



Section 172 Statement

Introduction

The Group recognises the importance of effective corporate governance in supporting the long-term success and sustainability of our business. The Group strives to maintain a robust and effective governance framework which supports the application and execution of the Group's strategy. The Group has adopted a corporate governance process covering all the subsidiaries through which the Group operates. Decisions made within GAP Holdings and the trading company, GAP Group, are made in parallel board meetings with the stakeholders of each entity considered to be the same.

Long Term Success/Value

GAP Group is an independent family owned business and as such we benefit from being able to take a long-term planning perspective within which our decision making is framed. The long-term sustainable strength of the business is therefore our primary objective and this is reviewed and monitored by the Board and Shareholders on a regular basis using a variety of reports.

The Group has defined principal decisions which require approval of, and are taken by, the Board of directors of the Company supported by protocols to ensure the directors receive sufficient information to enable them to discharge their duties under the Companies Act 2006. The process behind the decisions is well documented and where relevant is considered by the directors of the Group on a regular basis. The principal decisions defined cover financial, operational, people and culture.

The Group Finance Director, Chris Parr, has responsibility to ensure active engagement with stakeholders is undertaken prior to the consideration of any principal decision, to understand the stakeholders' perspective.

The corporate governance process supports the application and execution of the GAP Group strategy. The Board sets the tone for the organisation, including culture, values and behaviours that are intended to protect and promote the long-term success of the business.

Awareness and training

The Board are informed of their duties under the current legislation and stakeholder reporting requirements and understand the importance of identifying the impacts of their decisions and, where relevant, the likely consequences of the decisions in the long-term.

All statutory directors are aware of their fiduciary and statutory duties, both under the Companies Act 2006 and other applicable legislation and in August 2019 undertook externally facilitated directors training on their primary duties under the Act and broader regulatory responsibilities. The Board annually reviews and ensures the directors are made aware of legislative updates.

With the adoption of the corporate governance process, the decision-making process is clear, enabling directors to evidence their decisions and execute their duties under section 172 of the Companies Act 2006.

Board Governance

When making principal decisions, a paper is presented to the Board outlining the considerations and evaluations detailed in the Engagement section below to allow the Board to consider all perspectives in decisions likely to affect stakeholders' interests. The Board has access to support from operational teams to identify matters which may have an impact on the proposed decision including, where relevant:

- the likely consequences of the decision in the long term

- the interests of the Group's employees
- the need to foster the Group's business relationships with suppliers, customers and others
- the impact of the Group's operations on the community and the environment
- the desirability of the Group to maintain a reputation for high standards of business conduct
- the need to act fairly between members of the Group

Key stakeholders will be reviewed and confirmed on an annual basis to meet the reporting requirements and details will be recorded in the Board minutes, setting out how the Directors formed the opinion that they are key stakeholders.

Conflicts of Interest

Where principal or other important decisions are involved the Chairman will invite all Board members to consider and highlight any potential conflict of interest. Where any such conflict is identified the relevant Director will not participate in the related Board discussion or, if appropriate, participate in any associated vote. This process is recorded within the Board minute accordingly.

Engagement

The Group has undertaken a stakeholder mapping exercise and identified their respective stakeholders who will be maintained on a stakeholder register. The stakeholder register will be reviewed and updated on an annual basis.

All statutory directors, and those with delegated responsibility, are provided with information from those responsible for stakeholder engagement practices in the form of a stakeholder impact assessment conducted during the decision-making process. The purpose of the stakeholder impact assessment is to:

- assess the stakeholders' perspective
- understand the consequences and impacts of the principal decision on the stakeholders (including employees, suppliers, customers and the wider populace)
- detail how the consequences and impact will be monitored
- detail the risks that have been identified during the assessment
- outline the actions taken/proposed to be taken to monitor and mitigate these risks

Principal Decisions

Where a Company meets the relevant thresholds under The Companies (Miscellaneous Reporting) Regulations 2018, it is required to explain in its strategic report and on its website how its directors have considered and applied their statutory duty to promote the success of the Company under Section 172.

Matters determined to be principal decisions should be strategic, commercially material and impact the Company's stakeholders. In addition, any matter that required Board or Shareholder approval, as set out under the Board and Shareholder's schedules of reserved matters, is to be considered principal in nature.

Set out below are the principal decisions made on behalf of the Company during the last reporting period :

Approval of annual dividend

- The Board approved an annual dividend of £4,677,500 which was paid in July 2019. The company dividend policy is linked to company profitability
- In reaching its decision to declare the annual dividend the Board confirmed it was calculated in line with the dividend policy and also considered the impact on the company's cash position and relevant borrowing covenants

Refinancing Exercise and decision to enter a new ABL agreement

- The Board approved entering a new ABL agreement which was signed on 18 September 2019
- The requirements of the ABL were determined after careful consideration of the Company's long-term

business plan by the Board. Various stress tests were performed against the plan to ensure that the terms of the ABL were sufficiently flexible to meet the needs of all relevant stakeholders

Approval of new Group Management Structure

- A new Group operational management structure was announced to the business on 3 October 2019
- This new structure was established to support effective succession planning and to meet the anticipated future needs of the business
- The new structure was briefed to all members of the senior management team and its success will be monitored against a range of metrics including divisional sales, operational efficiency and profit performance and staff turnover
- The new structure was communicated to all employees through a Board memo supported by a cascade brief with any questions being fed back to the Board
- The new structure was briefed to the Company's ABL Banking club members by the Joint Managing Directors and the Finance Director

