

## **SPACE NK LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

**For the 52 Week Period Ended 27 March 2021**

#### **SECTION 172(1) STATEMENT**

The Board of Directors, in line with their duties under section 172(1) of the Companies Act 2006, act in a way they consider, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, they take into account a range of matters when making decisions for the long-term.

The matters set out in section 172(1) (a) to (f) are:

- (a) the likely consequences of any decision in the long-term;
- (b) the interests of the Group's employees;
- (c) the need to foster the Group's business relationships with clients, end customers, suppliers and regulators;
- (d) the impact of the Group's operations on the community and environment;
- (e) the desirability of the Group maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly between members of the Group.

#### **Stakeholder management**

The directors have considered in detail the Company's business model in order to identify the Company's key stakeholders within a stakeholder register which includes the following:

- Employees
- Customers
- Suppliers
- Lenders
- Shareholders

The Board is committed to effective engagement with all of its stakeholders. Depending on the nature of the issue in question the relevance of each stakeholder group may differ and, as such, as part of its engagement with stakeholders the board seeks to understand the relative interests and priorities of each relevant stakeholder group and to have regard to these, as appropriate, in decision making. The Board acknowledges that not every decision it makes will necessarily result in a positive outcome for all stakeholder groups, however it considers this as part of the wider consideration of all relevant stakeholder groups to allow competent decision making.

Every month the board undertakes a review where they assess the financial and strategic performance of the Company and its subsidiaries for the previous month, as well as discuss the impact of significant decisions taken in the business during the period. This is presented by the CEO and CFO to the board. The aim is to identify factors which could lead to any positive or negative impact, financial or non-financial, on the status of the Company's stakeholders.

The Board regularly share reports on issues concerning the Company stakeholders which take into account its decision-making process under section 172(1). In addition, the Board seeks to understand the interests and views of the Company's stakeholders by engaging with them directly as appropriate.

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**SECTION 172(1) STATEMENT (CONTINUED)**

Some of the ways in which the Board directly engages with stakeholders over the period are shown below:

<b>Stakeholder</b>	<b>Why we engage</b>	<b>How we engage</b>	<b>What matters to the Group</b>
Employees	To create a caring and rewarding environment in which employees can grow and align their personal development with the success of the Company	<ul style="list-style-type: none"> <li>-Reward and recognition schemes.</li> <li>- Succession planning and training and development matrix</li> <li>- Regular internal communication</li> <li>- Established Employee forum: - delivery of the Company 'Values &amp; Behaviours'</li> <li>- Ongoing commitment to Sustainability and Diversity, Inclusivity and Belonging.</li> <li>- Delivered and enhanced employee wellbeing program, focussed on personal health and personal financial wellbeing</li> <li>- Embedded an internal communication hub via NGAGE</li> <li>- Upgraded our payroll solution</li> <li>- Strategically increased our headcount to support and enhance business and employee growth</li> </ul>	<ul style="list-style-type: none"> <li>- Stable and engaged workforce</li> <li>- Empowerment of employees</li> <li>- Alignment to the Company strategy</li> </ul>
Customers	To engender customer loyalty and lifetime value by delivering excellent value and customer service	<ul style="list-style-type: none"> <li>- Product assortment meeting customer needs and latest beauty industry trends</li> <li>- Service offering to enable customer to understand their needs and shop at their convenience</li> <li>- A market leading customer loyalty program</li> <li>- Personalised concierge service for top deluxe customers</li> <li>- Investment in Customer Service team to provide an even better service on peak periods</li> <li>- Mystery Shop programme to maintain best-in-class customer service in stores</li> </ul>	<ul style="list-style-type: none"> <li>- Customer satisfaction</li> <li>- Customer retention</li> <li>- Lifetime value</li> </ul>
Suppliers	To maintain security of supply chain and to offer our customers the best range of product	<ul style="list-style-type: none"> <li>- Maintain strong supplier relationships</li> <li>- Regular feedback and review meetings</li> <li>- Increased selection of Christmas gift options this year vs last year to enhance the offer, and added online only value bundles to further increase giftable sets</li> </ul>	<ul style="list-style-type: none"> <li>- Offering the right environment to bring customer and brands together</li> </ul>

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**SECTION 172(1) STATEMENT (CONTINUED)**

Suppliers (continued)		<ul style="list-style-type: none"> <li>- Increase the speed at which we are able to launch new brands from 16 weeks to 8 weeks in order to better react to market trends and new emerging brands</li> <li>- Brought forward inventory investment for peak trade to secure supply as suppliers notified us of supply chain challenges</li> <li>- Introduced a new marketing accrual and joint business planning process for brand partners to enable longer term planning and increased transparency / marketing</li> </ul>	
Lenders	The growth of the business being funded part by debt finance	<ul style="list-style-type: none"> <li>- Regular reporting of performance and debt monitoring</li> <li>- Regular review meetings</li> </ul>	- Securing of debt funding to meet the needs of the business and a mutual relationship that facilitates the growth of the business
Shareholders	The value creation for shareholders is a key driver	<ul style="list-style-type: none"> <li>- Regular Board meetings and shareholder representative touchpoints</li> <li>- Providing of regular financial reports</li> </ul>	- Support of, and goal alignment with, shareholders

**Decision making**

We set out below examples of how the Directors of the Company have had regard to the matters set out in section 172(1) (a) – (f) including consideration of the Company’s stakeholders and employees, when discharging their duties under section 172(1) and the effect on certain decisions taken by them.

1. Covid-19 pandemic: Acting quickly and decisively to the Government enforced closure of non-essential retail shops, the Directors worked with Brand suppliers to agree payment plans to both conserve cash, but at the same time ensure continuity of supply to drive on-line sales whilst stores were closed. During the periods of store closures, with retail staff furloughed, the Directors kept good communication links in place with all employee groups to ensure everyone felt included and up to date with business developments.
2. Sale of Space Brands Limited: The Board sold Space Brands Limited to realise the value of the business for shareholders. At the appropriate stage in the sale process employees and suppliers were informed of the sale and the implications for them discussed and agreed.
3. Dividend: The Board approved a dividend of £98,728,805 following the sale of Space Brands Limited (see Review of Business and Future Developments). In making this decision, the Board considered the cash position, the ongoing cash requirements of the Group, the ongoing impact of Covid restrictions on the business.

Any matters that are Directors’ Report disclosure requirements but considered by the Directors to be of strategic importance to the Group have been included in the Strategic Report.

Approved by the Board and signed on its behalf by



Andrew Lightfoot  
25 March 2022