

## PEEL PORTS GROUP

### SECTION 172 STATEMENT

Section 172 ('S172') of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, with respect to Peel Ports Group Limited, S172 requires a director to have regard, among other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the Group's employees;
- need to foster the Group's business relationships with suppliers, customers and other stakeholders;
- impact of the Group's operations on the community and environment;
- desirability of the Group maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Group.

In discharging its S172 duties, the Board of Directors ("the Board") has had regard to the factors set out above, although at times some factors may have been given greater weighting than others.

Appropriate regard was also given to other factors considered relevant to the decision being made, for example our relationship with regulators, industry bodies and other business relationships. We acknowledge that every decision the Board has made will not necessarily result in a positive outcome for all of our stakeholders and the Board frequently has to make difficult decisions based on competing priorities. However, by giving consideration to key stakeholder groups and aligning our activities with our strategic plan, as well as the Group's culture and values, we aim to balance those different perspectives in the best interests of the Group over the long term.

We identify our key stakeholders as employees, defined benefit pension schemes, customers, suppliers, communities, the environment, government, local authorities and regulators, financial investors and shareholders.

As the Board of Directors includes representatives of the Group's three shareholders<sup>1</sup>, Peel Group, DWS and Australian Super, they are more directly able to engage on matters relevant to them. In so doing, the Board is also cognisant of the importance of considering the needs of other stakeholders when making decisions.

The Board will sometimes engage directly with stakeholders on certain issues, but the size and distribution of our stakeholders, and of the Group, means that stakeholder engagement often takes place at an operational level.

---

<sup>1</sup> The shareholder investments in the Group's immediate parent company (Peel Ports Holdings (CI) Limited) are through immediate investor companies that are referenced in these financial statements, being Peel Ports Investments (IOM) Limited (Peel Group), Infrastructure JVCo (Lime) S.a.r.l. (Deutsche Wealth Services) and AS Infra PP Pty Ltd (Australian Super).

The Executive Management Board is chaired by the Group Chief Executive Officer and attended by the Group Chief Financial Officer, both of whom are also directors and attend meetings of the Board. The Executive Management Board also comprises senior group management, including the Group Director overseeing Health and Safety and Environmental Matters, as well as the senior management responsible for each of the Ports and Shipping segments. Within the Ports segment, each port cluster group has its own management teams with delegated levels of authority. Engagement with stakeholders may take place at a port cluster level, business segment level or at senior group management level, depending on the nature of the stakeholder relationship and delegated levels of responsibility. This approach is intended to ensure alignment of engagement and decision-making with the long-term strategic objectives of the Group and greater responsiveness to the needs of stakeholders. Through the participation of the Chief Executive Officer and Chief Financial Officer at Shareholder Board and Executive Management Board level, together with reports and attendance at meetings by other members of senior management, the Board is able to exercise oversight and challenge as appropriate.

The Board considers information from across the organisation to help it understand the impact of the Group's operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks, and legal and regulatory compliance.

The Board are aware that they set the tone for the overall control environment across the whole Group and, therefore, they review and, where appropriate, approve key policies such as anti-bribery and corruption, the policy on modern slavery, the Group's code of conduct and the supplier code of conduct. These policies are designed to ensure that the Group maintains the highest standards of conduct in its business dealings with stakeholders and internally within the Group. The Group's policies are disseminated to all employees when they join the Group and to existing employees through regular communication and training where appropriate. They are also available on the Group's intranet and, where appropriate, on the Group's external website.

### **Principal decisions taken by the Board**

We consider the principal decisions to be those decisions taken by the Board directly, which should not be delegated to either the management or a committee of the Board, and which may have a potentially material impact on the Group's strategy, a stakeholder group or the long-term value creation of the Group. We have grouped the Board's principal decisions into the following categories:

- Financial results (the full and half year results);
- Capital allocation (the approval of the annual budget, the recommendation of the full-year dividend and declaration of an interim dividend);
- Material funding and treasury matters;
- Tax strategy;
- M&A activity;
- Review of matters reserved for the Board;
- Board member changes;
- Material supplier contracts;
- Strategy review (the review of the Group's five year business plan); and
- Group statements (the approval of the Group's modern slavery statement and gender pay report).

Principal decisions taken by the Board during the year ended 31 March 2021, and how they have had regard to the interests of stakeholders, include:

### *Responding to the COVID-19 pandemic*

As set out on page 7, the Group has taken, and continues to take, measures to respond to the global COVID-19 pandemic. Many of these required decisions to be taken by the Board, some of which were difficult and required trade-offs between competing stakeholder expectations. These were often taken in fast changing circumstances against a backdrop of unprecedented national and global uncertainty. With the benefit of hindsight, as with the response of governments around the world and those of many other companies, other decisions may have been taken or decisions may have been taken at different times. However, the Group's management, and its Board, focused on a number of guiding principles when making those decisions. These included the continuing priority focus on the health and safety of our employees and all of those individuals who work within its facilities and the knowledge that, as an essential part of the UK and Ireland's national supply chains, it was essential that the business continued to operate as close to normal as possible. Through the considerable efforts of the Group's employees and its suppliers, the vital role that Peel Ports plays in keeping commodities moving has continued throughout the pandemic.

The Group has had to withstand a number of economic downturns over the last decade, including the Global Economic Crisis, but the effects of the COVID-19 pandemic have been unprecedented. In Scotland, for example, the record number of cruise vessel visits recorded in prior years fell to nil overnight, with no vessel calls handled in the year ended 31 March 2021. While the cruise industry is optimistic it will return to pre-pandemic levels, there are understandable uncertainties as to when, and by what extent, confidence will return.

Through careful treasury management, the Group has sought to continue to pay suppliers on time and to continue to fulfil its agreed contributions to the defined benefit pension schemes to which it is a party. However, difficult decisions have had to be taken with respect to the restructuring of business operations and this has meant that many valued colleagues have left the business in the year. In addition, the decision as to the annual pay rise that would have been applied in June 2020 was deferred until later in the calendar year, when it was decided to award an inflationary increase to employees except those earning above a certain threshold. In reaching that decision, the Board had wanted to acknowledge the continuing economic uncertainty and outlook with the importance of rewarding the many employees who, as "key workers" had continued to operate its port terminals and provide other essential labour throughout the pandemic. The final shareholder dividend for the year ended 31 March 2020, which would normally have been paid in the summer of 2020, was cancelled.

Management, and the Board, are committed to returning the Group to growth and to allow it to resume delivering improved benefits to the stakeholders on whom it relies. The Board have approved a budget for the year ending 31 March 2022 that sets out a plan, incorporating initiatives set out in the previously approved five year strategic business plan, to grow the business while still acknowledging the continuing levels of uncertainty arising from the global pandemic and its effect on economic activity.

### *Disposal of Marine Support Services segment*

As disclosed in note 29 to the accounts, the Group disposed of the Marine Support Services segment on 23 July 2020. The Marine Support Services segment was increasingly seen as non-core to the primary focus of the Group, which is to provide port and shipping services. The decision to dispose of Marine Support Services will allow the Board to focus on the long-term strategy of the continuing Group.

### *Investment in port infrastructure to support customers*

As an infrastructure business, the Group considers very carefully the likely consequences of any major decision it makes in the long-term, with the overall objective of generating and preserving value. The Board reviews and, where appropriate, approves capital projects that exceed a certain monetary threshold in a comprehensive manner, considering the rationale for investment in the context of the long-term cash flows anticipated to be generated by the project, the likely impact upon the Group's relationships with its customers and employees, and the risk profiles of the relevant market, customers and suppliers. The impact that the investment would have on the Group's existing infrastructure assets is also a key consideration.

The disruption caused by the pandemic has meant that capital expenditure has been lower than it would otherwise have been in the year ended 31 March 2021, with capital projects either cautiously scaled back or deferred so as to better match capital cash outflows with the level of business activity and associated cash generation, while reflecting the unprecedented level of economic uncertainty that the pandemic has caused. However, as set out in section 2.1, the Group has still invested a total of £124.9m (2020: £124.8m) in net capital expenditure in the year ended 31 March 2021.

During the year ended 31 March 2021, the Board approved a number of proposals to invest in port assets that directly and indirectly support customers who use those ports. This has included the replacement of lock gates and enhancements to the grain terminal at the Port of Liverpool, investment in a warehouse alongside the Manchester Ship Canal to support a new contract with a customer and the installation of a new terminal operating system to support container operations in Greenock and Dublin. Although subject to board approval in a prior period, the Group has continued to invest in the Liverpool2 container terminal and the roll out of an ERP system during the year ended 31 March 2021.

When considering such proposals, the Board receives detailed papers that includes the proposal's business case and key financial information, a statement as to the effect that the proposal will have on energy usage, customer expectations and business risks and opportunities. Where a proposal involves significant capital expenditure to support a particular customer, the Board will consider whether it is supported by a long-term commitment from the customer that is aligned with the Group's long-term revenue and growth objectives.

### **Stakeholders**

Details of the Group's key stakeholders and how we engage with them are set out below.

#### *Employees*

Our employees are key to our success and we want them to be safe, well trained and successful, individually and as a team. We engage with our employees in a number of ways, including face-to-face briefings, newsletters, an intranet, social media and through engagement with unions. If an employee is not comfortable raising an issue with the Group directly, they can engage indirectly (and anonymously) via an Ethics Hotline, details of which are set out in the Group's Code of Conduct.

Key areas of focus include health and well-being, development opportunities, job security, pay and benefits. Page 8 sets out steps that the Group have taken with respect to ensuring the health and well-being of our employees. In addition, the Board engaged with employees during the year ended 31 March 2021 through the undertaking of a Health and Safety Climate Survey. Surveys such as this, also known as employee engagement or culture surveys, are used to measure employee engagement and perceptions of the working environment. Safety climate describes how people feel about safety and offers insight into an organisation's culture. The results of the survey, which was completed anonymously, are used to inform the Board as to how to develop and improve the overall culture of the organisation. Following the survey, guidance was issued or reissued to employees in certain areas to respond to matters raised, for example how office-based staff can report an incident (injury, environmental incident, security, near-miss Incident or hazard observation).

Examples of ways in which the Group has responded to the expectations of employees include our response to COVID-19, with the emphasis on safe working practices, having continuous improvement of health and safety practices at the core of everything we do, publication of gender pay reports and development opportunities such as apprenticeship programmes.

Although the majority of those who provide labour services to the Group are employees, there are many individuals who are engaged through third party labour providers. Such workers are often under our supervision and will be party to many of the same stakeholder engagement considerations as direct employees, including through their inclusion in Health and Safety statistics.

#### *Defined benefit pension schemes*

The Group is party to a number of defined benefit pension schemes, including industry-wide schemes such as the Pilots National Pension Fund. We take seriously our commitments to these pension schemes, which serve to provide benefits for current and former employees of the Group. We engage with these pension schemes on a regular basis through trustee meetings and involvement in industry-wide groups such as the Association of Participating Bodies of the Pilots National Pension Fund. Key areas of focus include the funding of the pension schemes and the covenant strength of the companies that provide this funding.

The Group continues to fulfil its funding commitments and, through focusing on the growth and financial strength of the business, continues to maintain and build its covenant strength.

#### *Customers*

We aim to deliver a high level of service to our customers. We build strong lasting relationships and spend time with them to understand their needs and listen to how we can improve our offer and service to them. We use this knowledge to inform our decision-making, for example to tailor our proposition to suit customer demands.

The Group has responded to the expectations and requirements of its customers through investment in major capital expenditure projects, such as the Liverpool2 container terminal and in respect of preparing the Group's ports for the UK's departure from the European Union.

#### *Suppliers*

The Group's procurement function is engaged with building strong relationships with our suppliers to develop mutually beneficial and lasting partnerships. Engagement with suppliers is primarily through a series of interactions and formal reviews. Key areas of focus include building long-term partnerships, fair terms and conditions and health and safety. The Board recognises that relationships with key suppliers are important to the Group's long-term success.

Twice yearly in-scope group companies report on payment practices and terms, with payments within agreed terms an important objective for the group. The Group also works with suppliers on ensuring compliance with the Modern Slavery Act, the Group's statement on which can be found on its website.

More recently, the Group has introduced a Supplier Code of Conduct that suppliers are asked to sign up to. This covers areas such as compliance with laws and regulations, health and safety and working conditions, environmental matters, child labour, forced labour, freedom of association, discrimination, wages and benefits, working hours, bribery, confidentiality, data protection, conflicts of interest and local communities.

### *Communities*

We engage with the communities in which we operate to build trust and understand the local issues that are important to them. Key areas of focus include how we can support and resolve any concerns that local communities may have with regard to the operation of our ports, create opportunities to recruit local people and help to look after the environment.

Our ports employ a significant number of people from the communities in which they are based. We engage constructively with local community groups and individuals where they may have concerns regarding our operations, so we can be a good neighbour to those who live near our ports. By their nature, ports are busy places with the transit of goods and services in and out. As a responsible operator, it is important that we manage these interactions in a way that minimises the external impacts to our local communities. This is a continual process as we refine and review our working practices and look to keep improving. Unfortunately, in some instances, our activities give rise to concerns and complaints from our local communities. We will always investigate these complaints and look for opportunities to reduce these external impacts. Often a complaint is found to be caused by something that has changed and, in some instances, that change is short-term, such as changes in the dominant wind direction or a particular visitor to a site. In other instances, we may be able to change or adapt our operations to reduce an impact, whilst keeping operations ongoing. For our larger ports, we have engaged in the port Master Planning process and produced port plans. These plans are consulted on with the local stakeholders and help to coordinate medium-term planning. These documents clearly set out our strategic plans for our sites and help to inform port users, employees and local communities as to how they can expect to see the port develop over the following years.

We also support local charities and community projects.

### *Environment*

The environment has been considered to be strongly related to communities and they are often considered together, although we are ever more conscious that the environment also impacts our customers and suppliers and is of increasing importance to our employees as well. The Group is committed to developing its business to meet the needs of its customers in a sustainable way, with initiatives such as reducing our carbon footprint through better energy management and recycling schemes. The annual Group Environment Plan sets out a number of initiatives to manage the effect that the business has on the environment, including the development of port air quality strategies, sustainable procurement policies and resource management policies as well as initiatives around waste management, storage of fuels and chemicals, drainage, conservation of nature, wildlife and habitats, and the beneficial use of dredge material.

One of our biggest opportunities to reduce our environmental impact is to look at our procurement and capital investment programmes. What we buy has a direct relationship on what we consume and ultimately generate as waste. By influencing our purchasing decisions, we can potentially change our buying habits and reduce our environmental impact. Looking at the whole-life costs of a purchase we can look past the upfront purchase price and consider both the running and disposal costs of the purchase. We may also look to favour or rule out certain purchases due to their environmental credentials. This will apply to all purchases and contracts we engage in (including leasing).

Our capital investment programme is where we are investing for the long-term in our sites. The decisions we make during the capital investment process impacts our operations for years to come. It is therefore important that we take the opportunity to design in efficiencies (best available technologies, controls etc.) from the start of a project. By reviewing and adapting our current processes we can ensure that we look at and have the opportunity to design in both sustainable development principles and consideration of the environmental impacts of our operations.

The Group also engages with key environmental stakeholders such as the Environmental Agency, the Department for Environment, Food and Rural Affairs and the Marine Management Organisation. Engaging with these stakeholders is important to ensure that planning and licenses are granted and that we are able to meet legislative requirements.

#### *Government, local authorities and regulators*

We engage with the government, local authorities and regulators through a range of industry consultations and meetings to communicate our views to policy makers relevant to our business. When planning development projects, we work closely with local authorities to ensure that an appropriate solution is delivered for our customers within planning requirements. Key areas of focus are compliance with laws and regulations and health and safety. Of particular note in the year ended 31 March 2021 has been our engagement with the Department for Transport and other bodies in support of the UK's preparations for leaving the European Union. At a port level, there has also been constructive engagement with bodies such as HMRC and Border Force to secure Authorised Economic Operator status. The Board is updated on legal and regulatory developments and takes these into account when considering future actions.

#### *Financial investors*

Through the group's wholly-owned subsidiary companies, Peel Ports PP Finance Limited and Peel Ports Limited, the Group raises debt and undertakes related hedging with a wide range of counterparties. This includes private placement borrowing, which is undertaken by Peel Ports PP Finance Limited, and bank borrowing, which is undertaken by Peel Ports Limited.

We rely on the support of our financial investors and we aim to maintain a timely, open and constructive dialogue with them. In addition to twice yearly presentations on the financial performance of the Group and key developments, we engage with our financial investors on an ad hoc basis through a Financial Investor relationship programme. Key areas of focus are the use to which we put financial investment, financing and refinancing opportunities, the Group's ability to pay interest payments/debt repayments when they fall due and covenant compliance.

### *Shareholders*

As owners of our Group we rely on the support of shareholders and their opinions are important to us. Our shareholders appoint representatives to sit on the Board. Where matters to be discussed are in respect of shareholder reserved matters, those relating to the conduct of the shareholders' agreement, these are discussed at meetings of the Board of Directors of the Group's immediate parent undertaking, Peel Ports Holdings (CI) Limited, in respect of which the shareholders are each represented among the directors and in which company each invests directly. The Group Chief Executive Officer and Group Chief Financial Officer, both of whom are directors of Peel Ports Group Limited, attend meetings of the Peel Ports Holdings (CI) Limited Board, but they are not directors of that company. Discussions with shareholders cover a wide range of topics including environment, health and safety ('EHS'), financial performance, strategy, outlook and governance.