	1.8
Cash and cash equivalents – cash and short-term deposits	129.2	(76.8)	52.4
Other derivative assets	2.7	(0.8)	1.9
Cash and cash equivalents – bank overdrafts	(78.1)	76.8	(1.3)
Other derivative liabilities	(0.8)	0.8	–

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.

	2020 £m	2019 £m
Cash and short-term deposits	200.8	129.2
Bank overdrafts	(166.0)	(78.1)
Cash and cash equivalents	34.8	51.1
	2020 £m	2019 £m
Non-current borrowings		
Unsecured bank facilities repayable from three to four years	–	(23.7)
Unsecured bank facilities repayable from two to three years	(0.4)	–
Unsecured bank facilities repayable from one to two years	–	(75.0)
Unsecured private placement loan notes repayable after more than five years	(161.4)	–
Unsecured private placement loan notes repayable from one to two years	–	(76.6)
Non-current borrowings	(161.8)	(175.3)
Current other borrowings		
Unsecured money market loans repayable within one year	(7.5)	–
Current other borrowings	(7.5)	–
Total borrowings	(169.3)	(175.3)
Non-current interest rate swaps designated as fair value hedges	1.0	1.8
Cash and cash equivalents	34.8	51.1
Non-current lease liabilities	(41.3)	–
Current lease liabilities	(15.0)	–
Net debt	(189.8)	(122.4)

Notes to the Group accounts

continued

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 (2019: designated as a fair value hedge and swapped US\$20 million of the private placement loan notes from fixed rate US dollars at 2.97% into sterling of £13.4 million at a fixed interest rate of 2.584%). US\$ LIBOR is expected to cease as a benchmark on 31 December 2021 and when the outcome of the benchmark reform becomes clearer the Group will agree with the relevant banks how the swap contracts will be amended. The Group has early adopted Amendments to IFRS 9, IAS 39 and IFRS 7 'Interest Rate Benchmark Reform' so that it does not need to assume any impacts from LIBOR reform in assessing whether these swaps continue to meet the hedging criteria. Further details of these swaps and the hedged items are:

	2020		2019	
	Interest rate swaps £m	Private placement loan notes hedged £m	Interest rate swaps £m	Private placement loan notes hedged £m
Carrying amount of asset / (liability)	1.0	(69.5)	1.8	(15.2)
Accumulated fair value adjustments gain / (loss)	1.0	(1.0)	1.8	(1.8)
Gain / (loss) in fair value in year	1.8	(1.8)	1.3	(1.3)

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 2018	(100.9)	—	(100.9)	0.5	35.4	(65.0)
Cash flows	(27.3)	0.1	(27.2)	—	11.8	(15.4)
Loans and finance leases acquired with businesses	(42.0)	(0.1)	(42.1)	—	—	(42.1)
(Loss) / gain in fair value in year	(1.3)	—	(1.3)	1.3	—	—
Translation differences	(3.8)	—	(3.8)	—	3.9	0.1
Net debt at 31 March 2019	(175.3)	—	(175.3)	1.8	51.1	(122.4)
Lease liabilities at 1 April 2019 on adoption of IFRS 16 (Note 1)	—	(53.3)	(53.3)	—	—	(53.3)
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)

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 2020, 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 syndicated multi-currency facility for US\$75 million, £85 million and €50 million with a maturity of August 2022

As at 31 March 2020, the Group had £189.2 million (2019: £161.8 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.

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	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)

	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	94.7	94.7	94.7	–	–	–	–
Outflows for forward foreign exchange contracts	(95.5)	(95.5)	(95.5)	–	–	–	–
Forward foreign exchange contracts	(0.8)	(0.8)	(0.8)	–	–	–	–
Non-derivative financial liabilities							
Bank facilities	(98.7)	(101.5)	(1.4)	(75.7)	(0.5)	(23.9)	–
Private placement loan notes	(76.6)	(80.2)	(2.3)	(77.9)	–	–	–
Bank overdrafts	(78.1)	(78.1)	(78.1)	–	–	–	–
Trade payables, other payables and accruals	(342.9)	(342.9)	(342.9)	–	–	–	–
At 31 March 2019	(597.1)	(603.5)	(425.5)	(153.6)	(0.5)	(23.9)	–

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 carefully this year due to the COVID-19 pandemic and while it has increased, 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 accrued income 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 2016 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.

Notes to the Group accounts

continued

23 Financial risk management continued

On that basis, the impairment allowance for trade receivables was determined as follows:

	2020			2019		
	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	1.1%	203.4	2.3	0.2%	222.1	0.5
31-60 days from date of invoice	1.4%	100.1	1.4	0.4%	94.8	0.4
61-90 days from date of invoice	1.9%	26.3	0.5	0.9%	23.3	0.2
91-120 days from date of invoice	3.2%	9.5	0.3	2.8%	7.1	0.2
Over 120 days from date of invoice	14.8%	16.2	2.4	12.3%	17.9	2.2
Total		355.5	6.9		365.2	3.5

The ageing of net trade receivables at the reporting date was:

	2020 £m	2019 £m
Not past due	260.8	300.7
Past due 0-60 days	75.2	51.4
Past due 61-120 days	5.3	3.9
Past due over 120 days	7.3	5.7
Total	348.6	361.7

The movement in the impairment allowance for trade receivables was as follows

	2020 £m	2019 £m
At 1 April	(3.5)	(4.8)
Net remeasurement of impairment allowance	(3.4)	1.3
At 31 March	(6.9)	(3.5)

Trade receivables are written off when there is no reasonable expectation of recovery. Except for British Steel Limited, as described below, the Group has historically experienced very low levels of trade receivables not being recovered, including those significantly past due. With the worsening macroeconomic environment due to COVID-19, the Group has increased its expected loss rates for those markets and industries that are most affected. The Group has taken 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.

British Steel Limited entered compulsory liquidation on 22 May 2019 and, as a result, the Group has written off £7.3 million of receivables relating to transactions with British Steel Limited before 22 May 2019 which are no longer recoverable. This write off has been excluded from adjusted performance measures.

At 31 March 2020, the largest trade receivable balance was £9.1 million (2019: £16.7 million), of which £8.6 million has been received since the year end. The maximum exposure with a single bank for deposits was £8.9 million (2019: £20.9 million) and the largest mark to market exposure for derivative financial instruments to a single bank was £1.5 million (2019: £1.0 million). The Group also occasionally uses money market funds to invest surplus cash thereby diversifying credit risk and at 31 March 2020 its exposure to these funds was £nil (2019: £nil).

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.

23 Financial risk management continued

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 €1.17:£1 and US\$1.30:£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.

The US\$100 million of fixed interest private placement loan notes issued in June 2015 and the related cross currency interest rate swap that swapped US\$20 million at a fixed interest rate into sterling and was designated as a fair value hedge, were prepaid in October 2019.

During the year, 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 the US\$50 million private placement loan notes maturing in October 2031 (2019: US\$80 million issued in June 2015), with a carrying amount of £40.3 million (2019: £61.4 million), as hedges of US\$50 million (2019: US\$80 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 Group does not believe its foreign currency translation risk has materially altered during the year. The balance in the cumulative translation reserve relating to the US\$50 million net investment hedge is a gain of £0.4 million with a further loss of £40.8 million relating to previous net investment hedging relationships.

Borrowings (2019: after taking into account the effect of the cross currency interest rate swap) are analysed by currency as:

	Unsecured bank overdrafts £m	Unsecured money market loans £m	Unsecured bank facilities £m	Unsecured private placement loan notes £m	Total £m
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)
At 31 March 2019					
Sterling	(55.1)	–	(90.0)	(13.4)	(158.5)
US dollar	(2.3)	–	(7.7)	(63.2)	(73.2)
Euro	(15.8)	–	–	–	(15.8)
Hong Kong dollar	(2.0)	–	–	–	(2.0)
Other	(2.9)	–	(1.0)	–	(3.9)
Total borrowings	(78.1)	–	(98.7)	(76.6)	(253.4)

Notes to the Group accounts

continued

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 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 (2019: US\$100 million of private placement loan notes fixed until June 2020, of which it had swapped US\$20 million to sterling at a fixed interest rate). All other borrowings were at variable rates. At 31 March 2020, 69% (2019: 61%) 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; and
- 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.

	2020		2019	
	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	(0.4)	–	(0.5)	–
5% weakening of the euro	2.1	1.3	1.7	1.2
5% weakening of the US dollar	(3.0)	0.4	(2.7)	0.1

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 2020, the Group had a revolving credit facility of £85 million, US\$75 million and €50 million with a maturity of August 2022 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. Since the year end the Group has secured eligibility to participate in the Bank of England Covid Corporate Financing Facility (CCFF) and are negotiating an additional £100 million bank facility for a 12-month term plus six months. 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 0.7x (2019: 0.5x) and EBITA to interest of 33.6x (2019: 37.7x).

There were no significant changes in the Group's approach to capital management during the year.

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 2019	7.5	–	0.6	0.4	8.5
Additions	3.8	0.7	–	–	4.5
Utilised	(8.2)	–	(0.3)	–	(8.5)
Released	(0.5)	–	–	–	(0.5)
Translation differences	0.2	–	–	(0.1)	0.1
At 31 March 2020	2.8	0.7	0.3	0.3	4.1

Analysed in the balance sheet as:

	2020 £m	2019 £m
Current	2.6	6.9
Non-current	1.5	1.6
	4.1	8.5

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 June 2021.

At 31 March 2020, there were no material contingent liabilities (2019: none).

25 Share capital

	2020 Number of shares	2019 Number of shares	2020 £m	2019 £m
Issued and fully paid ordinary shares of 10p each:				
At 1 April	443,848,272	442,397,385	44.4	44.2
New share capital subscribed	2,460,154	1,450,887	0.2	0.2
At 31 March	446,308,426	443,848,272	44.6	44.4

All of the new share capital subscribed in 2020 related to share-based payments (Note 9).

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 2020, the EBT held 140,963 shares (2019: 254,405 shares) which had not yet vested unconditionally with employees.

26 Capital commitments

As at 31 March 2020, the Group is contractually committed to, but has not provided for, future capital expenditure of £27.2 million (2019: £21.0 million).

27 Related parties

The Group's joint venture (Note 17) is a related party and during the year, the Group made sales of £2.3 million (2019: £2.2 million) to the joint venture, and a balance of £0.9 million (2019: £0.7 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:

	2020 £m	2019 £m
Short-term employee benefits	5.8	10.4
Post-employment benefits	0.1	0.2
Termination benefits	0.5	1.1
Share-based payments	1.1	1.9
	7.5	13.6

Transactions and balances between the Company and its subsidiaries have been eliminated on consolidation.

Notes to the Group accounts

continued

28 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
High-service distribution of industrial and electronic products		
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		
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 Yález N° 2613 Int. 1A 105, Colonia Arcos Vallarta Sur, Guadalajara Jalisco, 44500 Mexico		
IESA Netherlands B.V.	Netherlands	Ordinary
Bingerweg 19, 2031 AZ Haarlem, 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	Ordinary
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		
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		
IESA S.E. Asia Pte. Ltd.*	Singapore	Ordinary
10 Ubi Crescent, #06-18 Ubi Techpark, 408564, Singapore		

28 Related undertakings continued

Name and registered address of undertaking	Country of incorporation	Class of share held
RS Components Pte Ltd* 112 Robinson Road, #05-01, 068902, Singapore	Singapore	Ordinary
IESA s.r.o.* Lazaretská 8, Bratislava- mestská časť Staré Mesto, 811 08, Slovakia	Slovakia	Ordinary
Amidata S.A.U.* Avenida de Europa, 19-2A planta, 28224 Pozuelo de Alarcón, Madrid, Spain	Spain	Ordinary
IESA AB* Drottninggatan 96, 113 60, Stockholm, Sweden	Sweden	Ordinary
RS Components AB* Fabriksgatan 7, 3v, 412 50 Gotborg, Sweden	Sweden	Ordinary
RS Components Co., Ltd* GMM Gammy Place, Room No. 1901-1904, Floor 19, No. 50, Sukhumvit 21 (Asoke), Klongtoey Nua, Wattana, Bangkok, 10110, Thailand	Thailand	Ordinary
IESA A & D Limited* IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK	UK	Ordinary
IESA Limited* IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK	UK	Ordinary
Monition Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
OKdo Technology Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
RS Components Limited Birchington Road, Weldon, Corby, Northamptonshire, NN17 9RS, UK	UK	Ordinary
Allied Electronics, Inc* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Common
Holding, Financing and Management Companies		
Electrocomponents Limited Suite 1601, Level 16, Tower 1, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong	China	Ordinary
RS Components Business Services (Foshan) Limited* 22nd Floor, Glory International Financial Center, No.25, Ronghe Road, Guicheng, Nanhai District, Foshan, Guangdong, 528200, China	China	Ordinary
Electrocomponents France SARL* Rue Norman King, 60000, Beauvais, France	France	Ordinary
Bodenfeld Immobilien GmbH* Mainzer Landstraße 180, 60327, Frankfurt, Germany	Germany	Ordinary
Electrocomponents Jersey Finance Unlimited* 44 Esplanade, St Helier, JE4 9WG Jersey	Jersey	Common
Aghoco 1079 Limited* IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK	UK	Ordinary and preference
Electrocomponents Finance Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electrocomponents Overseas Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electrocomponents Pension Trustees Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electrocomponents U.K. Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electrocomponents US Finance Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
IESA A & D Group Limited* IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK	UK	Ordinary
IESA A & D Holdings Limited* IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK	UK	Ordinary
IESA Holdings Limited* IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK	UK	Ordinary

Notes to the Group accounts

continued

28 Related undertakings continued

Name and registered address of undertaking	Country of incorporation	Class of share held
RS Components Holdings Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electrocomponents North America LLC* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Ordinary
Electrocomponents (US), Inc.* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Ordinary
Electrocomponents, Inc.* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Ordinary
Electrocomponents North America, Inc.* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Ordinary
Electrocomponents US LLC* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Common
Not currently trading		
RS Components (Proprietary) Limited* 20 Indianapolis Street, Kyalami Business Park, Kyalami Midrand, Gauteng, 1684, South Africa	South Africa	Ordinary
Electro Lighting Group Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electro-Leasing Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electromail Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Radiospares Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Reading Windings Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
RS Components International Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
RS Group Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
RS Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
RS Supplies Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary

† 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). RS Components Limited also operates under the names of RS Calibration, RS Mechanical and RS Health & Safety in the UK.

Company balance sheet

As at 31 March 2020

	Notes	2020 £m	2019 £m
Fixed assets			
Tangible assets	7	17.7	18.4
Investments in subsidiaries	8	245.5	264.2
Total fixed assets		263.2	282.6
Current assets			
Debtors: amounts falling due after more than one year	10	1.2	3.6
Debtors: amounts falling due within one year	10	797.8	433.3
Cash at bank and in hand		154.8	79.5
Total current assets		953.8	516.4
Creditors: amounts falling due within one year	11	(355.5)	(198.1)
Net current assets / (liabilities)		598.3	318.3
Total assets less current liabilities		861.5	600.9
Creditors: amounts falling due after more than one year	12	(163.4)	(177.2)
Provisions for liabilities and charges	13	(0.3)	(0.6)
Net assets		697.8	423.1
Capital and reserves			
Share capital	17	44.6	44.4
Share premium account		51.4	49.6
Own shares held by Employee Benefit Trust (EBT)	17	(0.7)	(1.2)
Profit and loss account (including profit for the year of £339.5 million (2019: £284.1 million))	17	602.5	330.3
Total equity		697.8	423.1

The Company accounts on pages 151 to 157 were approved by the Board of Directors on 1 June 2020 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 2020

	Share capital £m	Share premium account £m	Own shares held by EBT £m	Profit and loss account £m	Total £m
At 1 April 2018	44.2	47.1	(4.2)	103.1	190.2
Profit and total comprehensive income for the year	–	–	–	284.1	284.1
Dividends (Note 17)	–	–	–	(58.9)	(58.9)
Equity-settled share-based payments (Note 5)	–	–	–	7.7	7.7
Settlement of share awards (Note 17)	0.2	2.5	5.3	(5.4)	2.6
Purchase of own shares by EBT (Note 17)	–	–	(2.3)	–	(2.3)
Tax on equity-settled share-based payments	–	–	–	(0.3)	(0.3)
At 31 March 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

Notes to the Company accounts

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	2020	2019
Management and administration	50	40

Aggregate employment costs	2020 £m	2019 £m
Wages and salaries	6.0	4.5
Social security costs	0.8	0.8
Share-based payments – equity-settled (Note 5)	1.1	2.0
Share-based payments – cash-settled	(0.2)	(0.1)
Defined contribution retirement benefit costs (Note 6)	0.3	0.5
Total	8.0	7.7

Information on the Directors' remuneration is given in the Directors' Remuneration Report on pages 86 to 101.

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. These employees are not included above.

Notes to the Company accounts

continued

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, equity-settled SAYE and the Recruitment Award 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 2019 and 31 March 2020	18.2	1.2	9.2	0.8	29.4
Depreciation					
At 1 April 2019	1.0	0.2	9.2	0.6	11.0
Charged in the year	0.5	0.1	–	0.1	0.7
At 31 March 2020	1.5	0.3	9.2	0.7	11.7
Net book value					
At 31 March 2020	16.7	0.9	–	0.1	17.7
At 31 March 2019	17.2	1.0	–	0.2	18.4

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, this amounted to £2.4 million (2019: £5.6 million).

	Shares £m	Loans £m	Total £m
Cost			
At 1 April 2019	203.2	76.8	280.0
Additions	2.4	68.2	70.6
Loans repaid	–	(91.5)	(91.5)
Translation differences	–	2.2	2.2
At 31 March 2020	205.6	55.7	261.3
Impairments			
At 1 April 2019 and 31 March 2020	0.4	15.4	15.8
Net book value			
At 31 March 2020	205.2	40.3	245.5
At 31 March 2019	202.8	61.4	264.2

A list of the Company's related undertakings is disclosed in Note 28 of 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. During the year, the cross currency interest rate swap which swapped certain US dollar fixed rate private placement loan notes into sterling at fixed rates was prepaid. 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.

Notes to the Company accounts

continued

10 Debtors

	2020 £m	2019 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	789.4	428.2
Other derivative assets	6.6	3.6
Prepayments	1.8	1.5
Debtors: amounts falling due within one year	797.8	433.3
Amounts falling due after more than one year:		
Interest rate swaps (Note 9)	1.0	1.8
Deferred tax asset (Note 14)	0.2	1.8
Debtors: amounts falling due after more than one year	1.2	3.6

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

	2020 £m	2019 £m
Amounts owed to subsidiary undertakings	173.5	117.0
Bank overdrafts	163.7	74.7
Unsecured money market loans repayable within one year	7.5	–
Other derivative liabilities	6.6	2.9
Accruals	3.5	2.8
Other creditors	0.2	–
Cash-settled share-based payment liability	0.5	0.7
	355.5	198.1

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

	2020 £m	2019 £m
Unsecured bank facilities repayable from three to four years	–	23.7
Unsecured bank facilities repayable from two to three years	0.4	–
Unsecured bank facilities repayable from one to two years	–	75.0
Unsecured private placement loan notes repayable after more than five years	161.4	–
Unsecured private placement loan notes repayable from one to two years	–	76.6
Other creditors	1.3	1.5
Cash-settled share-based payment liability	0.3	0.4
	163.4	177.2

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 2019	0.6
Utilised	(0.3)
At 31 March 2020	0.3

The onerous contract provision will be utilised by June 2021.

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:

	2020 £m	2019 £m
Equity-settled share-based payments	0.1	1.7
Other	0.1	0.1
Deferred tax asset (Note 10)	0.2	1.8

There are no unused tax losses or unused tax credits.

15 Operating lease commitments

Future minimum amounts payable under non-cancellable operating leases are:

	2020 £m	2019 £m
Within one year	1.2	1.5
From one to five years	4.9	5.2
After five years	2.8	3.9
	8.9	10.6

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 £70.0 million (2019: £54.3 million), of which £11.4 million (2019: £2.8 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 12 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

Year ended 31 March

	2020 £m	2019 £m	2018 £m	2017 £m	As restated ¹ 2016 £m
Revenue	1,953.8	1,884.4	1,705.3	1,511.7	1,291.1
Operating profit	205.3	201.0	172.6	132.3	40.1
Add back: amortisation of acquired intangibles	5.4	4.4	–	–	–
Add back: substantial reorganisation costs, substantial asset write-downs and one-off pension costs	10.0	14.9	4.5	0.9	41.9
Adjusted operating profit	220.7	220.3	177.1	133.2	82.0
Net finance costs	(5.9)	(6.1)	(4.0)	(5.2)	(5.2)
Share of profit of joint venture	0.2	0.3	–	–	–
Adjusted profit before tax	215.0	214.5	173.1	128.0	76.8
Amortisation of acquired intangibles	(5.4)	(4.4)	–	–	–
Substantial reorganisation costs, substantial asset write-downs and one-off pension costs	(10.0)	(14.9)	(4.5)	(0.9)	(41.9)
Profit before tax	199.6	195.2	168.6	127.1	34.9
Income tax expense	(44.9)	(47.1)	(19.0)	(35.0)	(13.0)
Profit for the year attributable to owners of the Company	154.7	148.1	149.6	92.1	21.9
Earnings per share	34.7p	33.4p	33.9p	20.9p	5.0p
Adjusted earnings per share	37.7p	37.0p	28.4p	21.0p	12.6p
Dividend per share²	5.9p	14.8p	13.25p	12.3p	11.75p
Non-current assets	573.4	463.4	357.6	387.6	365.7
Current assets	1,044.3	935.9	749.8	675.6	853.6
Current liabilities	(570.4)	(487.5)	(391.0)	(390.2)	(557.0)
Non-current liabilities	(327.4)	(322.5)	(233.9)	(284.0)	(306.5)
Net assets	719.9	589.3	482.5	389.0	355.8
Add back: net debt	189.8	122.4	65.0	112.9	165.1
Add back: retirement benefit net assets / obligations	55.8	83.6	72.4	104.6	43.3
Capital employed	965.5	795.3	619.9	606.5	564.2
Return on capital employed (ROCE)	22.9%	27.7%	28.6%	22.0%	14.5%
Free cash flow	72.4	76.5	102.7	112.6	46.6
Adjusted free cash flow	80.9	84.5	105.1	117.7	62.6
Average number of employees	7,044	6,603	5,868	5,769	6,024
Share price at 31 March	516.2p	561.8p	600.2p	473.4p	241.4p

1. Restated in 2017 for the change in accounting policy relating to the grossing up of cash pools.

2. The Board has deferred the decision on the final dividend for the year ended 31 March 2020 until it has greater visibility and the impact of COVID-19 on activity levels and cash generation in the Group's key markets have become clearer. The Board recognises the importance of its progressive dividend policy to its shareholders and will 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.

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-unauthorised-firm. 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

Auditor

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Investment banker

Citigroup
Citigroup Centre
33 Canada Square
London E14 5LB

Registrar and transfer office

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Stockbrokers

UBS
5 Broadgate
London EC2M 2QS

Numis Securities Limited
The London Stock Exchange
10 Paternoster Square
London EC4M 7LT

Locations

Get more online

Latest shareholder information

- Share price
- Corporate governance
- Analyst consensus estimates
- Updates via email

Archive information

- Financial results
- Annual Reports
- Company news
- Video library

For more information and the latest news visit: electrocomponents.com

Principal locations

EMEA

Austria

at.rs-online.com

Belgium

benl.rs-online.com

Czech Republic

cz.rs-online.com

Denmark

dk.rs-online.com

France

fr.rs-online.com

Germany

de.rs-online.com

Hungary

hu.rs-online.com

Ireland

ie.rs-online.com

Italy

it.rs-online.com

Netherlands

nl.rs-online.com

Norway

no.rs-online.com

Poland

pl.rs-online.com

Portugal

pt.rs-online.com

South Africa

za.rs-online.com

Spain

es.rs-online.com

Sweden

se.rs-online.com

Switzerland

ch.rs-online.com

United Kingdom

uk.rs-online.com

iesa.co.uk

Americas

Canada

ca-en.alliedelec.com

Chile

en-cl.alliedelec.com

Mexico

mx-en.alliedelec.com

USA

www.alliedelec.com

Asia Pacific

Australia

au.rs-online.com

China

rsonline.cn

twen.rs-online.com

India

in.rsdelivers.com

Japan

jp.rs-online.com

Malaysia

my.rs-online.com

New Zealand

nz.rs-online.com

Philippines

ph.rs-online.com

Singapore

sg.rs-online.com

South Korea

kr.rs-online.com

Thailand

th.rs-online.com



This Report is printed on material which is derived from sustainable sources. Both the manufacturing paper mill and printer are registered to the Environmental Management System ISO 14001 and are Forest Stewardship Council® (FSC) chain-of-custody certified

Designed and produced by

CONRAN
DESIGN GROUP

Electrocomponents plc

Fifth Floor

Two Pancras Square

London N1C 4AG

United Kingdom

Tel: +44 (0)20 7239 8400

electrocomponents.com