

## **WDFG UK LIMITED**

**Registered number:** 02872512

### **Strategic Report (continued)**

We have set out below how the Company applied the Wates Principles during 2022:

#### ***Principle 1: Purpose and Leadership***

The Company's purpose is to pursue sustainable and profitable growth and create long-term value. By focusing on customer experience and retail excellence the Company generates value for all stakeholders.

The Company regularly engages its employees across all of its UK offices and stores through its internal communication channels. It holds regular meetings to update its employees on the purpose, growth and achievements of the Company. The directors keep the purpose, vision and values of the Company in mind when they make decisions in relation to the business.

The Company has a robust operating model, which allows leadership to be based upon capabilities to execute and innovate. The Company regularly evaluates its processes and procedures and looks for ways to improve these. The Company adopts the Group's Code of Ethics, Sustainability and Integrity in Business Transactions Policy. Employees and third parties are able to raise any issues or concerns in relation to misconduct, wrongdoing or suspicion of a violation of any Group policy anonymously by calling a hotline, sending an email, or visiting the Dufry compliance website. All reports are then reviewed and the appropriate action is taken.

Each year the business will prepare its plan for the next twelve months. The plan will consider stakeholders of the business, including suppliers, landlords, employees and shareholders. The plans will be prepared with the values and purpose of the Dufry group ("Group") in mind.

#### ***Principle 2: Board Composition***

The Board consists of three directors, the Chief Executive Officer (CEO), the Chief Executive Officer of Operations (CEOO) (who also is a member of the Group's Global Executive Committee), and UK Finance Director.

All of the directors have extensive experience in the business having worked for the Group for numerous years. The Board also regularly calls on specific sector areas within the business to attend and present at board meetings to ensure that decisions are being made with the correct expertise.

Fixed board meetings take place twice a year and focus on the key risk areas for the Company and Group. These meetings have a fixed detailed agenda finalised and issued to all parties in advance of the meeting. Sector-specific meetings are also held regularly, and information is regularly provided to individual directors to make informed and efficient decisions in relation to areas such as risk, finance, operations and employment.

Based on the structure of the Company, the Board do not believe it is necessary for the Company to form Committees of the Board.

The Company believes that the size and composition of the Board is appropriate for this type of Company and the internal Group structure. However, the board is committed to improving its diversity in terms of age, ethnicity, disability and gender.

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### **Strategic Report (continued)**

#### **Corporate Governance Statement (continued)**

##### ***Principle 3: Director Responsibilities***

Each director has a clear understanding of their accountability and responsibility to the Company. The CEO has overall responsibility for key business decisions and communicates these decisions to the CEO. If required, matters may then be referred to the Group Executive Committee.

The Senior management team has delegated authority and is responsible for the day to day decisions of the business, but they are always aware of the decisions which require escalation to the CEO and/or when Board approval may be required. The directors will meet regularly with senior management, and other key stakeholders to obtain updates on their relevant sections of the business. As part of these meetings the directors will discuss the business plan, and if key objectives are being met.

The Board is due to receive refresher training on directors' responsibilities in 2022.

##### ***Principle 4: Opportunities and Risk***

The Company regularly monitors its risks at a local level, and reports local risks to the Group. This enables risks to be monitored at both local and Group level, and the impact of any Group risks to be managed locally. The Board is updated on the risks to the business, and mitigations are identified for each risk. The same approach is taken for key projects undertaken by the Company. When considering mitigation steps, the Board considers the short term and long term sustainable success of the Company.

The Group uses geographical diversification to maximise opportunities and mitigate risks. The Group is a market leader in travel retail and follows the strategy of geographic diversification resulting in a footprint of operations in 62 countries and more than 2,200 locations globally. The Company also adopts this approach in the UK, and operates over 100 stores in over 25 Airports and 2 train stations. The stores cover a vast majority of the UK.

Growth is achieved organically by the Company – and opportunistically by acquisitions or partnerships, and growth potential is further increased by the development of innovative commercial concepts with landlords and brands. The Company is continually looking at being at the forefront of market development and seizing opportunities in digitalisation.

The Company carefully analyses every project or significant investment with detailed projections and with focus on minimum return requirements. This includes a careful assessment of the initial investment needed to build and set up a store as well as the cost structure, profitability and cash flow generation of the business once it is operational.

Channel diversification also remains a key aspect of the Company's strategy. The expertise of the Company in the UK helps to accurately evaluate opportunities, and allows the Company to closely collaborate with its landlords and other local business partners to effectively develop new businesses.

As part of its financial risk management, the Company minimises business risks by implementing a highly variable cost structure. These defensive characteristics help to protect the business in case of downturns, which usually are local, thus providing a solid and resilient profile.

In 2022, the Group received SBTi validation for its Scope 1, 2 and 3 emission reduction targets.

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### **Strategic Report (continued)**

#### **Corporate Governance Statement (continued)**

Since 2020, the Group gradually began replacing existing plastic carrier bags – which already contained more than 70% of recycled plastic – in all its duty-free operations globally, with more environmentally friendly ones made of biodegradable and recyclable materials. The only exception for the time being is that of STEBs (Secure Tamper Evident Bags). These are necessary for certain airport purchases such as liquor or tobacco, as per the requirements of the International Civil Aviation Organization (ICAO) and regulations of certain airports. For this type of bag, the Group is also exploring recyclable or degradable alternatives that will meet ICAO's and airports' regulations. Once the substitution of the single-use plastic bags is fully completed, the Group will be able to reduce plastic usage by 7.3 tons per annum. Dufry currently offers non-plastic bags in 26 countries, and will introduce paper or other biodegradable bags in additional countries as soon as the existing stock of plastic bags is depleted. The plastic bag phase-out is coupled with point-of-sale communication campaigns to raise awareness and encourage customers to reduce plastic consumption and replace it with more sustainable alternatives.

The Company began charging for plastic bags in England from 21 May 2021 following a change in legislation. The Company donates all the proceeds to an environmental charity.

#### ***Principle 5: Remuneration***

The Company's remuneration for directors is based on the Group's yearly annual performance and a director's individual targets.

The business will consider its long-term plans as part of its consideration when reviewing pay annually, and attempts to engage and motivate staff via different initiatives across the Group.

The majority of employees have the opportunity to receive an annual bonus, which is based on the performance of the business and individual targets as well. Often these individual targets are based on a wide range of factors beyond monetary levels, such as customer satisfaction levels. For those employees that are not eligible for an annual bonus, there is a separate sales incentive programme.

The Company carries out regular gender pay assessments and national minimum wage audits - a copy of the gender pay gap report can be found on the Company's website. The Company also regularly benchmarks its pay levels against the wider market.

#### ***Principle 6: Stakeholder relationships and engagement***

The main stakeholders of the Company are its customers, employees, suppliers, landlords, and shareholders.

The Company also requires all of its directors, employees and officers to adhere to the principles stated in the Group Code of Conduct in their interactions with colleagues, customers, business partners and other shareholders. The Group's Code of Conduct outlines how the Company is committed to acting ethically in all aspects and to maintain the highest levels of integrity at all times.

The business is committed to maintain strong and positive relationships with all of its stakeholders.

#### ***Customers***

Customers are always at the forefront of the Company's mind when making business decisions. The Company aims to offer the ultimate airport shopping experience and endeavors to bring its customers the very latest products at great value prices.

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### **Strategic Report (continued)**

#### **Corporate Governance Statement (continued)**

Following the launch of the sustainable product identification initiative in 2021, the Company together with the Group will further evolve its sustainable product assortment in line with customers' preferences and feedback provided and will continue working with main stakeholders – concession and brand partners – to both enlarge the offering and give higher visibility in our stores.

In 2021, the Group implemented a Sustainable Product Identification System, highlighting those products that are aligned with customers' personal values and which fulfill defined sustainability criteria. The signage created for the purpose is simple and easy to understand and has been designed to highlight and create customer awareness of the various sustainability criteria associated with a selection of products. In 2022, this initiative has been extended to additional locations and products, which now includes 675 products from 20 global suppliers across all Dufry's core product categories and is implemented in 167 shops across 126 locations globally, including the UK.

#### ***Suppliers***

The Company values the relationships it has with its suppliers at a Company and Group level. The Group neither produces any goods nor sells any white label products; except for a pilot private-label assortment. As a pure retailer, all products available on our shelves are produced by third party companies. The Group expects all of its suppliers to comply with the law, stipulated contract conditions and international best practices in respect of human rights, the environment, health and safety and labor standards. To ensure this, the Group regularly updates its Supplier Code of Conduct, which stipulates the provisions required to be a supplier to Dufry. As an additional step, since 2018 the Group proactively approaches its main product suppliers to secure their agreement with and/or acknowledgement of the Supplier Code of Conduct, and hence ensure the provisions included are accepted, following a 3-year cycle for reassessment.

In 2022, the Group have further increased the reach of its supplier certification process by adding additional providers from all main product categories – from 117 by the end of 2021 to 152. These suppliers represent 59% (2021: 52%) of the Group's procurement budget (COGS). As of December 31, 2022, suppliers accounting for 52% of the Group's overall procurement budget had accepted or acknowledged the Supplier Code of Conduct (2021: 45%). On top of monitoring suppliers to ensure compliance with the principles established in the Group's Supplier Code of Conduct, the company will continue to reach out to additional suppliers going forward.

During 2022, the Group conducted a preliminary assessment of its main suppliers to revise their emission reduction strategies towards reducing emissions and committing to SBTi. While the findings are yet preliminary, the Group is confident to achieve the committed target on time.

#### ***Employees***

The Company regularly engages with its employees, and has multiple internal communication channels that enable key messages, achievements and notices to be shared amongst employees.

Fostering dialogue with its employees is a vital part of the Company's strategy, based on the understanding that its staff are its most valuable asset.

Diversity and Inclusion (D&I) will remain an area of focus for the Company. Based on the findings identified in the D&I surveys of 2021 and 2022, we will develop targeted initiatives to further support employees to better manage work, family and life-balance topics. Moreover, we will continue to evolve our training offers for all employees.

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### **Strategic Report (continued)**

#### **Corporate Governance Statement (continued)**

The Group facilitated a 'Masterclass on Inclusive Leadership' that was attended in different groups of 20, by over 300 senior leaders and their direct reporting colleagues. It focused on understanding the importance and the different facets of diversity, but also prioritised awareness building on inclusive behaviors. The Masterclass produced significant results and advances, facilitated by a high level of engagement and a general recognition that we need to continue creating change with respect to behavior related to D&I. This included recognition that change in a number of areas is key to business growth, such as more diversity in hiring, encouraging 'team-led' approaches to problem solving, and using failures to drive improvement. In the fourth quarter of 2022, the Group extended the Diversity & Inclusion Awareness Training to the Group's entire team across the world.

#### **Shareholders**

As a wholly owned subsidiary, the Board considers the opinions of its parent companies, and the interests of the Group as a whole when entering into any substantial transactions or making major decisions.

#### **Landlords**

The relationships the Company has with its landlords are very important to the Company, and during 2022, it continued to work closely with its landlords.

#### **Section 172 Statement**

The Wates Corporate Governance Principles for Large Private Companies provides a framework for the Company to demonstrate how the Board makes decisions for the long-term success of the Company and its stakeholders. It also helps demonstrate how the Board ensures that the Company complies with the requirements of s172(1)(a) to (f) of the Companies Act 2006 as more particularly set out below:

- (a) the likely consequences of any decision in the long term  
*See commentary on principles 1, 3 and 4 in the Corporate Governance Statement*
- (b) the interests of the company's employees  
*See commentary on principles 1 and 6 in the Corporate Governance Statement*
- (c) the need to foster business relationships with suppliers, customers and others  
*See commentary on principles 1 and 6 in the Corporate Governance Statement*
- (d) the impact of the company's operations on the community and the environment  
*See commentary on principles 1 and 4 in the Corporate Governance Statement*
- (e) the desirability of the company maintaining a reputation for high standards of business conduct  
*See commentary on principles 1, 4 and 6 in the Corporate Governance Statement*
- (f) the need to act fairly as between members  
*See commentary on principles 1, 2 and 3 in the Corporate Governance Statement*

The Company has continued to build its relationship with its suppliers and landlords, and will continue throughout 2023. The Board will also continue to seek to promote the success of the Company in each decision having regard at all times to each of the factors set out in s172 of the Companies Act 2006.

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### **Strategic Report (continued)**

#### **Section 172 Statement (continued)**

In complying with their duty to promote the success of the Company for the benefit of its members, whilst having regard to the matters set out in s172 (1) (a-f) of the Companies Act 2006, the Board of Directors considers that the success of the Company is best promoted through the promotion of the success of the Dufry Group as a whole. The Company is governed and managed as an integral part of the Dufry Group and follows common group wide policies and procedures. The following disclosures describe how the Company's Board of Directors have had regard to the matters set out in section 172(1) (a-f) in respect of the Group's stakeholders and forms the Directors' Statement required under Section 414CZA of the Companies Act 2006. While the Board of Directors have determined that certain of the matters disclosed in this statement may not be applicable for this Company specifically, they have included discussion of the Group's full policies and procedures to reflect the integrated approach taken to governance across the Dufry Group and therefore the matters considered by the directors of this Company in complying with their duties as directors of the Company.

#### **Employee Engagement Statement**

The Wates Corporate Governance Principles for Large Private Companies provides a framework for the Company to demonstrate its commitment for engaging its employees. The Company regularly engages with its employees and has internal communication channels that enable key messages, achievements and notices to be shared amongst employees.

The business is committed to maintaining strong and positive relationships with its employees and senior management attend employee meetings that cover a range of topics from ideas and suggestions from employees to any concerns employees may have. The business is focused on such engagement being sustainable and therefore aims to set targets and aspirations that are not only financially driven.

Diversity and Inclusion (D&I) will remain an area of focus for the Company. Based on the findings identified in the D&I surveys of 2021 and 2022, we will develop targeted initiatives to further support employees to better manage work, family and life-balance topics. Moreover, we will continue to evolve our training offers for all employees.

#### **Stakeholder Engagement Statement**

The Wates Corporate Governance Principles for Large Private Companies provides a framework for the Company to demonstrate its commitment for engaging its stakeholders (see commentary in Principle 6).

The Company endeavors to engage with its stakeholders in different ways, from its Supplier Code of Conduct to understanding its stakeholders' commitments to sustainability.

On an ongoing basis, the Company will continue to engage its stakeholders in a meaningful way and continue to work with its stakeholders to aid the recovery of the Company.

This report was approved by the board on 28 April 2023 and signed on its behalf by:

*Chris Bouttle*

Chris Bouttle (Apr 28, 2023 09:49 GMT+2)

C D Bouttle  
Director