

ONE BRAND. ONE TEAM. ONE CULTURE.

ANNUAL REPORT AND ACCOUNTS 2023

For the year ended 31 March 2023

[rsgroup.com](https://www.rsgroup.com)

We provide the product and service solutions that help our customers design, build, maintain, repair and operate industrial equipment and operations, safely and sustainably.

In this report

Strategic report

Performance highlights	1
Our purpose, vision and strategy	2
Our business at a glance	3
Chair's introduction	4
Our stakeholders	6
Our marketplace	10
One RS	12
Business model	13
Chief Executive Officer's (CEO) introduction	14
Business review	15
Our people	18
Strategy in action	20
Our growth ambitions	26
Key performance indicators	28
Financial review	32
Regional review	37
Risks, viability and going concern	40
Environmental, social and governance (ESG)	48
Non-financial and sustainability information statement	79

Governance report

Governance overview	83
Chair's letter	84
Our Board of Directors	86
Board leadership and governance framework	88
Board activities during the year	91
Board evaluation	96
Nomination Committee report	100
Audit Committee report	104
Directors' Remuneration report	112
Directors' report	133
Statement of Directors' responsibilities	136

Financial statements

Independent Auditors' report	137
Group accounts	144
Company accounts	187
Five year record	192

Other information

Shareholder information	193
Glossary of terms	196

We have included a glossary of terms at the end of this document to help explain our acronyms

Navigating this interactive document



Return to contents



Return to previously viewed page



Page back



Page forward

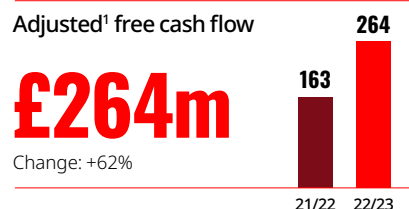
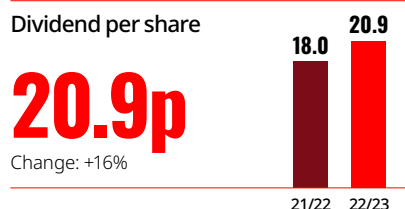
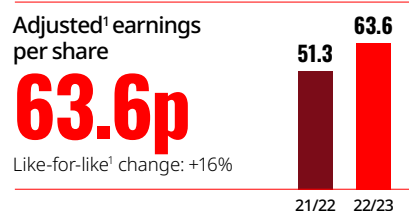
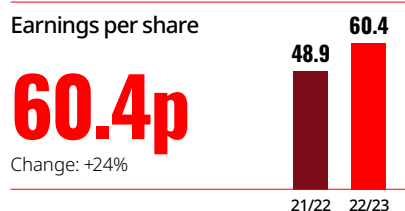
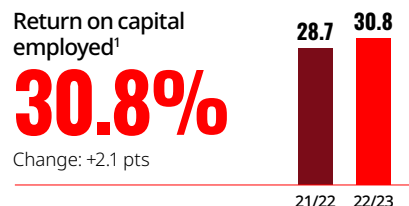
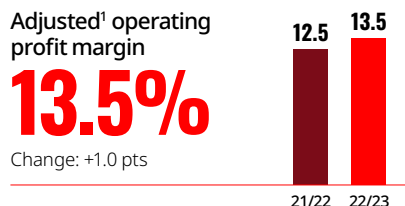
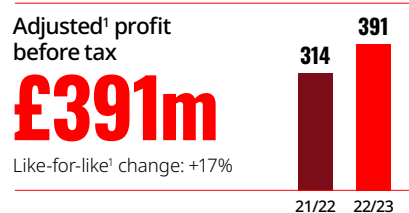
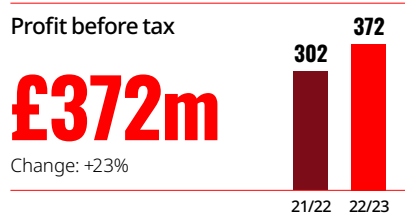
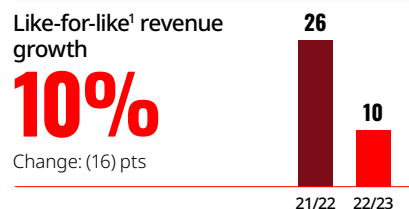
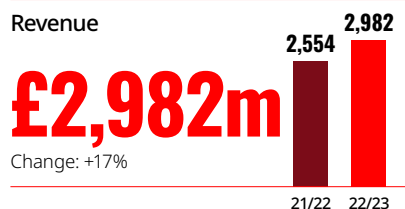
For information about your shareholding visit:

rsgroup.com/investors/shareholder-information



< Front cover:
Demonstration of our
calibration service solutions
This page:
Testing the quality of
products in the RS PRO lab

FINANCIAL

[+ Read more on page 32](#)


1. See Note 3 on pages 151 to 154 for definitions and reconciliations.

NON-FINANCIAL

[+ Read more on page 48](#)

Advancing sustainability



58%

reduction in Scope 1 and 2 emissions since 2019/20

2021/22: 50%

92%

of Group electricity is from renewable sources

2021/22: 88%

Championing education and innovation



1.3m

members, students and start-ups engaged through DesignSpark

28k

lives improved since 2019/20 through our support of The Washing Machine Project (TWMP)

2021/22: 1,260

Empowering our people



78

employee engagement score

2021/22: 75

30%

of our senior leaders are women and 11% are ethnically diverse

2021/22: 32%

Doing business responsibly



25%

of suppliers by spend have set science-based targets (SBTs) with the Science Based Targets initiative (SBTi)

2021/22: 19%

50%

of suppliers by spend have an EcoVadis membership to drive ESG performance

2021/22: 40%

ESG RATINGS AND STANDARDS



Medal rating: **Platinum**



Climate leadership score: **A-**



Global top 50 ESG companies



2022 rating: **AA**



FTSE4Good

Index score 2022: **3.7/5**

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

Our purpose, vision and strategy

DOING BUSINESS THE RS WAY

OUR PURPOSE

Making amazing happen for a better world

Our purpose reflects our focus on delivering results for people, planet and profit. Our 2030 ESG action plan – For a Better World, delivers long-term value for all our stakeholders.

[+ Read more on pages 48 – 80](#)

OUR VISION

First choice for all our stakeholders

We strive to be the best place to work for our people, the go-to partner for customers and suppliers, contributing to the communities around us and delivering long-term, sustainable value for our shareholders.

[+ Read more on pages 6 – 9](#)

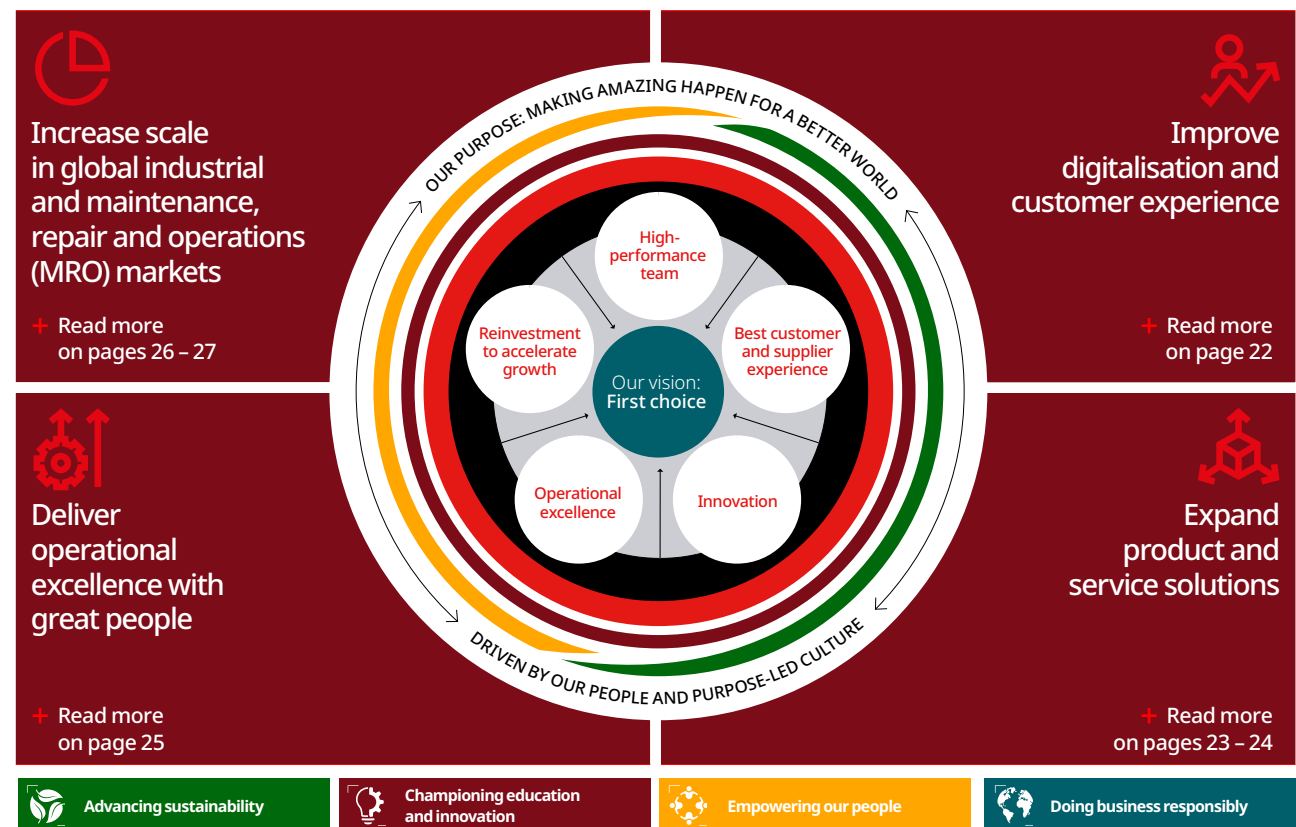
OUR AMBITION

Journey to Greatness

We believe that we can deliver stronger revenue and value-creating growth. To do this, we need to improve our competitive strengths by benchmarking our business against the highest global standards.

[+ Read more on page 20](#)

OUR STRATEGY IS BASED ON FOUR KEY ACTIONS TO DELIVER OUR VISION



Our business at a glance

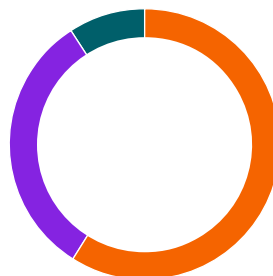
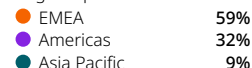
A TRUSTED PARTNER

We are a provider of product and service solutions for designers, builders and maintainers of industrial equipment and operations.

Revenue
£m

£2,982m

Region split



Our global reach

31

countries with
RS operations

1.1m

customers

>8,700

employees

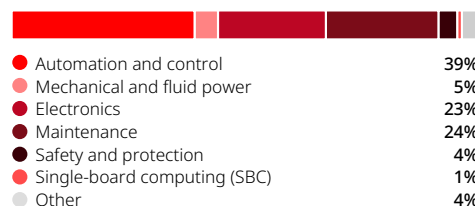
>2,500

suppliers



● Countries with RS operations

Revenue split by products and service solutions



+ Read more on pages 32 to 39

Revenue split by range of industries



FIVE KEY REASONS TO INVEST

Leveraging our differentiated business model

We are digitally led with a human touch, increasingly becoming a one-stop shop for our customers with our broad industrial and MRO product and service solutions offer.

+ Read more on page 13

25%

Group revenue
attributed to
service solutions

63%

of revenue through
digital channels

Gaining share in a large and fragmented market

We are one of a few global players in a large and fragmented market that is consolidating at pace.

+ Read more on page 10

>£470bn

distributor total
addressable market
(DTAM)

<1%

share of DTAM

Supporting a more sustainable and inclusive world

Our 2030 ESG action plan – For a Better World is a key part of our purpose and strategy, and drives high ESG ratings and standards.

+ Read more on pages 48 to 78

AA

MSCI rating

A-

CDP rating

Accelerating organic growth with acquisitions

Inorganic opportunities are strengthening our proposition, accelerating our growth and creating value.

+ Read more on pages 26 and 27

2

acquisitions
completed
in 2022/23

£238m

total expected
consideration

Driving strong revenue, cash conversion and attractive returns

We are growing scale and targeting a lower cost to serve, with a strong focus on cash and returns.

+ Read more on pages 32 to 39

30.8%

return on
capital employed

92.0%

adjusted operating
cash flow conversion

OUR COMMITMENT TO A MORE SUSTAINABLE WORLD

For a Better World is our 2030 ESG action plan to reinforce our commitment to making amazing happen for a better world.

+ Read more on pages 48 to 78

With four global goals and 15 supporting actions, we are supporting all our stakeholders as they become more sustainable.

Global goals:



Championing
education and
innovation



Doing business
responsibly



Rona Fairhead
Chair

AN EXCITING YEAR OF GROWTH

Our success is underpinned by our purpose-led strategy which continues to resonate with customers and suppliers alike.

Looking back at 2022/23, the performance of RS has been strong despite the political and economic uncertainty and global inflationary pressures following the COVID-19 pandemic. We have performed well, not only financially, but in all aspects of making amazing happen for a better world. Our people continue to be our greatest asset and I sincerely thank each and every one of them for their relentless hard work, expertise, commitment and energy. They are the very core of our success.

Culture and purpose

Culture is a critical driver which energises and motivates our people. We believe culture is fundamental to the success of any leading organisation and ours is increasingly purpose driven. This culture is reflected in the value-added services to our customers, our support for our suppliers, the collaboration and compassion

shown to colleagues and the work that our people do to serve our broader communities. It is embedded in our organisation and its impact is highlighted throughout this year's Annual Report and Accounts. Our Board is confident about the value it brings and has experienced it first hand during Board visits to our distribution centres (DCs) and offices across the globe. On my recent visit to our newly acquired business in Mexico, Risoul y Cia, S.A. de C.V. (Risoul), it was fantastic to see how their culture is closely aligned to RS's, allowing the two teams to work well together and integrate quickly and naturally. More details on the Board's visits in the year are provided on page 88 of the Governance Report.

Our Group's purpose of making amazing happen for a better world brings ESG to life, driving value for all our stakeholders. ESG is embedded into the business and included as part of our employee incentive scheme, ensuring how we perform is linked and measured against our 2030 ESG action plan – For a Better World. Our positive ESG performance continues to be recognised externally, with improved ratings awarded by MSCI, as well as our entry to the Dow Jones Sustainability Indices (DJSI) Europe. Pages 48 to 78 provide full details on the progress made against our four global goals of the ESG action plan. Further, we have undertaken an ESG double materiality assessment (see page 9) which involved engaging with representatives from each of our stakeholders for their views on key ESG issues material to our business, ensuring our strategy and decisions continue to be relevant and forward looking. This has helped us to align ever more closely with the work we are doing under Task Force on Climate-related Financial Disclosures (TCFD).

Strategy

Our success is underpinned by our purpose-led strategy which continues to resonate with customers and suppliers alike. We are creating further value through improving our customers' experience by leveraging our data insight and executional capabilities, enhancing our service solutions offer and broadening our product range. This is driven by our strong team of dedicated, skilled and passionate people.

Chair's introduction continued

Our vision is to become first choice for all our stakeholders. The Board is excited about the experience that Simon brings in enabling businesses to focus on strategic actions, grow organically and inorganically and leverage a strong asset base to create value. Please see Simon's early thoughts on what differentiates RS and the opportunities we have, set out in his introduction on page 14.

Our stakeholders

Our stakeholders lie at the heart of all our considerations. As a Board and Company, we engage with all our stakeholders on a meaningful basis to understand better their needs and requirements. More importantly, it ensures our decisions bring long-term sustainable value, thus helping us achieve our vision of becoming first choice for all our stakeholders. Set out on pages 6 to 9, we have detailed our stakeholder engagement and outcomes for the Group over the last year.

On a Board level, 2022/23 has been a year of very active engagement including employee engagement sessions in Beauvais, France, Fort Worth, US, and Corby, UK; meeting key suppliers on our Board visit to the DC in Fort Worth, US; and engaging with our institutional shareholders on remuneration and governance matters. More details on our Board engagement with our stakeholders during the year is set out on pages 91 to 95. And, of course, we are keenly aware of the importance of our owners, our shareholders. In addition to driving forward our value through executing our strategy, the Board recognises the importance of our dividend and we are pleased to continue with our progressive dividend policy. The increase in the dividend reflects the Board's confidence in the future prospects of the Group and its strong balance sheet.

Board changes

In December 2022, Lindsley Ruth stepped down as Chief Executive Officer (CEO) after serving over seven years with the Company. The Board and I would like to extend our gratitude to Lindsley, who led the turnaround of an underperforming

business and, working with a wider team, created a strong vision and purpose as part of the Group strategy. On behalf of the Board and everyone at RS Group, I wish Lindsley every future success.

The Board is delighted to welcome Simon Pryce to the role of CEO, which he began in April 2023. Simon has been a Non-Executive Director for RS Group for six years and has been highly engaged in the development of the Group's strategy. Simon brings with him a wealth of CEO experience in high-performing, purpose-led, international businesses and a strong track record of driving results and generating value through organic and inorganic growth strategies. More details on Simon's appointment process are set out on page 101 of the Governance report. Although Simon has been CEO for a very brief period, we are impressed by the speed at which he has understood the challenges while identifying the clear growth opportunities.

We would also like to acknowledge David Egan, who stepped down from the Board on 3 May 2023, for the instrumental role he played as Chief Financial Officer (CFO) and, more recently, as Acting CEO. Since joining RS in 2016, David has done a fantastic job driving the transformation of the Company and its performance. On behalf of the Board, I thank him for his years of service and wish him the very best for the future. Jane Titchener, VP Corporate Development, has taken over the CFO role in the interim until a permanent replacement CFO is appointed.

We are confident that, under the leadership of Simon, supported by Jane and our global leaders, RS will be able to execute and accelerate our strategy and seize hold of the significant opportunities we continue to see.

RS has an excellent Board, whom I would like to thank for their insights, wisdom and good counsel over the year. We continue to review our Board membership to ensure we have a diverse range of relevant expertise and experience. In June 2022, we welcomed Navneet Kapoor as a Non-Executive Director to the Board. Navneet brings with him a wealth of international experience as well as

transformation in digital fields and changes from product-driven to service-driven businesses. His input has been invaluable.

Looking forward

Despite the more difficult external macroenvironment, it is important that we remain focused on executing our strategy brilliantly. This cannot be achieved without the high-performance, purpose-led culture we have as an organisation which we will continue to nurture and develop further for the future. We are positive about the opportunities we see ahead of us and have the levers to pull if needed to navigate us through the uncertainties and continue to drive outperformance. I am confident that we have the right leadership and people in place to generate significant value and look forward to another year of progress.

“Culture is a critical driver which energises and motivates our people.”

MAKING AMAZING HAPPEN FOR ALL OUR STAKEHOLDERS



For our people

- Prioritised purpose-led culture (pages 18, 19 and 21)
- Improved employee engagement (page 6)



For our customers

- Launched Better World product range and ESG solutions function to help customers reach their ESG goals (page 56)
- Supported customers with sustainability solutions (page 16)
- Enhanced Scope 3 emissions reporting (page 55)



For our suppliers

- Held ESG events to share best practice and collaborate (page 57)
- Launched ESG supplier handbook (page 57)
- Raising ESG standards across the supply chain (page 71)



For our communities

- Created a pipeline of talent for industry through Grass Roots, DesignSpark and OKdo (see page 59)
- Improved lives through TWMP (page 61)



For our shareholders

- Benefited from ESG double materiality (page 9)
- Sustainability-linked loan facility refinanced and extended to five years (page 35 and 36)
- Quantitative modelling of climate-related opportunities and risks (page 72 to 74)

UNDERSTANDING THE NEEDS OF ALL OUR STAKEHOLDERS

It is important for us to engage with all our stakeholders to understand what matters to them, ensure we are responsive to their needs and add value. The views of our stakeholders are fundamental to us becoming first choice and driving a long-term sustainable business. While most of our stakeholder engagement takes place on an operational level, our Board also considers our stakeholders actively and the long-term impact our decision making has on them when setting and approving strategic decisions (see pages 91 to 95). We have also conducted an ESG double materiality assessment (see page 9).

+ Read our Section 172 statement on page 81

	Why they matter	The value we bring
OUR PEOPLE	Our people are fundamental to the success of our business and we continue to invest in our ability to engage, retain and develop the best talent.	We nurture talent and are building a high-performance, purpose-led culture that excites and empowers our people.
CUSTOMERS	It is crucial to understand our customers' needs in order to create value, solve problems and unlock opportunities.	We provide product and service solutions and responsive customer service enabling our customers to achieve their goals sustainably.
SUPPLIERS	We work in partnership with our suppliers to deliver an unrivalled product choice and innovative solutions for our customers.	We provide global market reach and customer insight to expand revenue and develop new products while raising supply chain standards.
COMMUNITIES	Across our communities worldwide, we are implementing educational initiatives to improve lives and inspire the next generation of engineers.	We support engineers and foster sustainable innovation to inspire a more inclusive, diverse and sustainable world.
SHAREHOLDERS	Our shareholders include institutional investors and individuals who provide the capital for our business to grow.	We generate long-term, sustainable returns with a strong ESG approach.

OUR PEOPLE

Linked to our ESG goal:



What matters to our people

- High-performance, purpose-led culture
- Diversity and inclusion
- Wellbeing and mental health
- Training and career development
- Financial planning and education

How we engage

- Encourage employee-led networks and communities
- Regular employee engagement surveys
- Diversity and inclusion training
- Non-Executive Director initiatives and interactions
- Training programmes for all employees
- Health and wellbeing resources
- Access to financial wellbeing tools and regular pension seminars

What we have achieved

- Upward trend in employee engagement score to 78
- 267 people in our apprenticeship programmes
- Placed in the 2022 Top 50 Inspiring Workplaces in North America by Inspiring Workplaces
- Additional uplift payments to support cost of living crisis
- Asia Pacific centre of expertise (CoE) won the Outstanding Employer in 2023 Top Human Resource Management Awards

KRIS KATNY
INNOVATION OPERATIONS DIRECTOR



I am grateful that RS has empowered me to develop my career. RS has supported me in my higher education while also providing training programmes, secondments and mentoring opportunities. The impact of these opportunities has been profound: I have acquired new skills, broadened my horizons and played a bigger part in our Group's success as a result. I started in the Nuneaton DC and I have been able to progress to the Innovation team. It is amazing that there are so many stories like mine in the organisation, which makes me proud to work for RS."

Becoming first choice

We are empowering our people with the skills and knowledge that drive our outperformance.

Engage

- Culture
- Grass Roots
- DesignSpark
- Reward and benefits

- High-performance, purpose-led culture
- Grass Roots education programme supporting future engineers and innovators
- DesignSpark engineering and innovation community
- Diverse and extensive physical, financial and occupational benefits

Retain

- Inclusive environment
- Supporting communities
- Listening to employees
- Health, safety and wellbeing

- Transparent, accountable and inclusive environment
- Employee networks that create greater awareness of the communities in which we operate
- Global listening strategy through engagement pulse surveys
- Mental health training and Target Zero accidents programme
- RS YAY! Award sharing our success

Develop

- MyAcademy
- Future Shapers programme
- Amazing Leaders
- Diverse talent

- Dynamic and digital learning pathways for all employees via My Academy
- Future Shapers talent programme
- Amazing Leaders: peer-to-peer learning, developing behaviours and capability for future success
- Targeted leadership programmes to support female and ethnically-diverse talent

Our stakeholders continued

Linked to our ESG goals:

CUSTOMERS

Championing education and innovation
Doing business responsibly
Advancing sustainability

What matters to our customers

- Innovative and sustainable solutions to solve problems and unlock opportunities
- A seamless omni-channel approach so customers can concentrate on what they do best
- A partner to build a more sustainable and socially responsible future
- An unrivalled choice of products and services and availability

How we engage

- Dedicated customer service
- Omni-channel communication
- Trade fairs, forums and presence at customer sites
- Voice of the Customer survey
- Customer performance reviews

What we have achieved

- Strengthened customer relationships
- Responsive and flexible proposition
- Launched RS Think Hub website to help our engineering customers find the products they need more easily
- Launched Better World products and ESG solutions function to help our customers make sustainable choices
- Won Distributor of the Year at the 2022 Excellence Awards

DEBBIE BOWRING
PRESIDENT, RS INTEGRATED SUPPLY



Sharing and collaborating with our customers are fundamental to our success as a go-to partner. At RS Integrated Supply, we host regular forums with our key customers to dive deeper into the issues our customers face today. At our forum in June 2022, we exchanged our learnings and best practice from our 2030 ESG action plan and global goals with our customers. The outcome of the forum resulted in a deeper understanding of our customers' needs and also a roadmap to how we can support our customers better and become first choice."

SUPPLIERS

Linked to our ESG goals:

Advancing sustainability
Doing business responsibly

What matters to our suppliers

- Data-driven product management
- Knowledge of customer needs and trends
- Ease of doing business
- Offering full product ranges, services and solutions to our customers
- Positive environmental and social impact and operating to high ethical standards

How we engage

- Dedicated account managers
- Regional and global supplier events
- Supplier scorecards with defined targets
- Voice of Supplier survey every two years
- RS Connect – partnering with suppliers to connect with customers
- Seamless new product introduction

What we have achieved

- Stronger partnerships with our suppliers
- Developing a programme to source, store and deliver products closer to the customer
- Increase in stocked offer by c. 7%
- Attendance at electronica conference in Munich, Germany
- Supplier conference hosted in Frankfurt, Germany

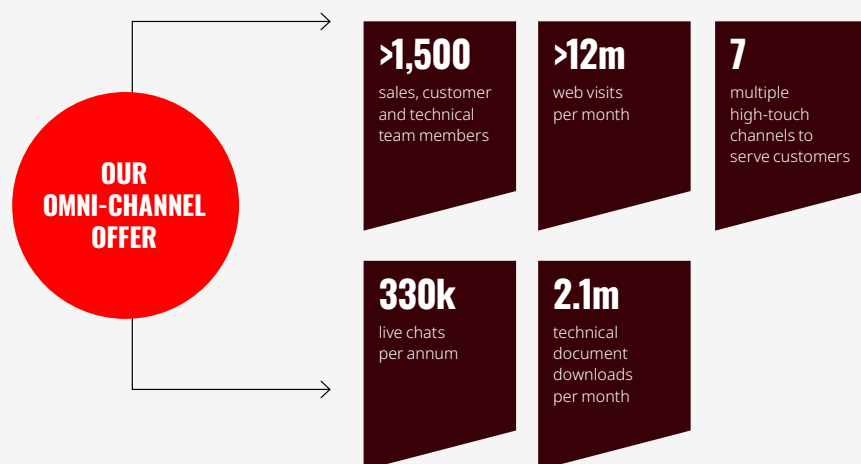
ANDREA BARRETT
VICE PRESIDENT OF SOCIAL
RESPONSIBILITY AND SUSTAINABILITY



Through our EMEA Supplier Event hosted in February 2023, we engaged with over 400 key suppliers to emphasise the importance of prioritising ESG and sustainability action in their direct business and value chain. This included asks to develop more sustainable product and service solutions, drive carbon reduction and set SBTs. By focusing on these areas, our suppliers will increase their ESG impact, strengthen their business and generate significant customer value. We also introduced a new ESG supplier handbook to help our supplier's embed strong ESG principles and drive positive action."

Becoming first choice

We are delivering a technology-enabled experience with a human touch.



Becoming first choice

We are supporting our suppliers to promote their high-quality range of products.



Our stakeholders continued

COMMUNITIES

What matters to our communities

- Providing support to our local communities
- Providing educational initiatives to young people
- Limiting environmental impact in operations

How we engage

- Competitions to encourage innovation
- Delivering SuperSkills Employability Training
- Our exclusive Global Youth Advisory Board (The FAB15)
- Organising and supporting community events and awards
- Supporting academic institutions to deliver high-quality engineering and technology education

What we have achieved

- New collaboration with SmartSTEMs to create 1,500 small wind turbines
- Won Educational Support Award at the Elektra Awards 2022
- 30 Divya washing machines built by RS volunteers for TWMP delivered to a primary school in Uganda
- 150 RS PRO student kits delivered to first-year electronics engineering students at the University of Sheffield
- 89 women and girls from Girlcode, South Africa participated in online SuperSkills sessions hosted by RS in South Africa

Linked to our ESG goals:



Empowering our people



Championing education and innovation

ELVIS TINAGO
EDUCATION COMMUNITY ENGINEER



The FAB15 is an exclusive opportunity offered by Grass Roots annually to 15 students and young professionals to gain experience on a global advisory board of a FTSE 100 UK company. As a member of the FAB15 cohort in 2021, I can say first hand that it is a real collaboration between young people and RS Group. While RS are able to support the FAB15 as future innovators and engineers with their content and learning skills, they are also helping RS, by finding sustainable solutions to some of the organisational challenges we face.”

SHAREHOLDERS

Linked to our ESG goals:



Empowering our people



Advancing sustainability



Doing business responsibly

What matters to our shareholders

- Sustainable growth and superior returns
- Understanding the business and our strategy
- Strong corporate governance
- ESG

How we engage

- Annual General Meetings
- Investor roadshows, detailed investor events, meetings and conferences
- Stock exchange announcements, press releases and results briefings
- Ongoing dialogue with analysts and investors

What we have achieved

- Progressive dividend policy
- Held 241 meetings with investors
- Improved ESG ratings awarded by MSCI
- Qualified as a constituent of the DJSI Europe
- Won the Institute of Chartered Accountants in England and Wales (ICAEW) Corporate Development Award 2023

JERRY ABRAHAM
PRESIDENT, RS PRO & PRICING



Engagement at RS is a two-way process. As a business, we engage proactively with our shareholders throughout the year. It is important that their understanding of the business is enhanced by not only meeting executive management but having access to the breadth and depth of senior leaders like myself. During my meetings with our shareholders, I provided deeper insight into our business in areas such as our own brand, RS PRO, and price optimisation tools, in turn it provides me with invaluable insight to our shareholders' needs and expectations.”

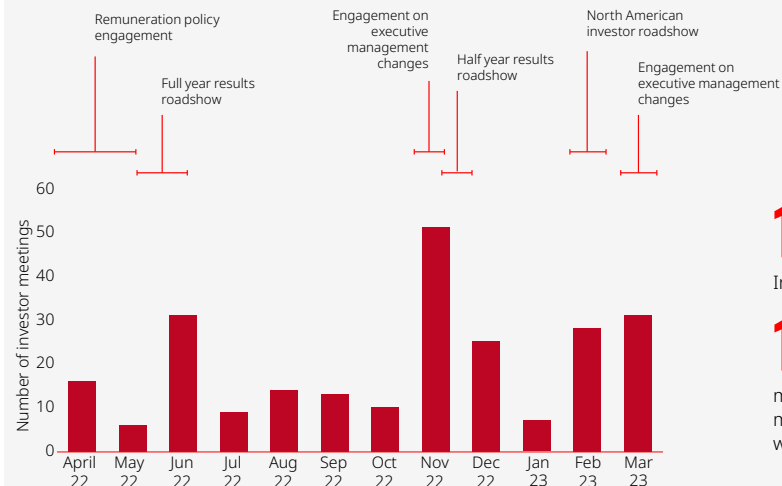
Becoming first choice

We are supporting our communities through eight key initiatives

FAB15 Opportunity for students and young professionals to gain experience on global advisory board for a FTSE 100 company 	BRIGHT Sparks Recognising talented young people in the engineering world and inspiring future generations 	Higher education electronics Providing the products, resources and opportunities to higher education 	RS DESIGNSPARK+ Engineering platform to connect, share and build young engineer and student profiles
Reflect Encouraging greater numbers of ethnically diverse youths into engineering and technology 	Superskills Supporting engineering students and young people to help bridge the gap between university and the workplace 	the washing machine project Empowering women and children by alleviating the burden of handwashing clothes 	Young innovators Empowering young innovators and supporting a variety of student projects around the world

Becoming first choice

We maintain open and regular dialogue with our investors to help their understanding of the business



177

Investor firms met

18

members of senior management met with investors

Q ENGAGEMENT IN ACTION

OBTAINING STAKEHOLDER INPUT AND INSIGHT

To ensure our 2030 ESG action plan remains focused on the most material ESG issues facing our business and stakeholders, in 2022/23 we completed our first ESG double materiality exercise to gain a full and current picture of our ESG impacts, risks and opportunities. We evaluated 18 topics categorised under each of our four global ESG goals and measured the impact that RS can have on the external world (business impact) and the financial risk and opportunities that the external world can have on RS (financial impact).

To obtain the list of key ESG material areas, we engaged with over 100 stakeholders across our people, customers, suppliers, communities and shareholders to help us prioritise key topics.

The exercise was overseen by the ESG Committee and included input from leadership teams across the Group.

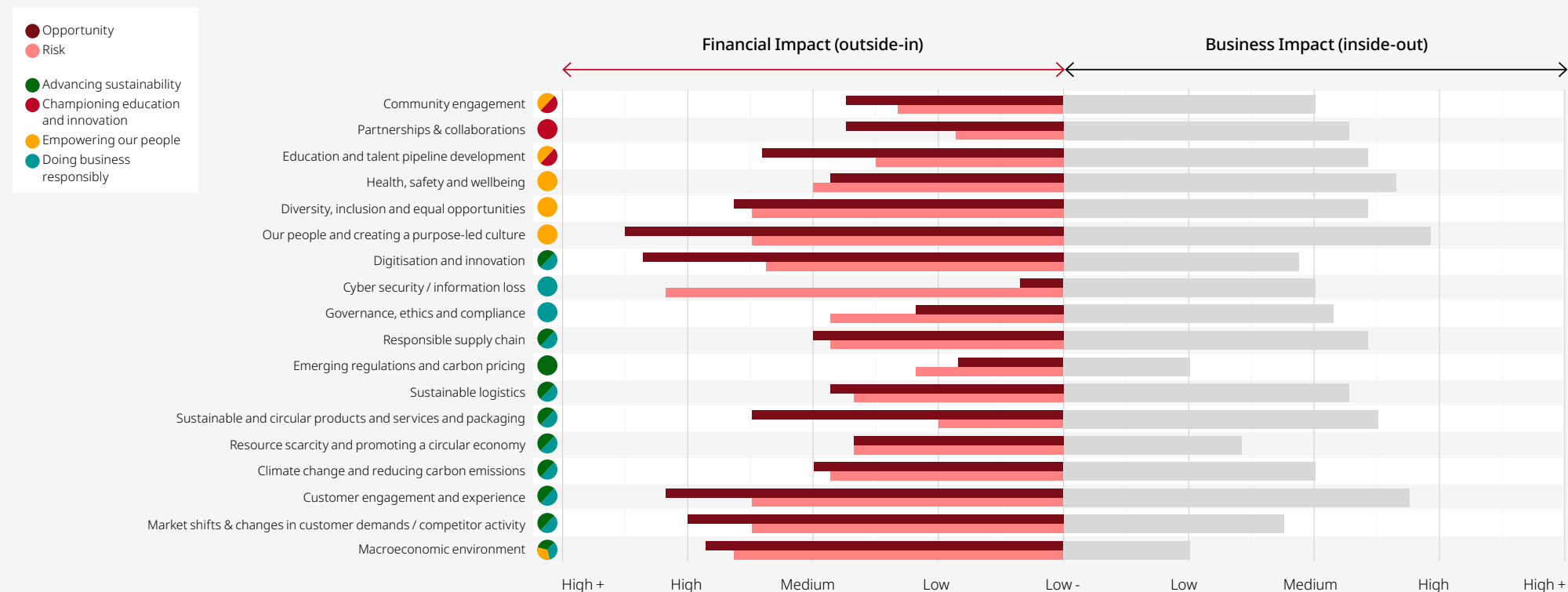
To measure business impact, we ranked the Group's impact outwards on society and the environment, using the scale of 'Low -' to 'High +'. For financial impact, each ESG issue was rated as a risk and opportunity with a rating from either 'Low -' to 'High +' impact on adjusted operating profit over five years.

From an environmental perspective, the analysis shows that offering product and service solutions that promote a circular economy as well as sustainable packaging is one of our most material ESG areas. This is an area where we can make a big difference by engaging with our suppliers to offer

more sustainable products to customers and by increasing the recycled content and recyclability of our packaging (see page 54). From a social perspective, our people and creating a purpose-led culture have the most material ESG impact. The work we are doing across the business to deliver our purpose-led culture, improve employee engagement and champion diversity and inclusion (see pages 62 to 67) are all examples of how we are delivering against this material ESG area.

Over time, we will evolve our ESG double materiality approach and align this with the work we are doing under TCFD to provide further granularity and a more sophisticated modelling method for our financial risks and opportunities.

OUR ESG DOUBLE MATERIALITY ASSESSMENT

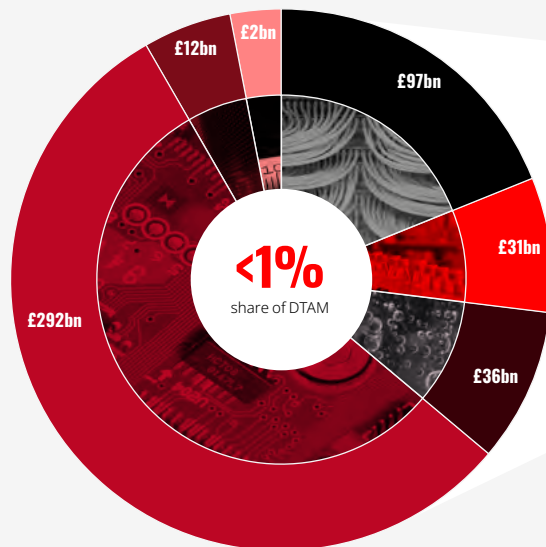


WELL POSITIONED FOR SUSTAINABLE GROWTH

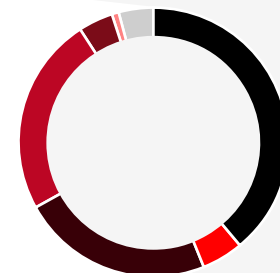
THE MARKETS WE OPERATE IN

We estimate our DTAM of the global MRO and safety and protection market is >£470 billion reflecting the broad range of product offering. The market typically grows at gross domestic product (GDP).

Our DTAM opportunity



Our revenue split by product and service solutions



- Automation and control
- Mechanical and fluid power
- Electronics
- Maintenance
- Safety and protection
- Single-board computing
- Other

Source: Texas A&M University and RS Group market research.

We operate in a large and fragmented industrial market with RS being only one of a few global distributors of MRO products and service solutions. Despite its size, much of the market is still local and many of our competitors are independent businesses and regional firms specialising in a narrow product offering and limited service solutions with less developed digital capabilities.

A broad and deep product offering

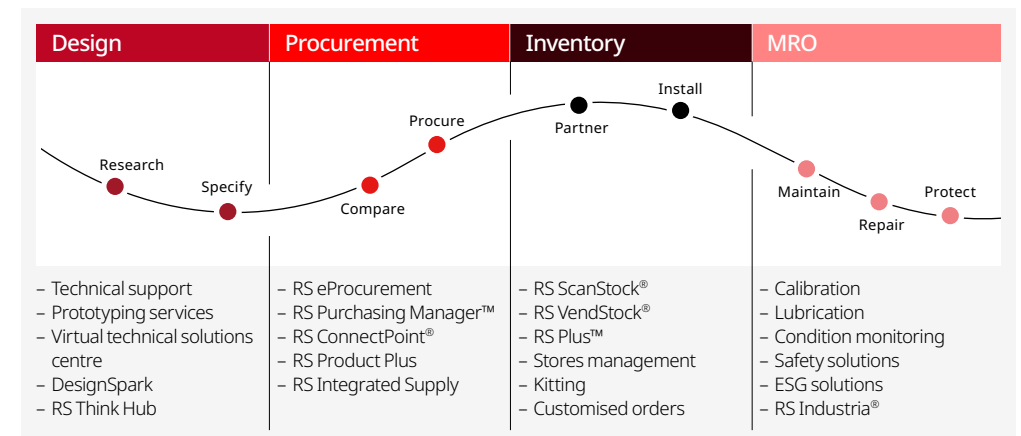
We have the product range, superior availability and responsive service capabilities that enable us to offer industrial and MRO products globally. Our electronics range concentrates mainly on the sub-categories associated with industrial requirements.

		Unnamed major competitors							
		RS	1	2	3	4	5	6	7
Industrial products	Automation and control								
	Fluid power								
	Mechanical								
	Tools								
	Safety and protection								
Electronics products	Semiconductors and passives								
	Electromechanical and interconnect								
	Single-board computing								

● Full product offer ● Part range

Solutions to unlock new opportunities

We have solutions that span our customers' asset lifecycle as they manage their design, procurement, inventory and MRO needs.



TRENDS THAT ARE SHAPING OUR MARKET

The world is evolving constantly and shaping the markets we operate in. We see five key trends that we must consider when developing our strategy and proposition. We must continue to be agile to react to the ever-changing market demands and future proof our business, while focused on our long-term vision.

Ease of doing business

Our B2B customers are expecting a personalised, seamless experience mirroring the B2B online experience. Our suppliers want a partner that understands their products and that they can work with to bring their products to market successfully.

Our strategic response

- Digitally enabling a more globally aligned and data-driven solutions offering that builds on our core strengths, while helping us move up the value chain with both customers and suppliers
- Investing in our digital capabilities to onboard new products and, for our customers, to purchase products with ease
- Operating as one global unified brand so that we are easy to explain and understand
- Continue to invest in our supply chain networks and DC infrastructure to increase capacity and local sourcing capabilities



Providing solutions

Offering solutions is a key differentiator for any organisation and our customers are increasingly expecting solutions to solve their immediate problems and predict problems before they happen.

Our strategic response

- Shifting our global focus towards MRO to exploit fully our digital channels, increasing our inventory holding and leveraging our global presence
- Developing digitally-led solutions offering
- RS Industria® provides continuous insight into the operational health and sustainability of industrial assets and equipment
- RS Integrated Supply providing ESG efficiencies as customers consolidate their procurement needs



One-stop shop

Our customers are seeking to simplify their supplier base, leverage spend and realise greater value. Receiving products and services from one provider saves time and generates cost efficiencies.

Our strategic response

- Bringing together our innovation ecosystem of DesignSpark, OKdo and RS Think Hub, enabling us to move more quickly with new innovations and deliver greater value to our supplier network
- Working to support the convergence of industrial and electronics applications, with ESG as an underpin. This has meant that within our electronics offer we are becoming more focused on our industrial customers and their need to solve their problems with electronics
- Improving and investing in our processes and applications to accelerate new product introductions



Consolidation

The market is consolidating at pace increasing two fold over the last ten years, driven by globalisation and digitalisation. This will accelerate scale and lead to improved efficiencies.

Our strategic response

- Ensuring we maintain a strong balance sheet to provide the support to drive consolidation
- Clear and disciplined criteria set to focus on potential acquisitions which will provide solution capability expansion, new or adjacent product range extensions, geographic opportunities and operational excellence
- Strengthening our corporate development and integration teams to support a pipeline of potential acquisitions and integration
- Acquisitions of two businesses during 2022/23 with a further announced in April 2023



Increased focus on sustainability

ESG has fast become a priority for all our stakeholders and increasingly we have seen greater focus on more sustainable products, distribution and service solutions, responsible supply chain practices and inclusive culture.

Our strategic response

- Robust 2030 ESG action plan with four global goals to achieve by 2030
- Established ESG solutions function to develop a differentiated suite of ESG-related product and service solutions
- Launched a more sustainable product range, Better World products, in the UK and Republic of Ireland
- Supplier ESG conferences to drive action and solutions for customers
- Participated in a business partnership programme with Offshore Wind Growth Partnership



ONE BRAND. ONE TEAM. ONE CULTURE.

In 2022/23, we transformed our portfolio of separate brands to a unified and globally integrated RS brand. Our one brand approach brings together our industrial and MRO product and service solutions offer which is easier to explain, easier to understand and easier to interact with.

The move ensures that it is as easy as possible for our customers to access the full range of our product solutions to meet their industrial needs, including our own brand, RS PRO. Our service solutions help our customers reduce the costs of their supply chain, provide digital tools and online communities to support design and development, deliver their end-to-end safety needs and increase asset utilisation.

Operating under the RS brand, we want RS to be more widely recognised as an industrial and MRO solutions partner thereby driving high-value customer spend, both existing and new, and increasing customer lifetime value.



OUR BRAND ARCHITECTURE

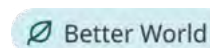


Product solutions

Our product range spans across five categories as we become first choice for our customers, as they consolidate their supply chain needs, in order to deliver a more effective go-to-market strategy.



Our own-brand product range



Our sustainable product range



Our technology solutions business focused on SBC, Internet of Things (IoT) and education

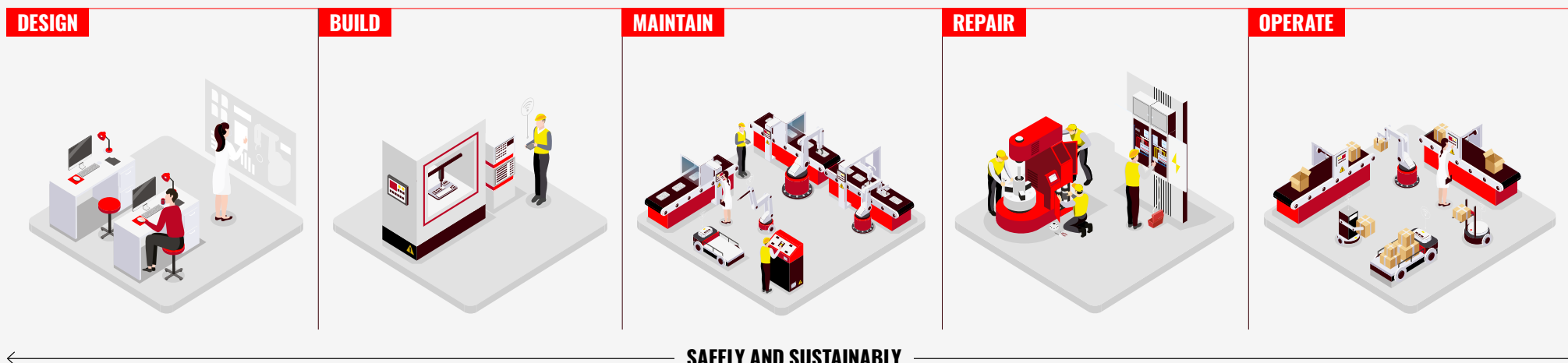
Service solutions

Our expanding range of industrial service solutions ensures our customers can deliver operational effectiveness while managing their costs and time more efficiently.



OUR COMPETITIVE ADVANTAGE

We provide the product and service solutions that help our customers design, build, maintain, repair and operate industrial equipment and operations, safely and sustainably.



What we do

We provide the link between suppliers and industrial customers who buy many different products in small volumes for the maintenance, repair and operation of their businesses.

Understanding our customers' needs and providing a wide and diverse range of product and service solutions allows our customers to keep their businesses running smoothly and efficiently in the most cost and time effective way.

Our average order value is £255.

How we do it

We aim to be first choice for all our stakeholders

Being easy to do business with

- Digitally led
- Human touch
- Technical expertise
- Fast and responsive service

Solving our customers' problems

- Product solutions
- Service solutions
- Drive customer efficiencies
- Streamline processes

Providing an extensive product range

- Extensive product offer
- Specialist product ranges
- Small volume purchases
- Long tail of technical products

How we drive value

We serve customers differing in size from small one-off purchasers to global multi-site operators. Our service offer ranges from being digitally led for transactional customers to a more specialist and solutions-led experience for larger customers where we can increase our share of customer wallet and generate more loyal relationships.



Transactional customers



Value-add customers



High spend customers

Digital experience

Service solutions

Human touch

DRIVING VALUE-CREATING GROWTH

RS is incredibly well positioned, providing product and service solutions within the high-service end of a large and fragmented industrial and MRO market.

Simon Pryce
CEO

It is a great honour to be appointed CEO of RS Group and be a part of the RS executive team as we continue delivering exceptional outcomes for all our stakeholders.

I have been a long-time admirer of RS and a shareholder for some time. My involvement with the Company has been through my position as a Non-Executive Director since 2016 and also through the organisations I have worked in over the past 25 years that have either been direct or indirect customers of RS.

RS is incredibly well positioned within a large, fragmented market. We are the link between suppliers and industrial customers who buy many different products in small volumes when required for the maintenance, repair and operation of their businesses. Crucially, we understand our customers' needs and the wide and diverse range of products and service solutions that keep their businesses running efficiently and smoothly. Providing industry and product expertise,

responsive customer service and innovative solutions to make our customers' lives easier underpins our differential offer.

We have an exciting growth strategy which I was fortunate in my position as a Non-Executive Director to have helped shape. The performance of the Group over the last five years demonstrates the strength of our strategic vision.

The strong progress we have made is down to our great people who understand our vision and ambition. I would like to congratulate all the employees of RS for achieving another year of outperformance. There is so much in RS that excites me, but it is the people who are at the core of our strength.

In the short time since I became CEO, I have visited many of our offices and DCs across the Group and met many different teams. I can see that RS is filled with people with enormous energy, passion and ideas on how to drive greater market share and execute better.

My role is to harness these ideas, simplify our processes so we can execute better and faster to make our people's lives easier and generate profitable and sustainable growth and returns.

My focus is to accelerate our strategy, ensuring we are aligned as one team to create the greatest value-creating opportunities for all our stakeholders. I believe that ESG should be fundamental in our purpose, strategy and decision making and I am delighted that RS has a strong ESG ethos, both in how we work and also how we help others. RS is positioned uniquely at the centre of the global industrial value chain, allowing us to help our suppliers and customers pivot towards more sustainable product and service solutions.

I see tremendous potential to deliver ongoing exceptional growth as we execute our strategy. It is important that we continue to accentuate our differentiated proposition, focus on improving our operational capabilities, executing well and prioritise our actions to deliver exceptional financial performance. We have only just scratched the surface of our opportunity and so to be CEO of RS at this time of the journey is truly exciting.



PERFORMANCE UNDERPINNED BY PURPOSE

RS is full of great people who have delivered strong profitable growth against a more challenging economic backdrop working together as a team to continue making amazing happen for a better world.

Our journey

We continue to make progress on our journey as we transition from being a product distributor to a solutions provider for industrial customers around the world. The strength of our proposition lies in the combination of our broad product offer, high-touch and digital-enabled service and growing solutions portfolio, all delivered through the increasingly effective use of data and the knowledge and commitment of our amazing people.

During the year, we have transformed our brand architecture towards the RS brand globally that can be recognised by our stakeholders anywhere in the world. Operating as RS we can leverage our brand strength and marketing assets more widely to generate stronger supplier relationships and deliver a better customer service. This will help us fulfil our vision of becoming first choice for all our stakeholders.

We are a global business operating under one brand but are managed at regional and local market level to ensure we can meet the specific needs of our customers and suppliers better. This allows us to understand the unique drivers of each market so that we adapt our offer to local demands and utilise local resources as much as possible to increase efficiency and reduce costs. Our global business functions, such as technology, people, marketing and data, provide specialist support and insight which the regional teams utilise to suit their specific requirements. This empowers our regions and local country markets giving them greater accountability and responsibility.

For a Better World

We have made good progress towards our 2030 ESG action plan – For a Better World. We are making positive strides towards our 2030 net zero ambition and have set science-based targets covering our Scope 1, 2 and 3 emissions, including a commitment to reduce our direct emissions by 75% by 2029/30 relative to 2019/20. We have achieved leading status in a number of global ESG ratings including being awarded AA rating from MSCI and being included in the DJSI Europe for the first time.

The world is at a pivotal point in the fight against climate change and all businesses need to take action to decarbonise their wider supply chain. We are working together with our customers and suppliers to reach a net zero value chain by 2050. This involves us optimising our facilities and supply chain, as we use our regional model to increase the amount of inventory held locally, so reducing freight miles.

This is also an exciting business opportunity for RS as we help our suppliers develop new products that use lower impact materials, offer our

customers solutions to reduce energy consumption and decarbonise their facilities, and offer a more sustainable product range, our Better World products, that help customers tackle their sustainability challenges (see page 56).

Reviewing 2022/23

We generated 17% revenue growth during the year and our operating profit grew by 24%.

We have delivered very strong growth in our industrial product ranges in all three regions, due to a strong proposition and market share gains, but experienced volume declines in our electronics product range, reflecting the softer market and strong performance of last year.

> RS at the 2022
electronica
conference in
Munich, Germany



Business review continued

We are working hard to support our customers better – the designers, operators and maintainers of industrial equipment and operations. Our average order value has increased 21% to £255 (excluding RS Integrated Supply's pass-through sales orders), over and above inflation, as we have focused our sales and marketing efforts on our higher spending customers and promoted our digital self-service to lower-spending transactional customers. Our on time to promise metric improved by 5 percentage points to 91%. We have a lot of data, insight and knowledge of our customers and their needs, and can see significant upside from providing a more customised and personalised offer as we develop our customer segmentation and service model and deploy our sales forces more appropriately.

We provide an important service to our suppliers given our customer reach, technical knowledge and execution capabilities. Our customers generally require small volumes of many products for their MRO needs and we provide the expert knowledge for them to understand if these products are compatible with their current operations. Our suppliers do not tend to have the distribution capabilities, or desire, to service or deliver directly to these customers in such small volumes. RS plays a very important role connecting over 2,500 suppliers and 1.1 million customers.

Developing our offer

We are continuing to widen our product offer to provide more specialist ranges, allowing us to strengthen our supplier relationships further as we help market, sell and distribute their existing and new products. Such an example has been in safety product and service solutions in EMEA where we now offer a much more extensive, comprehensive and specialist range after our acquisitions in 2020/21 of Needlers and Liscombe.

We have seen strong growth in our own brand, RS PRO, which has benefited from enhanced brand recognition and more targeted marketing campaigns, such as an energy efficiency promotion earlier this year. RS PRO also offers a quality-assured alternative to the branded ranges, providing customers with a lower priced option.

During the year, we invested in a state-of-the-art RS PRO lab at our DC in Corby, UK, which allows our team of engineers to test, monitor and measure new products better.

We continue to grow our portfolio of product and service solutions that increase the value add we provide to our customers, driving greater loyalty, recurring revenue and product pull through. During the year, we expanded our service solutions offer in Americas and Asia Pacific and have enhanced our offer in EMEA, especially within the maintenance areas where we have delivered strong growth within calibration, predictive maintenance and energy optimisation. RS Integrated Supply, which provides outsourced procurement and storeroom solutions to large organisations, has seen a significant increase in new contracts signed. We believe our global offer is industry leading and are excited by our proposition given the number of existing customers who are expanding the number of sites we service for them.

We are monitoring our offer versus the market and competitors to ensure we are providing value to our customers while optimising our gross margin. During the year, we benefited from the combined effect of price inflation and a lagging effect in our cost of sales due to our low inventory turn and greater utilisation of our price optimisation tools to calculate the best pricing and discounts.

Continuing to invest in the future

Cost pressures have continued to be a headwind during the year, especially for labour, technology, freight and energy. Additionally, we have invested in our operating model to strengthen our proposition. This has focused on areas such as branding, digital, technology and systems and areas relating to our strategy.

As an organisation, we believe we are connected closely to our people and are aware of the more difficult economic backdrop and cost of living crisis they have experienced. We have therefore taken steps to support our employees during the year with an ad hoc payment in November 2022. A further ad hoc payment was approved in March 2023 and paid in April to all eligible employees,

Q ESG IN ACTION

KEEPING THE WHEELS TURNING

At RS, we are committed to offering our customers solutions which help them to achieve their sustainability ambitions. This supports our ambition to be first choice for customers and acts as a key differentiator for our brand.

RS Industria® has partnered with Brompton Bicycles, manufacturers of folding bicycles, to help them improve their manufacturing efficiencies, increase reliability and reduce electricity consumption.

After expanding their bicycle manufacturing plant into neighbouring industrial units, Brompton Bicycles encountered a challenge with maintaining visibility over electricity consumption, given that the separate industrial units use different electricity accounts, meters and networks.

RS Industria® is a solution that digitally connects a wide range of industrial equipment, providing a continuous stream of operating insights which enables engineers and operational managers to significantly improve reliability, operating efficiencies and sustainability in a way that is simple, fast and affordable. By digitally connecting each location's industrial equipment, RS Industria® created a single picture of electricity consumption, enabling Brompton Bicycles to optimise their electricity purchasing and save an expected £60,000 each year, which equates to 80,000 kWh of annual energy savings which is c. 17 tonnes of CO₂e emissions.

Additionally, due to the modular nature of RS Industria®, Brompton Bicycles are able to roll out other applications of the solution quickly and cost effectively, creating a more sustainable and agile business, better able to respond to future events, whatever unfolds.

+ For more information on ESG solutions we are offering our customers, see page 56.





We have accelerated our organic growth through acquisitions in Thailand and Mexico.”

excluding our senior leaders, to help them deal with the impact of exceptional personal cost inflation.

Creating value through acquisitions

We have accelerated our growth inorganically in the year with the addition of domnick hunter-RL (Thailand) Co., Ltd. (DH) in Thailand and Risoul in Mexico. Both acquisitions have expanded our service solutions capabilities, our product range and deepened our geographic coverage. In addition, Risoul will benefit from the global trend of near shoring, especially within North America, and so is experiencing a strong market backdrop and is performing slightly ahead of our initial expectations. Integration of both businesses is going well and we are excited about the opportunities to develop their service solutions capabilities and to introduce our own-brand range. We expect to generate significant shareholder value through expansion of their product range and services, developing their digital offer and leveraging our execution expertise. Read more about our acquisitions on page 27.

Our acquisition pipeline remains strong. We have a disciplined approach to mergers and acquisitions, focusing on four areas: (i) our solution capabilities; (ii) product range; (iii) geographic reach and (iv) operational and cost efficiencies through consolidation opportunities. We continue to focus

on acquiring high-quality, high-synergy businesses and, more critically, businesses with a strong cultural fit. We announced, post the year end on 27 April 2023, that we have reached agreement to acquire Distrelec B.V. for €365 million which will significantly expand our presence in continental Europe, bring strong synergy potential and accelerate our value creation further.

Our strong M&A track record was externally recognised by the ICAEW as we were awarded the 2023 Corporate Development Award for increasing our shareholder value through our strategic market acquisitions.

Aligning our people with our strategy

Our performance has been driven by our people and we recognise the importance of investing in them to incentivise and reward the value they bring to all our stakeholders. It has been an ambition of the Group that all our people share in the long-term success of the Company, which is why we launched the RS YAY! Award during the year, awarding up to 100 performance shares to every eligible employee. More details on the RS YAY! Award is set out on page 122.

How we drive our vision

At RS, our vision is to become first choice for all our stakeholders: our people, customers, suppliers, communities and shareholders. This includes finding the best answers to solve our customers’

problems and partnering more closely with our suppliers to provide efficient and sustainable solutions. We want to work with all our stakeholders on our journey to realising our vision.

Working to a set of shared values

Our people bring our ambition and aspiration to life, which is why having a high-performance, purpose-led culture remains our highest priority. To cultivate this culture we need to provide a clear set of values and behaviours, and the training and development support to achieve this. We have been strengthening our leadership structure and have a clear focus on executing our Amazing Leaders framework while increasing diversity and inclusion. All of this will ensure that we have the very best people working together to deliver results that delight all our stakeholders.

Operational efficiency

We want to do the basics brilliantly, thereby putting in place strong foundations for us to operate more efficiently. Key to this is executional excellence and simplifying our business model. By operating more efficiently, we become more effective which enables our customers and suppliers to trust us to act as partners to help solve their problems, allowing us to engage in value-creating activities. Innovation is crucial to support us in being more efficient.

Developing our differentiated proposition

We see significant opportunity to increase our market share through differentiating our proposition further through our product and service solutions offer and enhancing our customer experience. Ultimately, we want our customers to come to RS as their first choice for their industrial and MRO needs.

Ease of doing business

We provide a digital offer with human touch; a combination that is crucial in delivering the best customer service. Our customers want us to provide the knowledge and insight but also the ease of doing business. Being able to provide our customers with a service that reduces the time and increases the efficiency of their MRO procurement will improve the overall customer experience and differentiate us from our competitors, so

expanding our share of customers’ wallets and increasing their loyalty.

Solving our customers’ problems

We aspire to be more than just a product or price to a customer. We want to provide product and service solutions that meet the needs of designers, operators and maintainers of industrial equipment and operations as they manage their design, procurement, inventory and maintenance needs. Our ability to solve challenges for our customers by combining our products, services and digital solutions together is a key differentiator.

Extensive product offer

We continue to introduce new products across our wide product portfolio, helped by our strong supplier relationships, our digital capabilities and greater DC capacity. Our own brand, RS PRO, is a huge lever for growth and profitability and a great value alternative for our customers.

Looking forward

We operate in a large and fragmented market and have great people with the capabilities to turn our opportunities into realities, customers with whom we can grow our share of wallet and suppliers with whom we work in partnership. We have a solid strategy that we are executing where ESG is both core and represents a potentially significant business opportunity. We continue to strengthen our proposition through widening our product range including our own brand and sustainable product ranges, expanding innovative and sustainable solutions and developing our digital, technical and service capabilities to improve our customer experience. We are financially strong, providing us with the opportunity to accelerate our growth ambitions organically and inorganically.

Despite the challenging external environment, the breadth of opportunity for both improvement and growth is exciting. We will continue to invest to drive future market share gains while managing our cost base appropriately as we target value-creating sustainable growth. We are confident of the Group’s strategy and future prospects and look forward to taking this business forward at pace.

Our people

BRINGING YOUR TRUE SELF TO WORK

Our high-performance, purpose-led culture excites and empowers our people.

Diversity and inclusion (D&I) is important for all our people and our future, so creating a more representative and inclusive environment is an essential part of our strategy. We are on a journey to build the diverse representation, inclusion and culture to attract, energise and empower amazing talent. Listening to and learning from each other, our employee resource groups and amazing external speakers has been a real focus this year, alongside training to build greater trust and cultural intelligence. The data and insights we have gleaned will help us supercharge our D&I and culture plans to take us to the next level.

We are creating a safe, inclusive and dynamic culture where our people can thrive and grow.


>8,700
employees

31
countries with RS operations

CULTURE IN ACTION

Q US



We are committed to using our skills to be a force for good not only for our business, but for the communities around us. At RS in Fort Worth, US, we hosted a Giving Fair to help raise awareness on non-profit organisations in the local area. The increased exposure led to amazing volunteering and partnering experiences from our people, including food bank donations and home restoration projects for families in need.

Q MEXICO



Inspired by RS Elevate, a group dedicated to connecting women across the RS Group, our newly acquired business in Mexico established their own community of women in leadership. Risoul put in place a community to help promote and celebrate the success of women in business, helping to create a more inclusive and dynamic environment for our people to grow.

Q UK



As a business, our purpose is about making amazing happen for a better world. Seven simple words that describe why we do everything we do today – and everything we want to do in the future. To help connect our Corby community to our business purpose and help them understand their role in delivering our strategy, we organised a Do it with Purpose day so our people could share their purpose and how they are contributing to making amazing happen for a better world.

Q GERMANY



At RS, celebrating our success is a key component to the high-performance, purpose-led culture. In Frankfurt, Germany, we brought together over 450 employees, families and friends to celebrate and recognise the hard work of our people through the challenges of the COVID-19 pandemic, the commissioning of the DC and the 30th anniversary of RS in Germany.

Q SOUTH AFRICA



The health, safety and wellbeing of our people is fundamental to a high-performing culture. At RS in South Africa, we celebrated Wellness Day, honouring healthy living and life choices by giving our people access to a range of services throughout the day from full medical onsite check-ups, to Investlife for financial wellbeing, and even some self-defence classes.

Q CHINA



Creating an open and trusting environment empowers our people to bring their true self to work. At our CoE in Foshan, China we opened our doors to our people and their families to get together with activities and food. The event also gave more insight and understanding about our workplace, culture and environment.

Q AUSTRALIA



Celebrating the heritage of our people is important to us. It is a person's unique, inherited sense of identity: the values, traditions and culture handed down by previous generations that shapes who we are today. To celebrate Heritage Week, RS employees in Sydney, Australia, shared their traditions and values from a diverse range of cultures through clothing, dance, music and food.

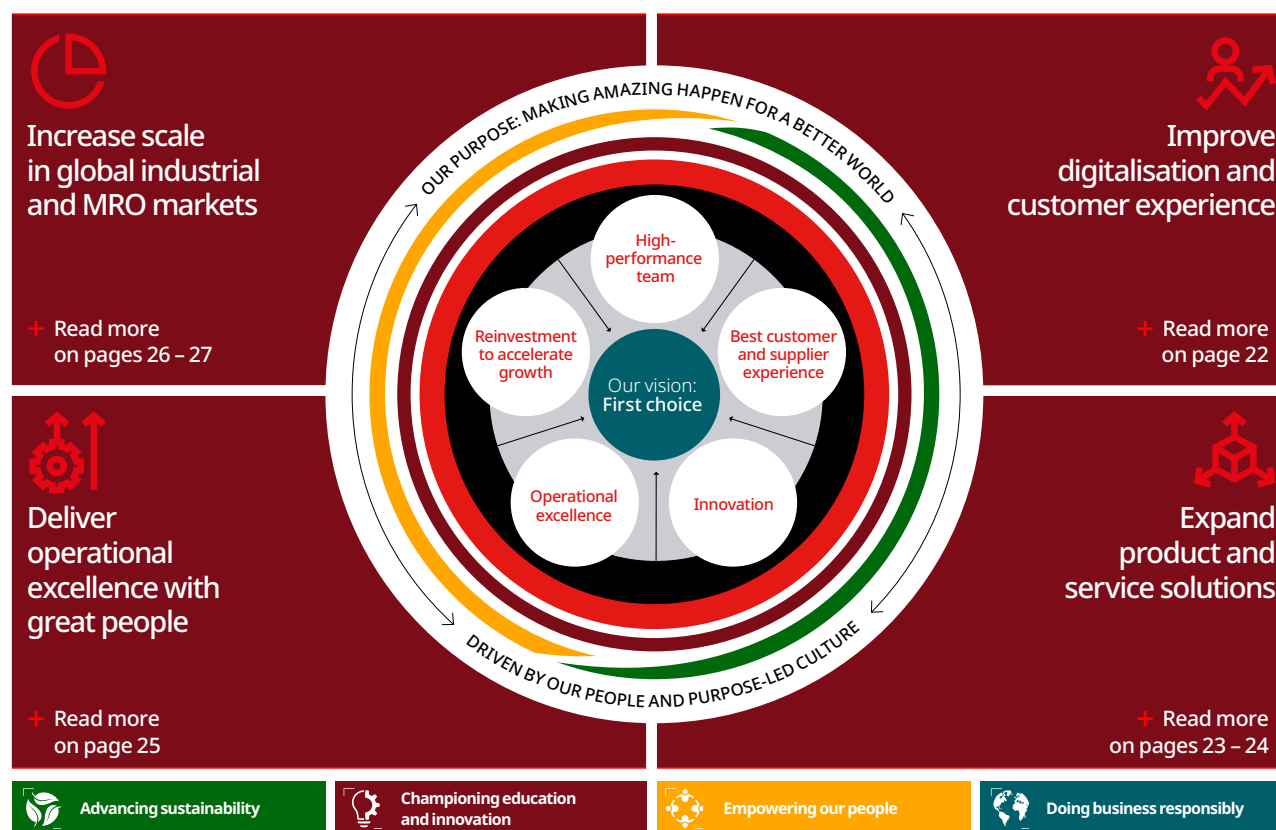
OUR STRATEGY FOR VALUE CREATION

Our strategy has been set in order to achieve our vision and purpose of delighting all our stakeholders enough to become their go-to partner; their first choice. We have set out four key actions that we believe will ensure we build the right capabilities and infrastructure to grow and scale our business more efficiently towards achieving our strategic vision. Fundamental to the strength of our progress against these actions is having a purpose-led culture as we deliver sustainable value creation.

We believe we can drive stronger revenue and value-creating profitable growth. To do this, we need and want to be great. We want to improve our competitive strengths further by benchmarking our business against the highest global standards. This is our Journey to Greatness (J2G), our increased ambition to focus on doing the right things that will make the biggest difference, working together as one team to make them happen at pace.

Our strategy is measured and rewarded against a scorecard which groups our target metrics into three key areas of focus: cultural transformation; operational efficiency; and growth accelerators. To reward the delivery of our ambition, in June 2022 we introduced the J2G Long Term Incentive Plan (LTIP) Award based on the achievement of exceptionally stretching adjusted EPS growth targets, quantifiable key long-term performance indicators linked to the strategic scorecard and a ROCE underpin. More details on the J2G LTIP Award is set out on page 126 of the Directors' Remuneration report.

OUR STRATEGY IS BASED ON FOUR KEY ACTIONS TO DELIVER OUR VISION



PURPOSE-LED CULTURE

Our people are our greatest assets. The more we understand ourselves and each other, the better we can perform.

To develop a high-performance, purpose-led culture, our people need clear expectations and connection to our purpose and strategy, the capabilities to execute and the motivation to deliver. Underpinning this are our inspiring leaders who provide the direction, coaching and support, as well as creating a safe and inclusive environment, where our people can perform at their best.

This year, 87% of our desk-based global workforce completed inclusion training to help us understand our different teams, cultures and perspectives better. We successfully piloted a new programme, Remarkable Women, to enable female leaders to transform their mindset encouraging bold and daring action. Our most senior leaders have been through an in-depth process to gain personal leadership insight, to inform their development journey and future investment in leadership.

7,385

active users of MyAcademy, our global digital learning platform

16

employees taking part in FutureShapers programme in 2022/23



Q EMPOWERING OUR PEOPLE IN ACTION

In June 2023, RS in Fort Worth, US, ranked 33 on the list of inspiring workplaces in North America by The Inspiring Workplaces Group. RS received special recognition for our inclusive practices, which were demonstrated in part by attracting and retaining more LGBTQ+ employees in the year.

Read more about
ESG goal: Empowering
our people on page 62



IMPROVE DIGITALISATION AND CUSTOMER EXPERIENCE

A technology-enabled experience powered
by a human touch and specialist knowledge.

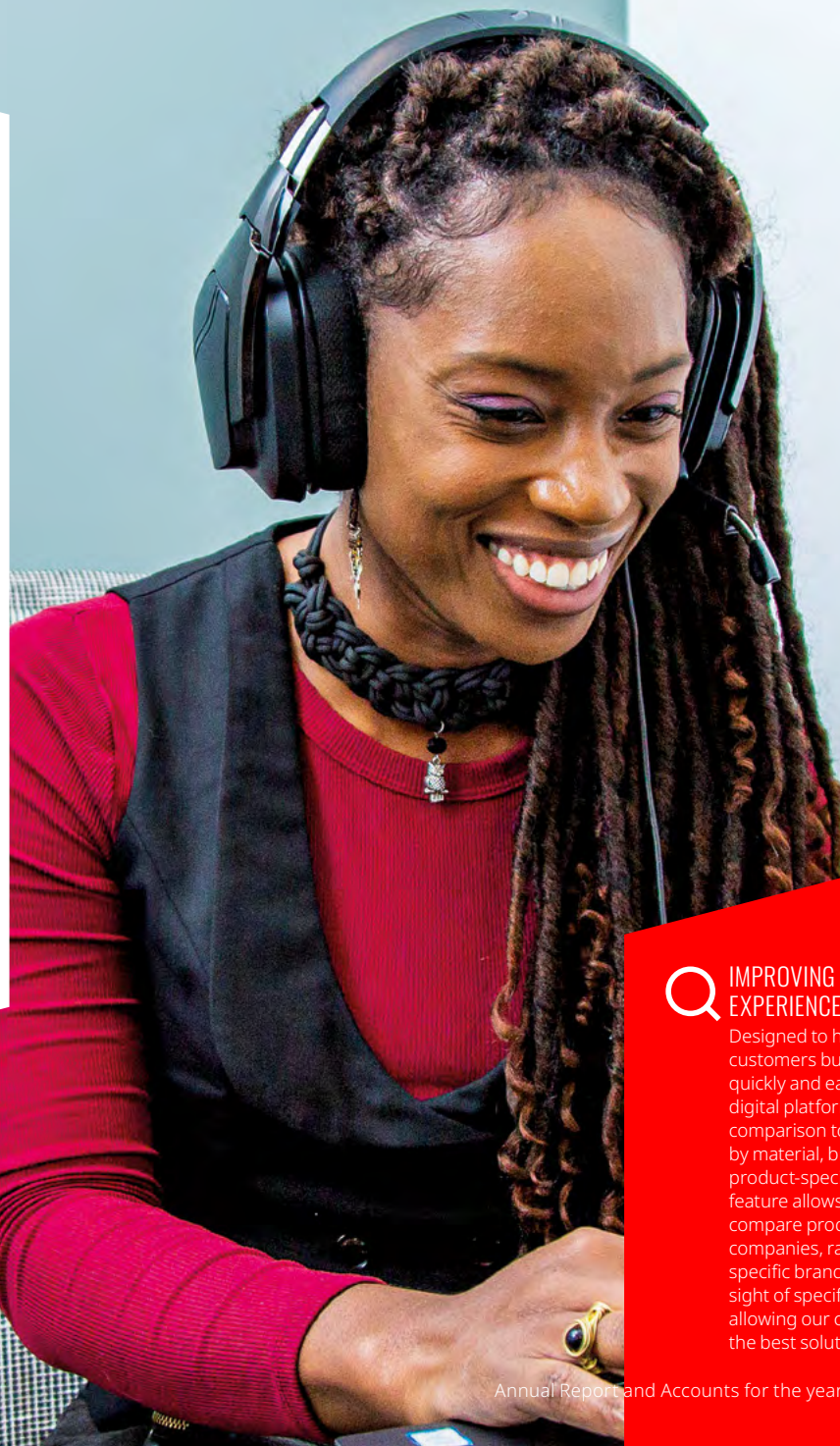
Our digital-led offer means that we are easy to do business with. Our fast and responsive model aims to deliver a seamless end-to-end customer experience through digital channels, human touch or a combination of both with specialist support and product knowledge. In combination with our solutions offer we are working towards delivering a frictionless, seamless and intuitive flow through our digital and offline channels. We are focusing on providing a more personalised and bespoke customer service for higher-value customers as we optimise our cost to serve.

63%

of revenue through digital channels

c. 4%

of Group revenue spent on digital



Q IMPROVING CUSTOMER EXPERIENCE IN ACTION

Designed to help our engineering customers buy products they need, quickly and easily, the RS Think Hub digital platform features product comparison tools to filter products by material, brand or other product-specific attributes. Its major feature allows customers to quickly compare products from multiple companies, rather than supplier-specific brands – giving quick, easy sight of specification differences allowing our customers to choose the best solution for them.

EXPAND OUR BROAD PRODUCT OFFER...

A broad and deep range of industrial and MRO products to meet our customers' needs.

We offer a broad and deep product range including many specialist and technical items. Our strong and extensive supplier relationships ensure wide product choice, availability and substitute options. Our range expansion plans continue to form a core part of our growth strategy. We are building out our product offer using data and insight as we become a product category specialist. In doing so, we are meeting the needs of our industrial customer base while ensuring we have the availability to be the single source provider of choice. Our own brand, RS PRO, is a key differentiator for us, offering customers high quality, competitively priced products.

>750k

stocked products

>80k

RS PRO products



Q ADVANCING SUSTAINABILITY IN ACTION

We have introduced our Better World product range, which delivers improvements in sustainability for our customers. These improvements are supported by clear and credible third-party sustainability certifications, supporting our customers' requirements for trust and transparency.

Read more about
ESG goal: Advancing
sustainability on page 50



...AND OUR SERVICE SOLUTIONS OFFER

A portfolio of solutions to solve our customers' problems and create value.

We provide product and service solutions to make our customers' lives easier. We are solving our customers' problems across the design, build and maintain lifecycle which drives closer and stronger relationships, recurring revenue and greater customer lifetime value.

We are developing our service solutions offer within the areas of:

- Design: which support design engineers to develop product applications and pre-build prototypes.
- Inventory: that help our customers improve product availability, reduce waste and inventory-carrying costs.
- Procurement: that improve visibility for our customers and reduce purchase-to-pay costs.
- Maintenance: that ensure customers optimise their asset reliability, reduce downtime and energy costs and ensure compliance.

25%

of revenue from service solutions

>22

types of service solutions



Q ADVANCING SUSTAINABILITY IN ACTION

Keeping an eye on water consumption is a time consuming task, but a necessary and crucial one to maintain environmental compliance. For one customer, RS Industria® helped design a plant monitoring system to help observe, detect and alert the customer on their water limit consumption, helping them save 100,000 litres per day of water.

Read more about
ESG goal: Advancing
sustainability on page 50



DELIVER OPERATIONAL EXCELLENCE

We are developing our operating model to be sustainable and scalable to support our growth.

We have many initiatives focused on delivering operational excellence.

Following the commissioning of our DC expansion in Bad Hersfeld, Germany, in 2021/22, our focus during the year has been on improving efficiencies and scaling operations. In Asia Pacific, we have approved investment to upgrade our network of DCs in the region to reduce our costs to serve and improve customer service levels.

We continue to utilise our Global Shared Business Services (GSBS) based in our four CoEs which now serve more than 25 countries in 30 languages. Through our CoEs we are minimising transactional costs by standardising and streamlining our end-to-end processes with robotic process automation and other system solutions.

Our continuous improvement approach and engaged workforce have helped us deliver efficiency cost and time savings in the year. We are increasing the use of automation and data analytics to provide best-in-class service to our customers.

4

CoEs

>770

CoE employees



Q ADVANCING SUSTAINABILITY IN ACTION

Our supply chain optimisation programme included expanding our DC in Bad Hersfeld, Germany to store and ship products more locally to our customers. We are also using lower-carbon modes of transport and have reduced the intensity of our product transport emissions by 28% since our baseline year of 2019/20.

**Read more about
ESG goal: Advancing
sustainability on page 50**



Our growth ambitions

OUR GROWTH AMBITIONS

We see opportunities to continue to take market share across all our operating areas. Our market outperformance results from selling more product and service solutions to existing and new customers, growing our branded and own-brand product range and leveraging our digital and data capabilities to improve our customer service and experience. All of this should increase our share of customer wallet and attract new customers.

We are accelerating organic growth by adding high-quality, strategic acquisitions that will develop our:

Product and
service solutions

Product extensions
and adjacencies

Geographic
opportunities

Operational
efficiencies

ESG IN ACTION

ESG considerations are an implicit part of our evaluation when assessing our M&A targets. ESG indicators are quantified and evaluated as part of the economic case for an acquisition and factored into our modelling assumptions, aligned with our strategic ambitions. The development of robust ESG reporting systems and clear action plans and initiatives are prioritised, as part of integrating the business into RS. We want our acquisitions to participate fully in our 2030 ESG action plan.

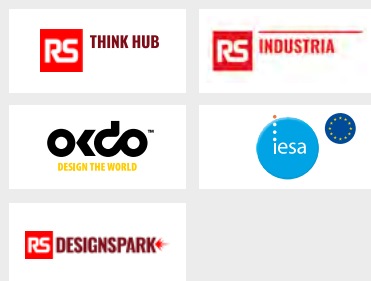
[+ Read more on the next page](#)

Our growth strategy is driven primarily by organic opportunities, with acquisitions accelerating our growth ambitions and generating greater sustainable value for all our stakeholders.

Our disciplined investment criteria:

Attractive market opportunity | Value creation potential | Availability
Cultural and strategic alignment | ESG considerations and opportunities

BUILD



BUY



We are accelerating organic growth by adding high-quality, strategic acquisitions.”

ACQUISITIONS IN ACTION

ACCELERATING VALUE CREATION

domnick hunter (DH)

In June 2022, we acquired DH in Thailand, a leading distributor and service provider of major air compression, purification and filtration products, with onsite service expertise. We are excited about adding DH to the RS Group as it accelerates significantly the development of our service solutions offer in Asia Pacific and provides opportunities to cross-sell our product offer to DH's customers.



Risoul

We welcomed Risoul to the RS Group in January 2023. Risoul is a leading distributor of industrial automation product and service solutions and the largest authorised Rockwell Automation distributor in Mexico. Risoul provides significant growth opportunities to the RS Group by expanding our position and execution expertise in Mexico and driving cross-selling synergies across our product and service solutions offer.



* Subject to customary closing conditions, including German, Austrian and Italian regulatory clearances.

FINANCIAL KPIs

Our six financial key performance indicators (KPIs) help us to deliver the successful implementation of our strategy and monitor and drive our performance.

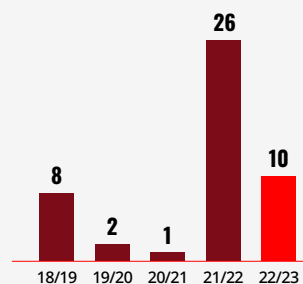
Strategic actions

- 1 Improve digitalisation and customer experience
- 2 Expand product and service solutions
- 3 Deliver operational excellence
- 4 Increase scale in global industrial and MRO markets

1. Adjusted excludes amortisation and impairment of intangible assets arising on acquisition of businesses, acquisition-related items, 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 151 to 154 for reconciliations).

Like-for-like
revenue growth

10%



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, currency movements and to exclude the impact of acquisitions until they have been owned for a year.

Link to strategic actions

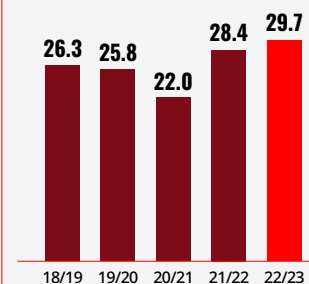


Link to remuneration

Performance measure
in annual bonus

Adjusted¹ operating
profit conversion

29.7%



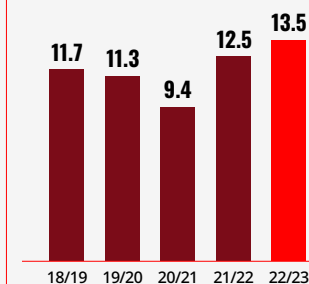
We are constantly striving to make our operating model as lean and efficient as possible so we can convert a higher percentage of gross profit into adjusted operating profit. Our aim is that each region, each market and each individual takes responsibility for our performance and constantly questions whether we can do things more efficiently to drive greater returns.

Link to strategic actions



Adjusted¹ operating
profit margin

13.5%



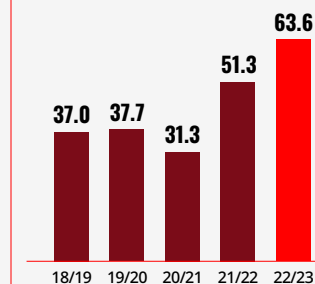
A great customer experience, high-performance team and operational excellence should all drive improvement in adjusted operating profit margin. A higher adjusted operating profit margin should drive higher returns for our shareholders. It is adjusted operating profit expressed as a percentage of revenue.

Link to strategic actions



Adjusted¹ earnings per share
(EPS)

63.6p



Adjusted EPS is a measure used by investors in deciding whether to invest in the Company. It is a measure of the growth and profitability of the Company that also reflects management performance.

Link to strategic actions

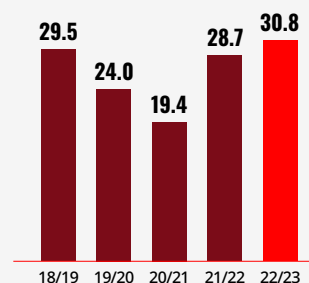


Link to remuneration

Performance measure in
long term incentive plan

Return on capital employed (ROCE)

30.8%



ROCE is 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 the monthly average of net assets excluding net debt and retirement benefit obligations.

Link to strategic actions

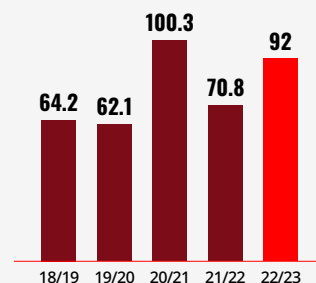


Link to remuneration

Underpin in long term incentive plan

Adjusted¹ operating cash flow conversion

92%



By tight working capital management and disciplined capital investment, we aim to convert a high percentage of our operating profit into operating cash flow. Adjusted operating cash flow conversion is defined as adjusted free cash flow before income tax and net interest paid, as a percentage of adjusted operating profit. The higher the conversion the more cash we have available to invest in our business to drive future growth and returns for our shareholders.

Link to strategic actions



Strategic actions

- 1 Improve digitalisation and customer experience
- 2 Expand product and service solutions
- 3 Deliver operational excellence
- 4 Increase scale in global industrial and MRO markets

1. Adjusted excludes amortisation and impairment of intangible assets arising on acquisition of businesses, acquisition-related items, 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 151 to 154 for reconciliations).

Q STRATEGY IN ACTION

ACCELERATE STRATEGIC ACTIONS

GSBS is a network of teams located across our regions based in four CoEs providing efficient and high-value competency and expertise for the Group. With a global reach and presence, we can leverage fully our regional expertise, network synergies and talent.

GSBS offers a suite of cross-function services across finance, customer services, payroll and indirect procurement. In 2022/23, GSBS managed a large number of transactions for the Group including the collection of c. £2 billion cash from customers, processed one million supplier invoices and three million customer orders, and managed c. £300 million of indirect spend.

During the year, GSBS has optimised its operating model to support the Group's strategic actions. Utilising its global presence, a Follow the Sun model was deployed to drive real-time transactional data processing to enhance not only customer experience but also our cash collection. Similarly, the model allowed us to enhance our supplier payment on-time performance from 83% to 86%.

Through increased automation and improved digitalisation, GSBS are creating efficiencies and cost savings for the Group. By delivering a 4% automation increase in receivable management, we saw our automated cash allocation rate on transactions improve from 78% to 82% in the year. The digitalisation of invoices for our customers in EMEA has helped generate £0.6 million of cost savings as well as contribute to our ESG efforts.

In the year, GSBS implemented a virtual European language hub in Poland covering 11 languages to enhance our service capabilities by breaking down language barriers and enhancing cultural affinities with our customers and suppliers in continental Europe.

£2bn

of cash collection managed

89%

of Group indirect spend managed



NON-FINANCIAL KPIs

We have eight non-financial KPIs to help measure progress against our strategy.

Strategic actions

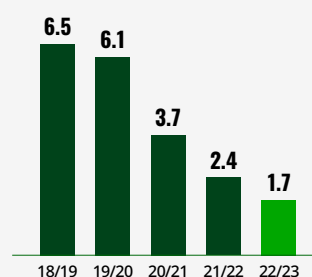
- 1 Improve digitalisation and customer experience
- 2 Expand product and service solutions
- 3 Deliver operational excellence
- 4 Increase scale in global industrial and MRO markets

1. 2021/22 % of total waste recycled updated following supplier data corrections.

ENVIRONMENT

Carbon intensity
(tonnes of CO₂e due to Scope 1 and 2 emissions / £m revenue)

1.7



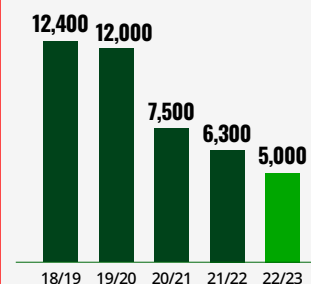
We recognise the role and responsibilities we have as a global business to address our environmental impacts and help tackle climate change. We are decoupling our business growth from our carbon footprint and thus our carbon intensity continues to decline. We are extending our use of renewable electricity while accelerating a focus on energy efficiency programmes.

[Link to strategic actions](#)

2 3

Carbon emissions
(tonnes of CO₂e due to Scope 1 and 2 emissions)

5,000



We target our absolute carbon reduction in line with our net zero action plan. This is a measure in our sustainability-linked loan (see page 36 for more details).

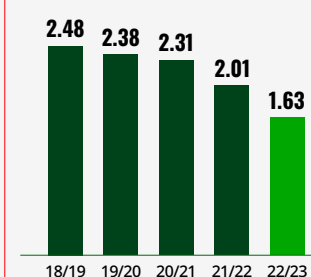
[Link to strategic actions](#)

2 3

[Link to remuneration](#)
Performance measure in annual bonus

Packaging intensity
(tonnes / £m revenue)

1.63



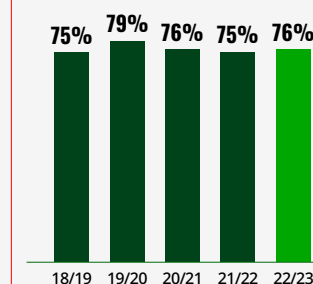
Our aim is to provide the best customer experience in the most sustainable way. We work across our network of DCs to reduce packaging, while increasing recycled content and recyclability. This is a measure in our sustainability-linked loan (see page 36 for more details).

[Link to strategic actions](#)

1 3

Waste¹
(% of waste recycled)

76%



Ensuring we are able to grow and scale the business in a sustainable way is key. This metric includes not only what we recycle but also what we reuse. We implement waste reduction initiatives internally and by working with our suppliers.

[Link to strategic actions](#)

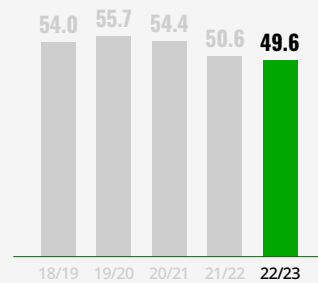
3

Key performance indicators continued

CUSTOMER

Group rolling 12-month Net Promoter Score (NPS)

49.6



There is a strong 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 help drive stronger financial performance.

We have updated our NPS methodology from 1 April 2022 to make it more representative of our customer base. The changes made are to weight NPS by percentage of orders; separate out B2B from B2C customers, with B2B becoming our primary metric; and customers that opted out of marketing can be included in the survey. Prior years have not been restated.

Link to strategic actions

1

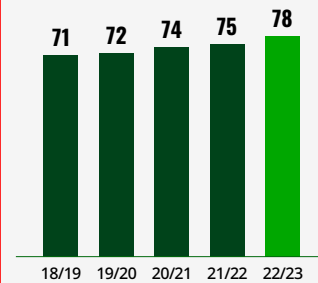
Link to remuneration

Performance measure in annual bonus

PEOPLE

Employee engagement

78



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 our customers better.

Link to strategic actions

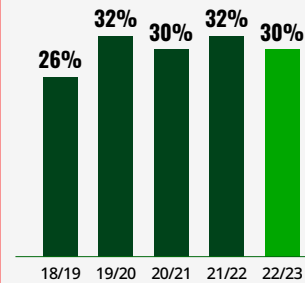
1 3

Link to remuneration

Performance measure in long term incentive plan

Percentage of management that are women

30%



Empowering our people to bring their true self to work creates a culture of excellence where everyone can thrive. Gender diversity in leadership is a key action of our 2030 ESG action plan. This is a measure in our sustainability-linked loan (see page 36 for more details).

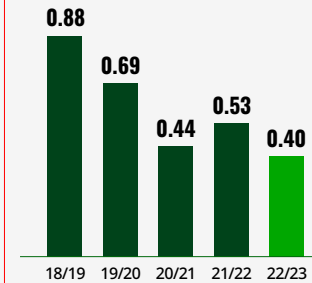
Link to strategic actions

3

HEALTH AND SAFETY

All accidents (per 200,000 hours)

0.40



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

Link to strategic actions

3

Strategic actions

- 1 Improve digitalisation and customer experience
- 2 Expand product and service solutions
- 3 Deliver operational excellence
- 4 Increase scale in global MRO markets

STRONG FINANCIAL PERFORMANCE



JANE TITCHENER
INTERIM CFO

Revenue

£2,982m

Change: +17% 2021/22: £2,554m

Operating profit

£383m

Change: +24% 2021/22: £309m

Like-for-like¹ revenue growth

10%

2021/22: 26%

Adjusted² operating profit

£402m

Like-for-like¹ change: +18%

2021/22: £320m

Net debt

£113m

2021/22: £42m

Adjusted² operating profit margin

13.5%

2021/22: 12.5%

Overall results

	2023	2022	Change	Like-for-like ¹ change
Revenue	£2,982.3m	£2,553.7m	17%	10%
Gross margin	45.3%	44.2%	1.1 pts	1.8 pts
Operating profit	£383.0m	£308.8m	24%	17%
Adjusted ² operating profit	£402.2m	£320.4m	26%	18%
Adjusted ² operating profit margin	13.5%	12.5%	1.0 pts	0.9 pts
Adjusted ² operating profit conversion	29.7%	28.4%	1.3 pts	0.9 pts
Profit before tax	£371.5m	£302.2m	23%	16%
Adjusted ² profit before tax	£390.7m	£313.8m	25%	17%
Earnings per share	60.4p	48.9p	24%	16%
Adjusted ² earnings per share	63.6p	51.3p	24%	16%
Cash generated from operations	£413.0m	£267.1m	55%	
Adjusted ² free cash flow	£263.6m	£162.9m	62%	
Adjusted ² operating cash flow conversion	92.0%	70.8%	21.2 pts	
Net debt	£113.0m	£42.1m		
Net debt to adjusted ² EBITDA	0.2x	0.1x		
Return on capital employed	30.8%	28.7%		
Dividend per share	20.9p	18.0p	16%	

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 2021/22 converted at 2022/23 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 (see Note 3 on pages 151 to 154 for reconciliations).
2. Adjusted excludes amortisation and impairment of intangible assets arising on acquisition of businesses, acquisition-related items, 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 151 to 154 for reconciliations).

“

We have delivered excellent financial performance helped by our strong inventory availability and ongoing commitment of all our amazing people.”

Financial review continued

Revenue

Group revenue increased by 17% to £2,982.3 million. Like-for-like growth was 10% after adjusting for the £54.0 million impact of acquisitions, £116.6 million from favourable exchange rate movements and a negative impact of £10.6 million from fewer trading days. Revenue momentum slowed during the year, with second half like-for-like revenue growth of 4%, after 16% in the first half, due to tougher comparatives and the more challenging macroeconomic environment which has resulted in lower demand.

Industrial production figures, supplier indications and results reported by peers show that we continue to outperform the industrial market and are gaining share as our customers have relied on our product availability, the breadth of our range and service delivered by our experienced teams.

We have seen a reduction in our total customer numbers to 1.1 million from over 1.2 million as we have focused less on low lifetime value and one-off low margin transactional customers with high costs to serve, instead concentrating on higher-value opportunities. Our average order value grew to £255 from £211 (excluding RS Integrated Supply's pass-through sales orders) with much of the growth driven by price inflation.

Our industrial product ranges, which account for 76% of Group revenue, grew by 16% like-for-like during the year with strong growth across all ranges, with 21% like-for-like growth in the first half and 12% growth in the second half.

Our electronics products range accounts for 23% of Group revenue and is predominantly supplied to our industrial customers as they become more digitalised and connected. We had a more challenging year as supply constraints eased and demand softened especially for passives and semiconductors components. This was coupled with record growth last year causing tough comparatives especially in the second half, resulting in like-for-like growth of 1% in 2022/23 overall but split between 12% like-for-like growth in the first half to a 10% decline in the second.

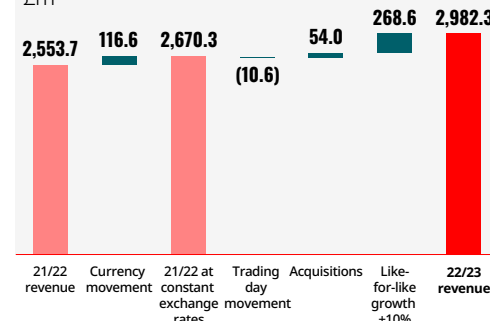
OKdo (our technology solutions business focused on SBC, IoT and education) declined by 52% on a like-for-like basis following the end of the Raspberry Pi supply agreement, reducing our Group like-for-like revenue growth from 12% to 10%. OKdo now accounts for 1% of Group revenue and we are repositioning the offer closer to our industrial customer base.

RS PRO, which is our main own-brand product range and accounts for 13% of Group revenue, grew by 19% on a like-for-like basis, due to the broadening product range and end-to-end sales and marketing focus in the regions. Our competitively priced offer continues to gain traction particularly in the current less favourable economic climate and we now have the capability to demonstrate quality and value through our expanded design and test facilities.

Digital, accounting for 63% of Group revenue, performed slightly ahead of the Group overall, delivering like-for-like revenue growth of 14%. Web revenue increased by 12% on a like-for-like basis, while eProcurement and other digital, which are used predominantly by our larger customers, grew by 21% on a like-for-like basis.

Service solutions revenue, accounting for 25% of our Group revenue, increased by 25%, 21% like-for-like, to £734.0 million with our digital solutions offer being one of the strongest areas.

Like-for-like revenue development £m



Gross margin

Group gross margin increased 1.1 percentage points to 45.3%. Like-for-like gross margin improvement was 1.8 percentage points excluding the dilutive impact from exchange rates and our recent acquisitions. The dilutive impact from acquisitions, in part, reflects the lower digital participation within the acquired businesses compared to the rest of the Group. We expect this dilutive impact, on a full-year basis, to reduce over time as integration continues. During the year we benefited from a lagging effect in our cost of sales due to our low inventory turn and a more constrained electronics supply chain for most of the year providing pricing opportunities. The gross margin also benefited from our continued focus on gross margin optimisation through direct procurement initiatives, commercial discipline, discount policies and expanding our own-brand ranges.

Operating costs

Total operating costs, which include regional and central costs, increased by 18%. Excluding amortisation and impairment of acquired intangibles and acquisition-related items, total adjusted operating costs increased by 18%, 13% on a like-for-like basis.

A large proportion of our operating costs relates to our people and broadly half of the like-for-like cost increase. We remain mindful of the competitive pressures for talent we continue to face and so have updated many of our employee benefits programmes to be more inclusive and increased the level of benefits relating to health and wellbeing. These, together with the pay rise across the Group in June 2022 and the c. £10 million ad hoc payments to our employees, have helped reduce our employee voluntary annual turnover rate to 9.9%.

Operating costs in the regions have been impacted in the second half by electricity and gas cost increases. More recently, sea freight costs have started to ease and fuel surcharges have been avoided in most of our domestic carriers. We remain focused on optimising our network of distribution centres to minimise freight costs and miles and we anticipate further benefits from our expanded DC in Bad Hersfeld, Germany, as we route less inventory through our UK DCs and source more products from continental Europe.

We invest in our business to ensure it can support the strong organic growth we are delivering and the organic and inorganic opportunities we see. As a result, operating costs included c. £20 million of strategic investment, a c. £7 million increase year on year, to strengthen our digital and commercial capabilities, technology platform, product and service solutions capacity, our rebranding and to improve our operating basics.

Central costs (Group strategic investment, Board, Group Finance and Group Professional Services and People costs that cannot be attributed to region-specific activity) increased by £8.6 million to £60.5 million. This included investment in global rebranding, innovation and Group technology infrastructure.

Adjusted operating costs as a percentage of revenue increased by 0.3 percentage points to 31.9%, although excluding the one-off payments to our employees this would have been 0.1 percentage point lower than last year. Our simplified operating model has driven higher conversion of gross profit into operating profit, with adjusted operating profit conversion 1.3 percentage points higher at 29.7%. We remain committed to our target of a 30% adjusted operating profit conversion and high-quality profitable growth.

Financial review continued

Items excluded from adjusted profit

To improve the comparability of information between reporting periods and between businesses with similar assets that were internally generated, we exclude certain items from adjusted profit measures. The items excluded are described below (see Note 3 on pages 151 to 154 for definitions and reconciliations of adjusted measures).

Amortisation and impairment of acquired intangibles

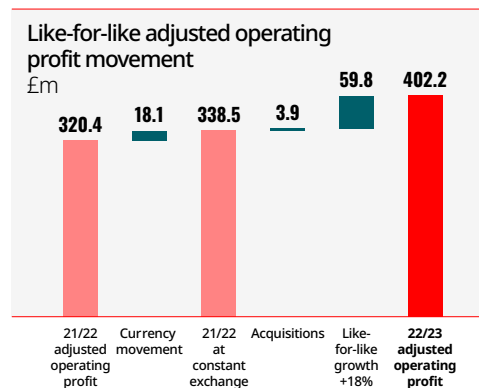
Amortisation and impairment of acquired intangibles was £16.6 million (2021/22: £11.6 million) and relates to the intangible assets arising from acquisitions. Although Needlers has traded as expected since acquisition, its rebranding to RS Safety Solutions, effective from 1 November 2022, has entailed an impairment of £3.3 million for the net book value of the Needlers brand acquired in December 2020. This has resulted in an update to the definition of adjusted profit to exclude impairment of acquired intangibles as well as their amortisation.

Acquisition-related items

Acquisition-related items of £2.6 million relate to transaction costs incurred in the year which are directly attributable to the businesses acquired during the year.

Operating profit

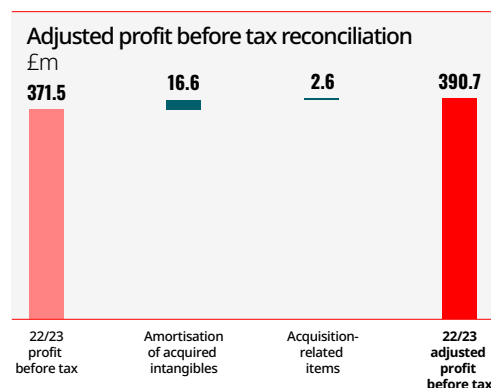
Operating profit increased by 24% to £383.0 million. Excluding the impact of acquisitions and the favourable impact of currency movements, adjusted operating profit saw a like-for-like increase of 18%. Adjusted operating profit margin improved 1.0 percentage points to 13.5%.

**Net finance costs**

Net finance costs were £12.2 million up from £7.1 million mainly due to the impact of higher interest rates and higher net debt due to the acquisition of Risoul. Our fixed to floating rate interest rate swaps matured during the year and, as a result, 49% of the Group's gross borrowings excluding lease liabilities at 31 March 2023 (2021/22: 35%), was at fixed rates, with surplus cash deposited at variable rates.

Profit before tax

Profit before tax grew 23% to £371.5 million. Adjusted profit before tax was up 25% to £390.7 million, 17% on a like-for-like basis.

**Taxation**

The Group's income tax charge was £86.7 million (2021/22: £72.2 million). The adjusted income tax charge, which excludes the impact of tax relief on items excluded from adjusted profit before tax, was £90.5 million (2021/22: £72.3 million), resulting in an effective tax rate of 23.2% on adjusted profit before tax (2021/22: 23.0%).

Going forward we expect the effective tax rate on adjusted profit before tax to increase to c. 26% in 2023/24 reflecting the increase in the UK corporate income tax rate.

Earnings per share

Earnings per share increased 24% to 60.4p. Adjusting for items excluded from adjusted profit and associated income tax effects, adjusted earnings per share of 63.6p grew 16% on a like-for-like basis.

Cash flow

Cash generated from operations was £413.0 million (2021/22: £267.1 million) as we continue to be focused on our cash conversion.

Summary cash flow

£m	2023	2022
Operating profit	383.0	308.8
Add back depreciation and amortisation	64.6	63.7
EBITDA	447.6	372.5
Add back impairments and loss on disposal of non-current assets	11.5	2.4
Movement in working capital	(48.9)	(94.8)
Defined benefit retirement contributions in excess of charge	(10.6)	(21.4)
Movement in provisions	(1.4)	(1.7)
Other	14.8	10.1
Cash generated from operations	413.0	267.1
Net capital expenditure	(46.0)	(42.5)
Operating cash flow	367.0	224.6
Add back cash effect of adjustments ¹	3.1	2.4
Adjusted¹ operating cash flow	370.1	227.0
Net interest paid	(12.6)	(7.0)
Income tax paid	(93.9)	(57.1)
Adjusted¹ free cash flow	263.6	162.9

1. Adjusted excludes the impact of substantial reorganisation and acquisition-related items cash flows.

Financial review continued

spend to deliver our 2030 ESG action plan such as c. £4 million to begin decarbonising our DC in Beauvais, France.

Given our focus on conserving cash, adjusted free cash flow, which excludes cash outflows of £3.1 million (2021/22: £2.4 million) related to substantial reorganisation costs and acquisition-related items, was £263.6 million (2021/22: £162.9 million).

Working capital

Working capital as a percentage of revenue increased by 0.7 percentage points to 21.8%.

We continue to monitor receivables collection closely, which remains our greatest short-term liquidity sensitivity. We continue to limit our exposure through tightening 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, which have helped lead to higher cash generation. The acquisitions increased trade and other receivables by £39.7 million and, combined with the impact of the weaker sterling exchange rate, led trade and other receivables to end the year at £692.0 million (2021/22: £594.3 million).

Gross inventories increased by £100.8 million to £660.0 million with £32.2 million due to the

acquisitions. We have extended our product offering in Americas, started to add inventory into our extended DC in Bad Hersfeld, Germany, and invested in inventory across the Group to ensure continued availability. Our inventory turn has decreased slightly to 2.6 times from 2.7 times, but improved from the 2.4 times delivered in the first half. Inventory provisions have increased by £14.0 million to £43.7 million, £2.5 million due to the acquisitions and the balance mainly due to the slowdown in sales of electronics products.

Overall trade and other payables increased to £658.9 million from £584.1 million with the acquisitions accounting for £35.6 million of this increase. The remaining increase reflects the growth in inventory and the impact of the weaker sterling exchange rate.

Looking forward we continue to manage our working capital position actively and remain focused on receivables collection. Given the more uncertain economic backdrop, we are restricting our investment in inventory to products which we know, from utilising data from our customers' website searches, will sell quickly. However, we understand that demand and supply dynamics can change quickly and that our systems and orders need to remain agile to be able to adapt according to market forces. We will continue to invest in the right inventory to ensure that we remain well

positioned to maintain service levels and deliver strong growth as the markets recover. We pay our suppliers to terms and continue to work with some of our larger suppliers to improve terms where possible.

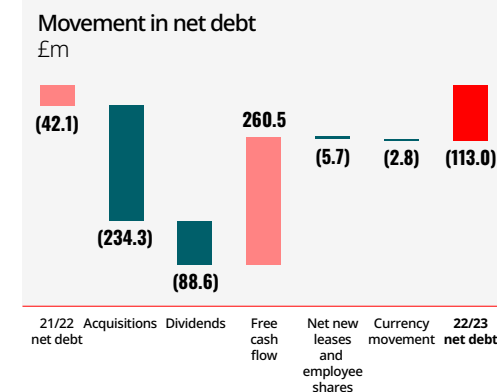
Net debt

Our net debt was £113.0 million, only £70.9 million higher than at 31 March 2022 as a result of our strong cash generation despite the acquisitions increasing net debt at their acquisition dates by £234.3 million.

On 24 October 2022 we refinanced our £300 million sustainability-linked loan (SLL) facility which had a maturity of November 2024. The new SLL facility is for £400 million with a five-year term on broadly unchanged rates and we increased our lender base by three to a total of 11 banks. The SLL has a lender option accordion of up to a further £100 million and an option for the Group to extend for up to two further one-year terms subject to individual lender approval. £24.2 million was drawn down at 31 March 2023 and subsequently repaid in April 2023. This SLL together with the £160.4 million of private placement loan notes, form our committed debt facilities of £560.4 million.

The Group's financial metrics remain strong, with net debt to adjusted EBITDA of 0.2x and EBITA to

interest of 34.2x, leaving significant headroom for the Group's banking covenants of net debt to adjusted EBITDA less than 3.25 times and EBITA to interest greater than 3 times.



Return on capital employed (ROCE)

ROCE is the adjusted operating profit for the 12 months ended 31 March 2023 expressed as a percentage of the monthly average capital employed (net assets excluding net debt and retirement benefit obligations). ROCE remained strong at 30.8% up from 28.7% last year.

Summary balance sheet

£m	31 March 2023			31 March 2022		
	Assets	Liabilities	Net assets	Assets	Liabilities	Net assets
Intangible assets	704.8	–	704.8	473.3	–	473.3
Property, plant and equipment	186.3	–	186.3	177.3	–	177.3
Right-of-use assets	46.9	–	46.9	45.8	–	45.8
Investment in joint venture	1.5	–	1.5	1.5	–	1.5
Other non-current assets and liabilities	13.4	(104.1)	(90.7)	7.9	(70.1)	(62.2)
Current assets and liabilities	1,330.0	(684.5)	645.5	1,137.1	(609.8)	527.3
Capital employed	2,282.9	(788.6)	1,494.3	1,842.9	(679.9)	1,163.0
Retirement benefit net assets / (obligations)	0.8	(37.2)	(36.4)	0.3	(12.7)	(12.4)
Net cash / (debt) (including lease liabilities)	260.3	(373.3)	(113.0)	258.0	(300.1)	(42.1)
Assets / (liabilities)	2,544.0	(1,199.1)	1,344.9	2,101.2	(992.7)	1,108.5

Net debt analysis

£m	2023	2022
Non-current borrowings	(184.6)	(151.7)
Bank overdrafts	(139.8)	(99.5)
Lease liabilities	(48.9)	(48.7)
Interest rate swap liabilities	–	(0.2)
Gross borrowings	(373.3)	(300.1)
Cash and short-term deposits	260.3	257.9
Interest rate swap assets	–	0.1
Net debt	(113.0)	(42.1)

Financial review continued

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 2023 was £36.4 million compared to £12.4 million at 31 March 2022.

At 31 March 2023, the UK defined benefit scheme had an accounting surplus of £34.9 million (2021/22: £24.9 million). Under the scheme's matching asset portfolio, the decrease in the value of assets was mainly offset by the decrease in liabilities, which was mainly caused by an 2.1 percentage points increase in the discount rate to 4.9%, leading to the increase in accounting surplus. Under the scheme's rules the Group does not have an unconditional right to any surplus that may arise on the scheme and so the accounting surplus has been restricted to £nil. An additional liability of £26.2 million has been recognised which is equal to the present value of the agreed future deficit contributions under the revised recovery plan.

Retirement benefit obligations

£m	31 March 2023			31 March 2022		
	UK	Other	Total	UK	Other	Total
Fair value of scheme assets	425.4	6.6	432.0	585.7	7.6	593.3
Defined benefit obligations	(390.5)	(5.8)	(396.3)	(560.8)	(7.3)	(568.1)
Effect of asset ceiling / onerous liability	(61.1)	-	(61.1)	(24.9)	-	(24.9)
Status of funded schemes	(26.2)	0.8	(25.4)	-	0.3	0.3
Unfunded schemes	-	(11.0)	(11.0)	-	(12.7)	(12.7)
Total net liabilities	(26.2)	(10.2)	(36.4)	-	(12.4)	(12.4)

The triennial funding valuation of the UK scheme at 31 March 2022 showed a deficit of £36.4 million on a statutory technical provisions basis. A recovery plan, which replaces the previous recovery plan, has been agreed with the trustee of the UK scheme and deficit contributions of £11.1 million per annum will be paid with the aim that the scheme is fully funded on a statutory technical provisions basis by 30 September 2025.

Dividend

The Board intends to continue to pursue a progressive dividend policy while remaining committed to a healthy dividend cover over time by driving improved results and stronger cash flow. The Board proposes to increase the final dividend to 13.7p per share. This will be paid on 21 July 2023 to shareholders on the register on 16 June 2023. As a result, the total proposed dividend for 2022/23 will be 20.9p per share, representing an increase of 16% over the 2021/22 full-year dividend. Adjusted earnings dividend cover for 2022/23 was 3.0 times.

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 £2.1 million and a one cent movement in the US dollar would impact annual adjusted profit before tax by £1.2 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 months hedging against freely tradable currencies to smooth the impact of fluctuations in currency. The Group's largest exposures related to euros and US dollars.

Q ESG IN ACTION**SUSTAINABLE REFINANCING FOR THE FUTURE**

In 2021/22, to demonstrate our commitment to integrate ESG into all aspects of our business, we converted our £300 million revolving credit facility into an SLL with three ESG metrics relating to Scope 1 and 2 CO₂e emissions, packaging intensity and percentage of management that are women.

During the year, it was felt that the SLL, which remains undrawn, was insufficient to match the growth ambitions of the Group. M&A is an important part of our strategy and having access to committed undrawn funding puts us in an excellent position to move quickly should opportunities arise.

After consulting with existing banks and potential lenders, it was decided to refinance the SLL on similar pricing terms but with reduced extension fees and the benefit of the arrangement fee spread over a longer period. The new SLL facility has increased to £400 million spread evenly across 11 banks (an increase of three banks) and refreshed ESG metrics to reflect the overachievement by the Group on Scope 1 and 2 CO₂e emissions targets in its first two years.

The achievement of amending and restating the SLL during a period of increased headwinds was recognised by the Association of Corporate Treasurers in 2022, who awarded RS with Deal of the Year for loans below £750 million.



EMEA PERFORMANCE



PETE MALPAS
PRESIDENT EMEA



ELAINE POINTON
CFO EMEA

Overall results

	2023	2022	Change	Like-for-like ¹ change
Revenue	£1,768.5m	£1,579.5m	12%	12%
Operating profit ²	£275.8m	£243.7m	13%	12%
Operating profit margin	15.6%	15.4%	0.2 pts	0.1 pts
Digital revenue ³	£1,311.1m	£1,126.3m	16%	16%
RS PRO revenue ³	£338.0m	£279.9m	21%	21%
Service solutions revenue ³	£519.3m	£430.3m	21%	21%

1. Like-for-like adjusted for currency; revenue also adjusted for trading days.
2. See Note 2 on pages 149 and 150 for reconciliations to Group operating profit.
3. See Note 2 on pages 149 and 150 for disaggregation of revenue analysis and reconciliations to region's revenue.

Highlights

74%

of revenue from digital

19%

of revenue from RS PRO

29%

of revenue from service solutions

49.2

NPS

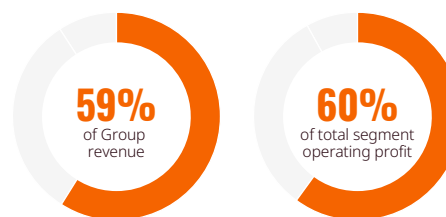
Revenue grew by 12% to £1,768.5 million benefiting from price inflation and strong engagement with our larger customers who participate in many of our service solutions. Operating profit increased by 13%, 12% on a like-for-like basis, with operating profit margin increasing to 15.6% driven by improvements to gross margin and operating efficiencies in our markets.

Digital performance remains ahead of the region's revenue growth as we continue to improve user experience and content quality for customers transacting on our websites. As larger customers migrate to eProcurement, we have also been able to increase our share of wallet. Web revenue grew by 14% on a like-for-like basis.

Our main own brand, RS PRO, has continued to outperform in all markets. We have continued to build the RS PRO range with a focus on products that promote efficiency. We have also expanded our design and test facilities in Corby, UK, to allow us to demonstrate and validate RS PRO's quality.

Our industrial product ranges performed consistently well throughout the year with like-for-like revenue growth of 17%.

UK and Ireland, our largest market in EMEA accounting for 39% of the region's revenue, saw strong growth. There was a benefit from selling price increases, most of which were a direct pass-through of supplier cost increases, along with continued recovery in sectors such as transport, defence and original equipment manufacturing which had been impacted significantly during COVID-19. We have focused on industries where we believe we can deliver most value through our service solutions.



Our German business grew strongly in the first half as we continued to benefit from our deep and broad product range. In the second half growth slowed with a reduction in electronic product volumes as supply constraints eased and demand softened. Our highly automated and recently expanded DC in Bad Hersfeld, Germany, is increasing its stocked product lines.

France has continued to see solid growth and share gains due to our strong proposition. The teams have utilised data and insight to ensure we have the right products available locally, with high-quality content and relevant pricing.

RS Integrated Supply in EMEA secured several new customers during the year. However, the operational investment from expanding into new territories and delay in some new contracts launching, largely from the customer side, has had an impact on the financial performance. Spend levels from customers in some of the heavier industries are now recovering to pre-pandemic levels.

OKdo revenue was impacted by the termination of the Raspberry Pi supply agreement. This has led to a decline in OKdo's revenue of 46% like-for-like and it now accounts for 2% of the region's revenue. New innovative lines have been added including ROCK products launched in July 2022.

Supply shortages, which impacted the early part of 2022/23, have eased during recent months and enabled an improved service to our customers. This has supported an improvement in our rolling 12-month NPS over the year.

ESG IN ACTION

INTEGRATING ESG INTO OUR SUPPLY CHAIN

In February 2023, we hosted an EMEA supplier event in Frankfurt, Germany, for over 400 suppliers. ESG was a key theme with the aim of demonstrating how focusing on sustainability can enable our suppliers to build stronger partnerships and new commercial opportunities.

We introduced 10 key asks of our suppliers under our three ESG goals of advancing sustainability, empowering people and doing business responsibly. Within these asks we prioritised four key areas: signing our ethical trading declaration, offering more sustainable products, setting SBTs and assessing ESG performance via EcoVadis and Sedex platforms.



AMERICAS PERFORMANCE



DOUGLAS MOODY
PRESIDENT AMERICAS



MANISHA KADOCHÉ
CFO AMERICAS

Overall results

	2023	2022	Change	Like-for-like ¹ change
Revenue	£945.5m	£718.7m	32%	11%
Operating profit ²	£148.5m	£99.3m	50%	28%
Operating profit margin	15.7%	13.8%	1.9 pts	2.3 pts
Digital revenue ³	£404.8m	£311.6m	30%	15%
RS PRO revenue ³	£7.1m	£4.8m	48%	31%
Service solutions revenue ³	£166.0m	£123.8m	34%	16%

1. Like-for-like adjusted for currency and to exclude the impact of acquisitions; revenue also adjusted for trading days.
2. See Note 2 on pages 149 and 150 for reconciliations to Group operating profit.
3. See Note 2 on pages 149 and 150 for disaggregation of revenue analysis and reconciliations to region's revenue.

Highlights

43%

of revenue from digital

18%

of revenue from service solutions

1%

of revenue from RS PRO

65.9

NPS

Revenue increased 32% to £945.5 million, driven by our acquisition of Risoul which has delivered slightly ahead of our expectations. Excluding Risoul, exchange rate movements and the impact of trading days, like-for-like revenue growth of 11% was driven by price increases and product availability. Operating profit increased 28% on a like-for-like basis with operating profit margin increasing from 13.8% to 15.7%, due to improving gross margin and a leaner cost base.

Given market supply constraints in the first half, we benefited from our strong product availability and customers building inventory levels to protect continuity in their production. In the second half, the market weakened resulting in an easing in global supply constraints and increased competitive pricing pressures, reflected in our like-for-like growth of only 1% against very strong comparatives, following 21% like-for-like growth in the first half.

We saw a reduction in the number of resellers and small customers who traded with us during the period of global supply constraints as they reverted to their legacy and lower priced volume suppliers. Additionally, there have been significant decreases in trading within specific market segments due to some legislative shifts.

Our sales and marketing teams have focused on identifying new revenue generating opportunities tied to providing a more comprehensive and total solution for our customers. This has included our expanded product offering, exciting new supplier partners and a new virtual technical solutions centre capable of helping customers evaluate products, design projects and maintain their operations.

Our digital like-for-like revenue growth was ahead of the region's revenue growth as we moved some of

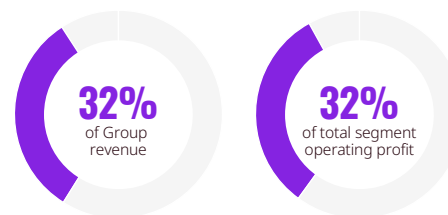
our large customers onto our eProcurement platforms. Web revenue like-for-like growth was in line with the region's revenue growth due to reduced traffic associated with a lower demand mainly from lower value customers who had used our website during supply shortages. There was expected, temporary disruption with our transactional customers during the February 2023 rebrand as search engines re-indexed our new ecommerce domain and our sales teams concentrated our marketing efforts on our higher-service, higher-value customers. We have increased our paid advertising to attract higher value traffic.

RS Integrated Supply in Americas has benefited from a greater focus on more profitable accounts and operational processes that provide greater scalability and improved efficiency. This led to an improvement in customer retention rates. We have a robust future pipeline and, because of working closely with our operations in EMEA, have won contracts to service the European operations of some of our US-based customers.

RS PRO has a low participation rate within Americas, but we expect strong growth following the branding changes as customers associate the product range with the brand.

Our stocked product range expanded by 25% in line with our strategy to broaden our offer further into the industrial MRO market. Service levels from our DC have been stable throughout the year and we continue to drive efficiency benefits from the recent investment in scale and automation.

Despite supply chain disruption over the year, our teams were able to provide great customer service and availability across our product range which meant our rolling 12-month NPS was broadly stable.



ESG IN ACTION

NEW NAME, NEW POSSIBILITIES

In February 2023, a celebratory event for our employees was held in Fort Worth, US, to announce the name change to RS. In addition to celebrating the name change, the event provided an opportunity for colleagues from across the globe to showcase the broad range of product and service solutions that are offered by the Group in other regions.

The change of name not only unifies the RS brand identity but enables us to leverage our expertise and experience across the Group. It provides exciting new opportunities to improve efficiencies, generate sustainable value and increase scalability worldwide.



ASIA PACIFIC PERFORMANCE



SEAN FREDERICKS
PRESIDENT ASIA PACIFIC



DAISY WANG
CFO ASIA PACIFIC

Overall results

	2023	2022	Change	Like-for-like ¹ change
Revenue	£268.3m	£255.5m	5%	(2)%
Operating profit ²	£38.4m	£29.3m	31%	22%
Operating profit margin	14.3%	11.5%	2.8 pts	2.9 pts
Digital revenue ³	£160.8m	£155.7m	3%	0%
RS PRO revenue ³	£37.2m	£34.0m	9%	5%
Service solutions revenue ³	£48.7m	£33.9m	44%	37%

1. Like-for-like adjusted for currency and to exclude the impact of acquisitions; revenue also adjusted for trading days.
2. See Note 2 on pages 149 and 150 for reconciliations to Group operating profit.
3. See Note 2 on pages 149 and 150 for disaggregation of revenue analysis and reconciliations to region's revenue.

Highlights

60%

of revenue from digital

14%

of revenue from RS PRO

18%

of revenue from service solutions

20.2

NPS

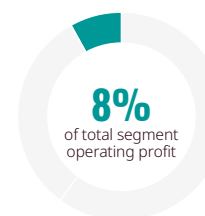
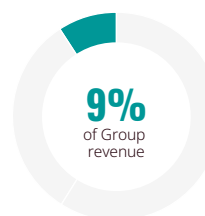
Revenue increased 5% to £268.3 million, driven by beneficial currency movements, strong performance in the industrial sector and our acquisition of DH in Thailand. Like-for-like revenue declined by 2% reflecting a challenging geopolitical backdrop and tough comparators particularly in respect to the weakening electronics sector, the latter accounting for over a third of the region's revenue. Operating profit increased 31%, 22% like-for-like, with operating profit margin increasing from 11.5% to 14.3%, having benefited from improving gross margin and effective cost control.

While digital like-for-like revenue change is better than the region's, weaker market demand and global inventory constraints, particularly in electronics products, have impacted web conversion with higher growth where our paid activities are focused on buoyant industries and products with good availability. Customers are migrating away from web channels, in particular to our eProcurement platforms, which resonate well with our larger customers who are focused on reducing procurement costs through vendor rationalisation.

Like-for-like growth in our own brand, RS PRO, outperformed the region's revenue. In support of our improved go-to-market strategy, we have launched bespoke RS PRO product ranges focused on solutions and energy efficient products.

OKdo revenue fell by 66% like-for-like, impacted by the termination of the Raspberry Pi supply agreement. The new OKdo product range with ROCK is being rolled out across the region. OKdo now accounts for 3% of the region's revenue.

We have boosted our product and service solutions proposition within the region by adding



onsite services capability from our acquisition, DH; the launch of integrated solutions including vendor managed inventory, Product Plus; onsite calibration services and air leak surveys. Revenue from larger customers has grown as this proposition resonates, driving profitable growth and increased share of wallet.

Revenue from Australia and New Zealand has grown solidly throughout the year, benefiting from strong growth in large industrial customers. Our success with this customer group provides a blueprint to scale across the rest of the region.

Greater China, which represents 26% of the region's revenue, was impacted by extended lockdowns under the zero COVID-19 policy, ongoing geopolitical uncertainty and greater exposure to the electronics sector leading to a contraction in revenue during the second half.

South East Asia saw strong growth in the first half but lower growth in the second half with softer demand for electronics products. We have invested in expanding our local inventory capacity in Thailand and Singapore which will support revenue growth and improve lead times.

Japan and Korea grew in the first half, continuing the trend from the second half of the previous year, but revenue contracted in the second half, impacted by supply issues of single-board computing products and lower demand of electronics products which together represent more than half of the market's revenue.

Supply shortages, which have only recently started to improve, impacted our rolling 12-month NPS.

ESG IN ACTION

PRIORITISING SAFETY STANDARDS

The COVID-19 pandemic resulted in challenges to the world of work. In Asia Pacific, travel restrictions continued to disrupt normal work practices in 2022/23, causing us to rethink how we carry out essential business activities safely and sustainably.

In April 2022, we introduced remote health, safety and environmental (HS&E) audits for our DCs in Australia, China, Japan, Singapore and Hong Kong. This enabled our team members to carry out critical audits without the need for travel, including temperature, hazard and health checks.

17 remote audits were completed in 2022/23, providing our leaders with the insight they need to help embed our strong HS&E culture across Asia Pacific.



HOW WE MANAGE OUR RISKS EFFECTIVELY

The Group has risk management and internal control processes to identify, assess, manage and monitor the risks which have the potential to affect the achievement of its strategy.

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: the identification of risks, their assessment, their mitigation and then the ongoing monitoring of these risks. These four steps are explained below.

1. Identification of risks

We identify risks through a variety of sources. These are either external, to ensure that developing risk themes (emerging risks) are considered, and also internal, from within the Group including from the Board, senior, regional and country management teams. This process involves market and function risk leaders to provide bottom-up visibility of possible risks.

The sharing of these identified risks is two-way: from the local country teams to more senior management and also from the Board to the broader business management. The purpose is to identify those risks which if they occurred and became issues, would have a material quantitative or reputational impact on the Group and the achievement of its strategy.

2. Assessment of risks

Management identifies the controls for each risk and assesses the impact (using both financial and non-financial criteria) and likelihood of the risk occurring (using consistent measures). These assessments consider the effects of the existing controls leading to the resulting net or residual risk.

This assessment process is supplemented by an annual risk and controls questionnaire which is completed by all relevant operating locations and Group-wide functions. This provides more detailed risk information across the Group and is reviewed by the Group's risk team.

3. Mitigation of risks

The Group's principal risks are owned by the SMT with specific mitigation actions / controls owned by individual members. The SMT collectively reviews the risk register, the controls and mitigating actions at specific Group risk review meetings which are scheduled through the year.

The effects of these controls, and the resulting net or residual risks, are compared with the Group's risk appetite. This determines if the control actions are sufficient or if other actions are required.

4. Monitoring of risks

The Group risk team reviews all the Group's principal risks each quarter with the respective business owners. These include assessing the effectiveness of existing controls, the resulting residual risks and identifying any further necessary actions. The Risk Committee (including certain members of the SMT) meets periodically throughout the year to review and discuss the Group's risks.

The Board

The Board confirms that it has undertaken a robust assessment 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 several 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.

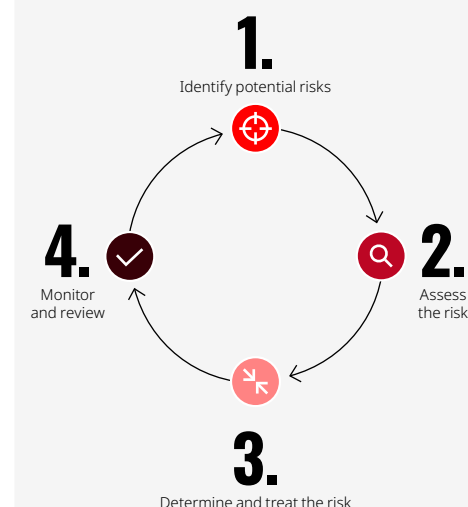
Our risk appetite

In accordance with the UK Corporate Governance Code, the Board has a defined risk appetite: the risk that the Group is prepared to take to achieve its strategy.

The Group determines its risk appetite for its principal risks by considering their characteristics, including:

- Strategic. These risks are often caused by external developments. Mitigation is generally directed at a Group level supported by local activities.

OUR RISK MANAGEMENT PROCESS



- Operational. These risks are related to those that could impact internal areas e.g. the business's infrastructure, ways of working and people. The Group has a lower appetite for these risks and mitigating actions are often processes and direct controls.
- Regulatory / compliance. External regulations and requirements can be very localised. The Group's risk appetite is low for these risks and mitigations are often specific actions to ensure compliance.

ACCOUNTABLE AND RESPONSIBLE TEAMS

Overall accountability

Board

Overall accountability for the Group's approach to risk management. Supported by the Audit Committee to ensure effective internal controls and risk management systems, the Board also approves the Group's risk appetite and the principal risks.

Risk owners

Risk Committee

Responsible for owning and reviewing the Group's risk management process, risks and mitigating internal controls and making recommendations to the Board.

Markets, businesses, regions and Group functions

Identifying, reviewing and communicating local risks using risk registers where applicable.

Supporting teams

Group Risk

Supports the business to identify, assess, manage and report risks. This includes providing a consistent measurement process for risks and helping identify risks that should be reported at a Group level.

Other specialist functions

Other functions complementing the Group risk team that oversee areas including legal, compliance and environmental and health and safety teams.

Assurance

Operational Audit

Operational Audit, as part of its scheduled audits, reviews the effectiveness of the Group's mitigating controls for its risks.

Q MANAGING RISKS IN ACTION:

BEING CYBER
SECURE

Cyber security is not just about computers and networks, it is very much about people and behaviours. Our information security team are passionate about helping our people to stay safe online and to provide them with the knowledge to make the right security decisions, whether at work or at home.

This includes working with third-party specialists who are experts at using humour to get key security messages across. The power of this type of approach is not to be underestimated; emotionally engaging with people has a proven effect on changing behaviour.

However, we are not just delivering computer-based training. We do a lot of face-to-face sessions with our employees to help demonstrate real-life hacking techniques, which often has the effect of people immediately changing their work and personal passwords after our training. We consider it really important to bring security issues to life for our employees to ensure that they think about information security in and beyond the workplace.

Recognising that security can be perceived as complicated and fearful, we take an engaging, friendly and people-focused approach to ensure that employees feel safe to reach out and ask questions. This includes making simple how to guides and videos that help non-specialists to answer common questions.



Risks, viability and going concern continued

Our principal risks and uncertainties

We have identified 11 principal risks. While this is the same number as last year, this includes the removal of one risk and the addition of another. These changes are:

- The removal of the risk that the UK defined benefit pension scheme cash requirements are more than the cash available. This is due to the reduced likelihood and lowered impact of this risk driven by ongoing improvements to the scheme funding position and the de-risked cash flow driven investment strategy.
- Including a risk to reflect the increased importance, and associated risks, of the Group's activity to acquire value-accretive businesses.

In addition, we have amended the principal risk associated with the COVID-19 pandemic, disclosed last year, to a more general risk associated with the risk of a pandemic more generally.

With climate change moving to a principal risk in 2021/22, the risk management process did not identify any further emerging risks.

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

Strategic actions

- 1 Improve digitalisation and customer experience
- 2 Expand product and service solutions
- 3 Deliver operational excellence
- 4 Increase scale in global industrial and MRO markets

Talent and people resources

What is the risk and how could it affect us?

We do not attract and retain the necessary high-performing employees to ensure that we achieve our ambitious performance targets.

What are we doing to manage the risk?

- Developing existing employee competencies and introducing external expertise where appropriate.
- Continual employee performance conversations to align personal objectives with the Group's strategy.
- Regular employee talent reviews and succession planning for the business's more senior / critical roles.
- Developing the business brand to attract high potential talent.

Risk direction



While the recruitment and retention of key talent remains a challenge, we do not see current market conditions altering significantly.

Link to strategic actions



Change in customer, supplier or competitor behaviours

What is the risk and how could it affect us?

Unforeseen changes to customer spending behaviour and market assumptions (including competitors) which are different from those upon which our performance plans are based.

What are we doing to manage the risk?

- Maintaining strong relationships with customers and suppliers to grow existing business and identify new opportunities.
- Monitoring market developments, including the competitive environment.
- Targeted acquisitions that complement both our existing business and strategic growth areas.

Risk direction



We anticipate the changes in customer, supplier and competitor behaviour to accelerate. Our monitoring provides the early indications of changes that may impact our business model and enables us to implement changes where appropriate.

Link to strategic actions



Geopolitical environment

What is the risk and how could it affect us?

Future global destabilisation which impacts our international business activities such as increasing operating costs, additional trade sanctions and supply chain delays.

What are we doing to manage the risk?

- Continually monitoring the existing markets in which the Group operates to identify potential uncertainties that may impact our service to customers within countries, regions or globally.
- Through our supplier (direct and indirect) relationships, identifying potential supply vulnerabilities and ensuring appropriate resilience is in place.
- Considered as part of the due diligence process when looking at potential acquisition targets.

Risk direction



In the current more uncertain external environment, further actions may be required quickly to address unforeseen circumstances and maintain service to our customers.

Link to strategic actions



Risks, viability and going concern continued

Our principal risks and uncertainties continued

Delivery of strategy: The RS Way

What is the risk and how could it affect us?

Our revenue and profit growth activities are not successfully implemented with lower than forecasted financial performance.

What are we doing to manage the risk?

- Improving the basics for customers with prioritised proposals and projects, including revenue growth and supporting activities across shared business services and supply chain infrastructure.
- Integrated project management governance structure with accountabilities designed to support delivery on time and to cost, within resources and capabilities.

Risk direction



We have a number of key initiatives in progress to help support the financial performance outcome of the strategy.

Link to strategic actions



M&A activity

What is the risk and how could it affect us?

We do not have the appropriate expertise to undertake detailed and effective due diligence.

We are unable to achieve forecast business growth and / or realise forecast synergies.

What are we doing to manage the risk?

- Building internal M&A capability including training, secondments and external hires where appropriate.
- Process to develop opportunity pipelines with our business units.
- Clear returns criteria for investments.
- Rigorous due diligence, valuation, contract negotiation and integration processes.
- Ownership of the business plan and synergy targets by the acquiring business.
- Robust post-merger integration planning and execution, including detailed synergy capture plan.

Risk direction



We continue to seek opportunities to grow inorganically. Existing mitigations ensure that irrespective of size, complexity or geographic location, we undertake and complete a transaction successfully.

Link to strategic actions



Organisational resilience

What is the risk and how could it affect us?

An unplanned event disrupting our critical infrastructure, including key locations and core transactional systems, and third-party suppliers and other external factors resulting in the business being unable to serve customers.

What are we doing to manage the risk?

- Documented and tested business continuity plans at DCs, sales and back-office locations.
- Global network with the ability to fulfil customer orders by another DC and maintain service.
- Ongoing assessments of critical third-party inventory suppliers and appropriate inventory levels to mitigate risk where identified.
- Resilient IT systems infrastructure featuring operating redundancies and disaster recovery.
- Core Group transaction systems managed from a data centre.
- Periodic testing of IT disaster recovery plans across the Group.
- Strict control over upgrades to core transaction systems and other applications.

Risk direction



There have been no significant changes to the footprint or operations of the Group which significantly change the overall level of resilience.

Link to strategic actions



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

Strategic actions

- 1 Improve digitalisation and customer experience
- 2 Expand product and service solutions
- 3 Deliver operational excellence
- 4 Increase scale in global industrial and MRO markets

Risks, viability and going concern continued

Our principal risks and uncertainties continued

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

Strategic actions

- 1 Improve digitalisation and customer experience
- 2 Expand product and service solutions
- 3 Deliver operational excellence
- 4 Increase scale in global industrial and MRO markets

Cyber security breach / information loss

What is the risk and how could it affect us?

An attack on our systems, sites or data with loss of confidential information and / or disruptions to the Group's transactions with customers and suppliers. Also accidental data loss due to employee or partner action (or inaction).

What are we doing to manage the risk?

- Investing in expertise and technical solutions, including anti-malware software to protect business PCs and laptops. External emails are identified to all business recipients. Firewalls to protect against malicious attempts to penetrate the business IT environment.
- Computer emergency readiness team to track software vulnerabilities and respond to security incidents.
- Procedures to update security patches and regularly undertake control reviews to consider the security implications of IT changes.
- Security reviews with selected third-party suppliers.

Risk direction



We continue to invest in controls and employee education to protect the business countering the increasing external risks.

Link to strategic actions



Future global pandemics

What is the risk and how could it affect us?

We do not appropriately manage the uncertainties associated with a pandemic and subsequent recovery. These may include changing customer demand, the recovery of receivables and liquidity risk, and delays and difficulties sourcing inventory and associated cost volatility.

What are we doing to manage the risk?

- Resilient supply chain network with DCs across the globe and multiple suppliers ensuring the continuation of supply.
- Continued ability to switch between office / home working as and when required to maintain service to our customers and suppliers.
- Internal health and safety specialists within DCs to implement local guidance and maintain operations.
- Group crisis management and business continuity structures to assess and take appropriate actions.

Risk direction



Improving international and business preparedness.

Link to strategic actions



Macroeconomic environment

What is the risk and how could it affect us?

Our revenue, and hence profit, could be adversely affected by a decline in the global macroeconomic environment.

What are we doing to manage the risk?

- The business is inherently strongly cash generative with an unleveraged balance sheet.
- Significant headroom maintained on debt covenants and banking facilities.
- Foreign exchange cash flow hedging for relevant business trading purposes.
- Proactive cost management and control of inventory.
- Frequent business financial performance reviews covering cash flow and profitability including revenue, gross margin and operating costs. This includes more significant costs such as freight.

Risk direction



Despite global economic instability, GDP growth is more optimistic than originally forecast.

Link to strategic actions



Risks, viability and going concern continued

Our principal risks and uncertainties continued

Climate change

What is the risk and how could it affect us?

We do not adequately manage the potential impacts on the business due to climate change effects. This could be either:

- The physical risks of more extreme weather conditions disrupting supply chain channels and customer service.
- The transition risks associated with the consequences of the migration to a carbon-neutral economy.

What are we doing to manage the risk?

- Undertaken detailed climate scenario analysis of physical and transition risk impacts on the Group (see pages 72, 75 and 76).
- Strategies and controls to mitigate physical climate-related risks on operations and wider supply chain.
- Net zero plan and science-based targets to decarbonise our DCs, transport network and products.
- Increasing sustainable products, packaging and transport options to support our customers' climate goals.
- Integrating climate risks and opportunity as part of M&A due diligence, integration and future action plans.

Risk direction

Analysis of both transition and physical climate change impacting both physical locations and business operations do not highlight a significant impact on the Group. We continue to seek new opportunities which deliver a sustainable proposition to our customers and suppliers.

Link to strategic actions

Legal and regulatory compliance

What is the risk and how could it affect us?

We fail to manage legal and regulatory compliance risks which could lead to:

- Serious health and safety incidents / breaches.
- Non-compliance with trade, transport or product regulations.
- Breaches of any other regulatory or legislative requirements.

What are we doing to manage the risk?

- Target Zero, including accident reporting, reduction strategies and actions provided by specialist support.
- Internal specialist expertise, supported, where needed, by suitably qualified / experienced external partners.
- Ongoing reviews of relevant national and international compliance requirements.
- Training and awareness programmes focusing on anti-bribery, competition, data protection legislation and modern slavery awareness.
- Code of conduct for all employees.
- Ethical sourcing policy for suppliers.
- Our trade compliance systems which scan customer orders to ensure relevant trade compliance requirements are being followed.
- Working with our suppliers to obtain relevant product information, for example any restrictions on use.

Risk direction

We do not anticipate any new or significant changes to existing global or local legislation / regulations impacting the Group.

Link to strategic actions**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

Strategic actions

- 1 Improve digitalisation and customer experience
- 2 Expand product and service solutions
- 3 Deliver operational excellence
- 4 Increase scale in global industrial and MRO markets



Risks, viability and going concern continued

Viability statement

Assessment of prospects

The Group's strategy is focused on delivering sustainable growth and value-creating opportunities for all our stakeholders and includes a number of key actions. They are discussed in more detail on pages 20 to 27.

Our business model, as described on page 13, is structured so that the Group is a global omni-channel provider of product and service solutions for designers, builders and maintainers of industrial equipment and operations 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 distribution centres; our talented and customer-centric team; our strong supplier relationships; our broad and deep product offering and service 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.

We update our detailed rolling 18-month forecast of the Group's income statement, balance sheet and cash flows frequently which are regularly reviewed, and the assumptions approved, by the Board.

The Group's long-term prospects are assessed primarily through our strategic and financial planning process. This includes the preparation of a five-year strategic plan and an 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.

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 pages 40, 88 and 94.

Our regular cash flow forecasts enable us to track closely our net debt position and to take any necessary actions on a timely basis. Our capital position is supported by regular reviews of the Group's funding facilities and banking covenants' headroom, through the Board's Treasury Committee. In October 2022 we refinanced our £300 million sustainability-linked loan facility to a five-year £400 million sustainability-linked loan facility with a lender option accordion of up to a further £100 million and the maturity may be extended at the option of the Group for up to two further one-year terms subject to individual lender approval. Only £24.2 million of this facility was drawn down at 31 March 2023.

As described throughout this Annual Report and Accounts, the Group's performance over the past year has been strong with like-for-like revenue growing by 10% and adjusted free cash flow of £263.6 million leading to net debt to £113.0 million (including lease liabilities of £48.9 million) at 31 March 2023. We also paid dividends during the year of £88.6 million (2021/22: £76.2 million) and the two acquisitions we completed during the year increased net debt by £236.9 million. We have ended the year with a strong balance sheet.

Details of our sources of finance are outlined in Note 22 on page 177, with the earliest facilities maturing being two tranches of our private placement loan notes in 2026/27.

The Group's debt covenants are EBITA to interest to be greater than 3:1 and net debt to adjusted EBITDA to be less than 3.25:1. At 31 March 2023 EBITA to interest was 34.2x (2021/22: 44.6x) and net debt to adjusted EBITDA was 0.2x (2021/22: 0.1x) (see Note 3 on page 153 for reconciliations) and under our strategic plan these are also comfortably met.

Viability assessment period

In its assessment of the Group's viability, the Board has reviewed the assessment period and has determined that a three-year period to 31 March 2026 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 becomes digital 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. Our share-based payment schemes are also mainly for three years.

Assessment of viability

Each of the Group's principal risks and uncertainties on pages 42 to 45 has a potential impact on the Group's viability and so the Board considered various scenarios and examined a number of factors that could impact each in the future. It decided which scenarios would have the most impact on the viability of the Group and determined an appropriately severe but plausible stress test for each of these scenarios.

The strategic plan approved at the March 2023 Board meeting, adjusted to include the estimated effect of our acquisition of Distrelec B.V. which is expected to be completed in about July 2023 and the approved new three-year acquisition term loan facility of €150 million, is considered to reflect the Board's currently best estimate of the future prospects of the Group. Therefore, in order to assess the viability of the Group, the scenarios and stress tests were modelled by overlaying them onto the adjusted strategic plan to quantify the potential impact of one or more of them crystallising over the assessment period.

Risks, viability and going concern continued

The scenarios and related stress tests modelled and how they link to the principal risks and uncertainties were:

Scenario and related stress tests modelled	Link to principal risk and uncertainties
Revenue and gross margin down with no cost mitigations Revenue falls in 2023/24 by more than that seen in the first half of 2021/22 (when the biggest impact of COVID-19 was seen) with a further decline in 2024/25. Gross margin declines in 2023/24 by 5 percentage points and operating costs stay static as no mitigation is taken. Costs move in line with revenue in future years.	– Changes in customer, supplier or competitor behaviours – Geopolitical environment – Delivery of strategy: The RS Way – M&A activity – Future global pandemics – Macroeconomic environment – Climate change – Legal and regulatory compliance
Cash collection down Cash collection from trade receivables deteriorates leading to trade receivables impaired by 5% of revenue in 2023/24.	– Geopolitical environment – Future global pandemics – Macroeconomic environment
Significant infrastructure failure Major incident at the DC with the largest impact, destroying the building and its contents.	– Organisational resilience – Climate change
Major cyber breach / information loss 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 revenue growth.	– Organisational resilience – Cyber security breach / information loss

The scenarios considered and the severe and plausible stress tests for the principal risk and uncertainty 'Talent and people resources' were assessed to have less impact on the Group's viability.

In performing the above tests it was assumed that no major reorganisations or significant working capital initiatives occur in mitigation, capital expenditure is unchanged from that in the strategic plan, dividends continue to be paid and there are no changes in debt financing.

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

Reverse stress tests were also undertaken to assess the circumstances that would threaten the Group's current financing arrangements. These included significant declines in like-for-like revenue, significant declines in revenue and gross margin and a major deterioration in cash collection and would have to result in adjusted operating profit margin falling to under 3% in at least one of the following three years. Also, a reverse stress test of an acquisition of a significantly loss-making business was undertaken and would have to cost over £400 million to use up our debt facilities. All these reverse stress tests assumed that no major reorganisations or significant working capital initiatives occur in mitigation, capital expenditure is unchanged from that in the strategic plan, dividends continue to be paid and there are no changes in debt financing. The Board considers the risk of these circumstances occurring to be remote.

The above scenarios are hypothetical and extremely severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group; however, multiple control measures are in place to prevent and mitigate any such occurrences from taking place. If any of these scenarios actually happened, various options are available to the Group to maintain liquidity so as to continue in operation.

Confirmation of viability

Based on the assessment outlined above, the Board has 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 2026.

Going concern

The going concern period is defined as a period of at least 12 months from 23 May 2023.

Based on the assessment outlined above and the output of our detailed rolling 18-month forecasts, the Board believes that it is appropriate to continue to adopt the going concern basis in preparing the Group's accounts.

COLLABORATING FOR PEOPLE, PLANET AND PROFIT

Advancing sustainability	50
Championing education and innovation	58
Empowering our people	62
Doing business responsibly	68

FOR A BETTER WORLD

Our purpose and 2030 ESG action plan will generate greater long-term value for our stakeholders and triple bottom line benefits for people, planet and profit.

Our 2030 ESG action plan

Our purpose, making amazing happen for a better world, reflects our focus on delivering results for people, planet and profit. To reinforce this commitment, our 2030 ESG action plan – For a Better World, sets out our four global goals with 15 supporting actions.

With insights gathered from our ESG double materiality assessment, the plan complements our Group strategy, The RS Way, by delivering long-term value for all our stakeholders.

Our approach supports six of the UN SDGs and lays the foundation for our long-term vision to 2050. Our key commitments and 2022/23 performance highlights can be found in the table below.

+ See our progress against our 15 supporting actions on pages 50 to 71

+ ESG Report: rsgroup.com/esg

OUR 2030 ESG ACTION PLAN GLOBAL GOALS



Supporting six United Nations Sustainable Development Goals (UN SDGs)



Advancing sustainability

Developing sustainable operations and product and service solutions for our customers and suppliers



Championing education and innovation

Partnering with education providers, building skills and fostering innovative solutions that improve lives



Empowering our people

Creating a safe, inclusive and dynamic culture where everyone can thrive and grow



Doing business responsibly

Ensuring the highest ethical standards throughout our business and global supply chain

KEY ACTION AREAS

Net zero emissions in direct operations by 2030, value chain before 2050, Science Based Targets initiative (SBTi), UN Global Compact's Business Ambition for 1.5°C and UN Race to Zero commitments

Building skills and fostering innovation with **1.5 million engineers and innovators**

Working towards **40% women** and **25% ethnically diverse** leaders

Increasing screening and **ESG objectives for suppliers. ESG metrics in employee rewards and sustainability-linked loan**

PERFORMANCE HIGHLIGHTS

58%

reduction in Scope 1 and 2 emissions¹ since 2019/20

92%

of Group electricity from renewable sources²

28%

reduction in Scope 3 transport emissions intensity³ since 2019/20

1.3m

members, students and start-ups engaged through DesignSpark

£330k

raised to support The Washing Machine Project to improve lives since 2019/20

c. 4,400

educational institutions use our educational products in their teaching

78

employee engagement score – up from 75 in 2021/22

44%

of the Board are women, including the Chair and 22% are ethnically diverse

42%

reduction in our all accident frequency rate⁴ since 2019/20

50%

of employees have their annual incentive aligned to carbon reduction targets

£400m

sustainability-linked loan (SLL) to help facilitate ESG action

49%

of RS PRO suppliers are Sedex members

1. Scope 1 and 2 CO₂e emissions updated to reflect changes in reporting and emissions factors.

2. Percentage of total electricity use.

3. Tonnes of CO₂e due to Scope 3 transport emissions per tonne of product sold.

4. Per 200,000 hours worked.

ADVANCING SUSTAINABILITY



As a critical partner in the global industrial sector, we play an important role in advancing sustainability and tackling climate change. By developing a cleaner and greener distribution model and providing sustainable product and service solutions for our customers, we can make a real and lasting impact and differentiate our brand with our customers and suppliers.

Our commitments and progress

2030 ACTIONS	PERFORMANCE	STATUS	COMMENTARY	READ MORE
By 2030 in our direct operations: – Carbon emissions: Be net zero with a science-based target (SBT) to reduce absolute emissions from our own operations by 75%¹ – Packaging: Make our packaging more sustainable: reduce intensity by 30%¹, with 100% of packaging widely reusable or recyclable and made with at least 50% recycled content – Recycling and Waste: Reduce, reuse and recycle our waste: reduce intensity by 50%¹, recycle > 95% and achieve zero waste to landfill in our direct operations	58% reduction in Scope 1 and 2 emissions since 2019/20 ²	●	– Good progress made through distribution centre (DC) energy efficiencies and renewable electricity	Pages 53 and 54
	32% reduction in packaging intensity since 2019/20 ³	●	– Reduction due to eco-totes and pallets for product movements between our sites in Europe	ESG Report rsgroup.com/esg
	76% of total waste recycled. Increased by 1 pts in 2022/23 ⁴	●	– Percentage of waste recycled has remained fairly static and is an area of focus for DC teams in 2023/24	
Working towards a net zero global value chain by 2050: – Product transportation: Reduce Scope 3 transport emissions by 25% per tonne of product sold¹ – Products and solutions: Develop innovative and sustainable product and service solutions for all our customers, including offering 100,000 Better World products by 2025 – Supplier engagement: Commit to engaging 67%⁶ of suppliers by spend to set SBTs by 2025	28% reduction in intensity of Scope 3 transport emissions since 2019/20 ⁵	●	– Reduction due to modal shifts and optimising our supply chain to source, store and ship more products locally to customers	Pages 55 to 57
	25% of suppliers by spend have set SBTs or have committed to set them by 2025 with the SBTi	●	– There was a 6 pts increase in suppliers committing to SBTs from 2021/22, but more progress is needed to achieve our ambitious 2025 target	ESG Report rsgroup.com/esg

1. By 2029/30 from 2019/20.

2. Scope 1 and 2 emissions updated to reflect changes in reporting and emissions factors.

3. Tonnes per £m revenue (excluding acquisitions completed in 2022/23).

4. Prior year % of total waste recycled updated following supplier corrections.

5. Tonnes of CO₂e due to Scope 3 transport emissions per tonne of product sold.

6. Target increased from 65% to 67% to cover two thirds of suppliers by spend.

Status key

Each of our actions are broken down into a series of annual targets that need to be met in order to remain on track to achieve our 2025 and 2030 goals.

The colour coding below reflects our current position:

● On track or ahead

● Slightly behind target – monitor closely

● Not on track – further action required

More information is available in our full ESG scorecard: rsgroup.com/ESG

Our pathway to net zero:

Our progress in 2022/23

Buildings

Energy Management

- Reduced total energy usage by 12% and energy intensity by 20% from 2021/22. Supported by temperature controls, energy efficiency initiatives and by providing our top 10 largest sites with environmental management dashboards (EMDs) to help them manage environmental and net zero actions locally (see case study to the right)
- During 2022/23 92% of Group electricity use was from renewable sources

Decarbonisation

- Proposal approved to invest in decarbonising our DC in Beauvais, France. See case study to the right
- Decarbonisation proposal in development for our DC in Nuneaton, UK

Vehicles

- 54% of UK company car fleet is electric or hybrid
- Increasing electric vehicle (EV) infrastructure with 70 new charging points across the UK, Germany and Republic of Ireland

Engagement and reporting

- Introduced an internal shadow carbon price to help quantify carbon costs and savings
- Group-wide quarterly sustainability reporting

By 2030: Net zero in our direct operations

- SBT to cut absolute emissions by 75% by 2029/30, from 2019/20
- Increase onsite renewable electricity generation and 100% of Group electricity from renewable sources by 2030
- Low carbon DCs delivered through low carbon technology and efficiency projects
- Net zero emissions company car and van fleet
- Gold standard offsets for residual emissions

Before 2050: Net zero across our wider value chain

- 67% of our suppliers by spend to set SBTs by 2025
- 25% reduction in Scope 3 transport emissions, per tonne of product sold by 2029/30, from 2019/20
- Develop innovative and sustainable product and service solutions for all our customers
- Utilise wider societal and technological developments in increased availability of low carbon energy, heating and cooling technology, global logistics solutions, carbon capture and storage capabilities

SUSTAINABILITY IN ACTION

DECARBONISING OUR DCS

Delivering energy reductions

This year, our internal decarbonisation efforts have been focused on energy management and efficiency in our buildings to reduce energy use, costs and carbon emissions.

We introduced a new energy management policy, which mandates the procurement of green electricity where available and standardises heating controls and settings. We have also invested in low energy technologies, such as LED lighting, and introduced EMDs at our top 10 largest sites which include monthly targets for energy reductions, in line with Group CO₂ reduction targets.

As a result, total energy usage has reduced by 12% and energy intensity has reduced by 20% in the year from 2021/22. It has also led to a 36% reduction in energy-related CO₂e emissions across the Group, supporting us in our journey to net zero by 2030.

Decarbonising Beauvais

In 2022/23, investment was approved to conduct net zero building optimisation at our DC in Beauvais, France, which accounts for around 10% of the Group's overall CO₂e emissions.

The proposal includes the replacement of gas boilers with air source heat pumps and the installation of solar panels on the roof of the building, following the successful installation of solar panels on the DC roof in Bad Hersfeld, Germany. It will also have a positive impact on employee wellbeing by enabling greater control over temperature variability. The upgrade begins in 2023/24 and will run until 2024/25 and is expected to cost £3.7 million.



Climate change and the energy transition

Our net zero roadmap

To avoid the worst impacts of climate change, the world needs to limit global warming to a maximum of 1.5°C above pre-industrial levels in line with the 2015 Paris Agreement. To achieve this, we all need to decarbonise on a global scale. This requires businesses to develop robust net zero strategies throughout their value chains to accelerate sustainable systems.

At RS, we believe that climate action is not only the right thing to do, but that supporting the low carbon transition is integral to our long-term commercial success. The global industrial sector has a major role to play in delivering sustainable

product and service solutions that enable the world's engineers, innovators and problem solvers to decarbonise and to help low carbon industries to thrive.

With our seat at the heart of the global supply chain, we are well-placed to support our 1.1 million customers through this transition.

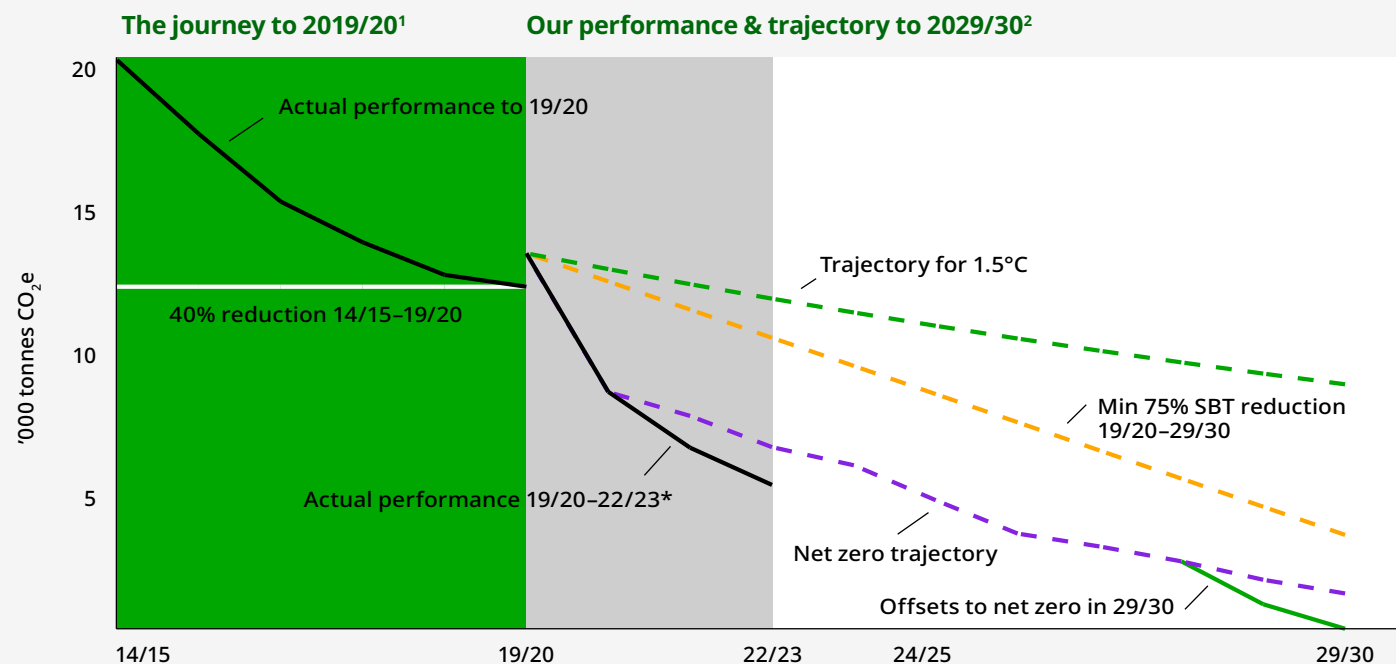
We are committed to being net zero by 2030. We have set SBTs covering our Scope 1, 2 and 3 emissions, which are currently being validated by the SBTi and include a commitment to reduce our direct emissions by 75% by 2030, from 2019/20. We have also set supporting targets for packaging,

waste and transportation to drive further environmental performance and climate action.

Beyond our own business we are committed to supporting our customers and suppliers on their journey to tackling climate change and achieving net zero by 2050. We will do this by offering an increasing range of sustainable product and service solutions to our customers (see the launch of our Better World product range on page 56) to help them reduce their environmental impacts, as well as committing to engage 67% of our suppliers by spend to set SBTs by 2025. At the end of 2022/23, 25% had done so with the SBTi (see page 57).

We know that we have a challenging task ahead. We are focusing on the use of renewable energy sources, investing in our infrastructure to upgrade our systems and to decarbonise our buildings, finding greener transportation solutions while continuing to investigate emerging low carbon technologies that will support us in the longer term. The primary challenges to achieving our goals are cost and the availability of proven technology, particularly when it comes to product transportation.

OUR PATHWAY TO NET ZERO IN OUR DIRECT OPERATIONS



1. Group performance excluding businesses acquired post 2019/20 baseline year.

2. Performance and plan rebased to 2019/20 to include businesses acquired prior to 2022/23.

Our ambition is to become net zero in our business by 2030 and across our value chain by 2050.

Carbon emissions (Scopes 1 and 2) in our direct operations¹

By 2029/30 in our direct operations we are targeting net zero with a SBT to reduce absolute emissions from our own operations by 75% from 2019/20.

Scope 1 & 2 emissions (tonnes CO₂e)

5,000

21% reduction from 2021/22

Carbon intensity^{2,3}

1.7

29% reduction from 2021/22

Total Scope 1 and 2 CO₂e emissions reduced by 21% in the year due to a shift to renewable electricity, energy management efficiencies across our sites and the purchase of Energy Attribute Certificates for selected sites where renewable electricity is not readily available. However our progress has been impacted with an increase in use of company vehicles (up 24% on 2021/22), particularly in our company car fleet (up 33% on 2021/22) as we conducted more in-person meetings with customers following the easing of restrictions after the COVID-19 pandemic.

The roll out of electric company cars will help to tackle this issue in the near term, with 54% of our UK company cars now electric or hybrid.

We are closely monitoring our carbon emissions and progressing with our net zero initiatives in order to stay on track to meet our targets.

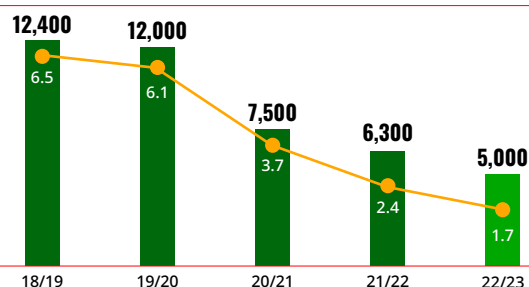
+ See page 55 for Scope 3 emissions progress

1. We acquired Risoul y Cia, S.A. de C.V. (Risoul) and domnick hunter-RL (Thailand) Co., Ltd. (DH) in 2022/23. Environmental performance for both acquisitions will be reported in the Annual Report and Accounts for the year ending 31 March 2024 and restated to the point of ownership in 2022/23. This is to ensure robust reporting processes have been established to ensure data integrity prior to external disclosure. Early indications suggest that there will be a significant impact on the Group's direct carbon emissions and we expect to re-baseline our emissions targets for Scope 1, 2 and 3 CO₂e emissions with the SBTi and our sustainability-linked loan.
2. KPI is on a constant exchange rates basis and is updated to reflect changes in reporting methodology and / or emissions factors.
3. Tonnes CO₂e per £ million revenue (excluding acquisitions completed in 2022/23).
4. Covers the operations under our financial control globally but excludes several smaller sites where energy costs and consumption are included in lease costs.
5. CO₂e for prior years updated to include additional data.

Scope 1 & 2 emissions^{1,2,3,4,5} tonnes CO₂e

5,000

- CO₂e (tonnes)
- CO₂e intensity (tonnes CO₂e / £m revenue)



Greenhouse gas (GHG) emissions and Streamlined Energy and Carbon Reporting (SECR) disclosure⁴

In accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, our 2022/23 Group emissions were:

	METRIC	2022/23	2021/22
Group Scope 1 emissions			
Combustion of fossil fuels ⁵	tonnes CO ₂ e	4,557	4,881
Operation of facilities, including fugitive emissions ⁶	tonnes CO ₂ e	121	153
Group Scope 2 emissions⁷			
Purchased electricity (market-based)	tonnes CO ₂	479	1,456
Intensity metric			
CO ₂ e due to premises energy and vehicles use per £m revenue	tonnes CO ₂ e/£m	1.7	2.4
Total GHGs per £m revenue ⁶	tonnes CO ₂ e/£m	1.8	2.4
SECR disclosures⁸			
UK total Scope 1 and 2 emissions (market-based)	tonnes CO ₂ e	3,121	3,345
UK energy consumption	GWh	29.2	32.3
Group Scope 3 emissions⁹			
Purchased goods and services (including capital goods)	tonnes CO ₂ e	1,900,000	2,100,000
Upstream transportation and distribution	tonnes CO ₂ e	48,200	53,900

4. Table excludes emissions and revenue from acquisitions completed in 2022/23.
5. Includes emissions of 2,059 tonnes relating to fuel use in company vehicles (2021/22: 1,657 tonnes).
6. Includes 121 tonnes of CO₂e due to fugitive emissions from air-conditioning systems (2021/22: 153 tonnes).
7. Scope 2 emissions calculated using CO₂ factors as CO₂e factors are not consistently available for all countries. Market-based emissions from electricity purchased from renewable sources were nil tonnes CO₂ in 2022/23. Market-based emissions from electricity purchased from non-renewable sources have been calculated using grid average emission factors. We also calculate our Scope 2 emissions using the location-based approach and grid average factors, these emissions were 7,753 tonnes CO₂ in 2022/23 (2021/22: 7,667 tonnes).
8. SECR: UK emissions were 61% of 2022/23 global market-based emissions. UK energy use, including vehicles energy use, was 57% of global energy use.
9. Scope 3 emissions covering purchased goods and services (including capital goods) and upstream product transportation and distribution. Scope 3 emissions are not included in the SECR intensity measurement disclosures.

GHG emissions are calculated in line with the GHG Protocol (Corporate Standard) using UK Department for Environment, Food & Rural Affairs and country-specific grid average International Energy Agency emissions factors. Data is updated to reflect reporting methodology changes and current emission factors. Further details can be found in the ESG data centre on our website: rsigroup.com/esg

In 2022/23, the Group commissioned independent external assurance for its absolute Scope 1 and 2 CO₂e emissions and Scope 3 categories 1 and 4 CO₂e emissions; the carbon intensity of direct operations; product transportation emissions intensity and packaging intensity from ERM CVS. Their independent assurance report is set out on pages 77 and 78.

Environmental management systems

28 sites covering 50% of our operations by revenue and 67% by floor area are covered by ISO 14001 environmental management certifications.

Packaging

By 2029/30 we want to make our packaging more sustainable: reduce intensity by 30%, with 100% of packaging widely reusable or recyclable and made with at least 50% recycled content.

Packaging intensity^{1,2,3}

1.63

19% reduction from 2021/22

Packaging reusable or recyclable

94%

2 pts increase from 2021/22

Packaging is one of the biggest sustainability concerns for our customers, who have a keen interest in the amount and type of packaging used and its ability to be recycled or reused. Urgent action is required to drive circular economy solutions, which is being supported by stricter regulations around packaging, such as the European Union's plastics tax and Extended Producer Responsibility schemes. At RS, we are advocating that our suppliers develop innovative solutions to help reduce packaging and waste.

Packaging intensity reduced by 19% from 2021/22. This reduction was supported by the continued roll out of reusable eco-totes and pallets for product movements between our sites in Europe. Automated packing machines used at three of our largest DCs produce made-to-fit boxes that eliminate excess packaging and air space. We have also increased the proportion of packaging by weight which is reusable or recyclable to 94%, up from 92% in 2021/22.

Currently, 42% of our total packaging by weight is made from materials with at least 50% recycled content. At our DC in Corby, UK, we are switching our small component plastic bags to a more sustainable alternative that is made with 50% recycled content. Roll out is planned in 2023/24.

In 2022/23, we introduced 100% recyclable paper padded envelopes in our DC in Milan, Italy, which will be rolled out to Bad Hersfeld, Germany, in 2023/24. We are also running a trial at our DC in Corby, UK, to replace white cardboard boxes with brown recycled cardboard, which contain a higher proportion of recycled content. If successful, the switch will take place in EMEA and Asia Pacific in 2023/24, as we are already using brown cardboard boxes in Americas.

Packaging intensity is one of our sustainability-linked loan targets (see page 70). Following the excellent progress we have made this year towards our 2030 goal, we will be re-baselining this target in 2023/24.

1. Tonnes / £ million revenue (excluding acquisitions completed in 2022/23).

2. KPIs are on a constant exchange rates basis and are updated to reflect changes in reporting methodology and / or emissions factors.

3. Packaging data for prior years restated to include updated unit weights.

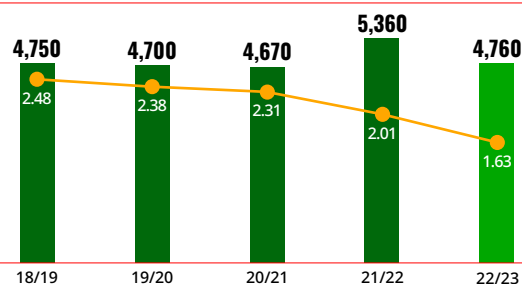
Packaging use^{2,3}

tonnes

4,760

● Packaging (tonnes)

● Packaging intensity (tonnes / £m revenue)



Recycling and waste

By 2029/30 we want to reduce, reuse and recycle our waste: reduce intensity by 50%, recycle over 95% and achieve zero waste to landfill in our direct operations.

Waste intensity^{1,2}

1.31

No change from 2021/22

Waste recycled

76%

increased by 1 pts from 2021/22

Waste and plastic pollution is a major global concern for people and planet and a key contributor to the world's biodiversity crisis. It is our global responsibility to reduce, reuse and recycle our waste and play our part in helping support a cleaner and greener world. Furthermore, by reducing our use of natural resources, we have a great opportunity to reduce costs and minimise our GHG emissions.

In 2022/23, waste intensity was unchanged in the year and down by 12% since 2019/20. The proportion of total waste that is recycled increased by 1 percentage point to 76%, however it is down by 3 percentage points from the baseline year of 2019/20.

Waste will be an area of specific focus for our DC management teams in 2023/24 to achieve our goal of recycling more than 95% of our waste by 2029/30 and to have zero waste to landfill.

Waste that is not recycled is typically sent to incineration for energy recovery. In 2022/23, 5% of our total waste was sent to landfill.

We encourage our markets to engage in activities with employees that help to promote good recycling practices and reduce waste. We have also introduced a new Group print, promotional and gifts policy which provides guidance and direction in the choice of appropriate printing, procuring gifts and sourcing sustainably to reduce waste.

Decarbonising our global value chain

Scope 3 emissions

To stay on track with a 1.5°C limit for global warming the world urgently needs businesses to take action. Key to this is understanding the emissions that sit across our value chains, both upstream with suppliers and downstream with customers (known as Scope 3 carbon emissions) and developing robust action plans and initiatives to tackle these.

In 2022/23, we conducted a Scope 3 assessment and this identified purchased goods and services and upstream transport and distribution (product transportation) as our two most material categories. As such we have disclosed these two categories below and had the methodologies and data externally assured. We will also provide more detail on our wider Scope 3 emissions categories in our ESG Report: rsgroup.com/esg

This action will ensure our ESG programme keeps pace with increasing regulatory, investor and customer requirements for more granular and robust Scope 3 carbon emissions reporting, as well as proactive decarbonisation action.

In 2022/23 our Group Scope 3 emissions from our two key categories were:

- Purchased goods and services (including capital goods): 1,900,000 tonnes CO₂e
- Upstream transportation and distribution: 48,200 tonnes CO₂e

Product transportation

By 2029/30 we aim to reduce Scope 3 transport emissions by 25% per tonne of product sold.

Scope 3 transport emissions intensity^{1,2}

1.21

6% reduction from 2021/22

One of the most material areas for our Scope 3 emissions is our product transportation, which includes inbound deliveries from suppliers and outbound deliveries to customers under RS control. With hundreds of thousands of product shipments every week, it is critical that we find ways to reduce our transport emissions footprint.

Since 2019/20 we have reduced our transport emissions intensity¹ by 28%, thereby achieving our 2029/30 goal seven years early. Our progress has been made possible through modal shifts from air to sea or air to road and optimising our supply chain to source, store and ship more products locally (see sustainability in action case study on the right).

This has been supported by our global DC network and the expansion of Bad Hersfeld, Germany, to serve our European partners. We are also setting up a larger site (part powered by solar panels) in Spain and extending our site in Singapore in 2023/24.

We will be resetting our 2030 product transportation emissions target during the course of 2023/24 to be more ambitious and take account of our great progress, while incorporating the Group's newly acquired businesses.

We are continuing to engage our freight partners to prioritise decarbonisation and lower carbon technologies, for example electric last-mile deliveries, air efficiencies and the use of sustainable fuel alternatives.

With hundreds of thousands of product shipments every week, it is critical that we find ways to reduce our transport emissions footprint.

1. Tonnes of CO₂e due to Scope 3 emissions per tonne of product sold (excluding acquisitions completed in 2022/23).
2. KPI is updated to reflect changes in reporting methodology and / or emissions factors.



REDUCING TRANSPORT EMISSIONS

We are sourcing, storing and shipping more products regionally and locally to our customers, as well as switching to low carbon modes of transport (from air to sea or road) which is helping to reduce carbon emissions in our supply chain.

In 2022/23, we made good headway in reducing Scope 3 transport emissions intensity, particularly in Asia Pacific where we benefited from fuel efficiency gains in the transportation industry as well as more locally held inventory, which reduced the distance our products travelled.

In Europe, we have added products into our expanded DC in Bad Hersfeld, Germany which is used to serve our European customers. Since 2019/20, 50% more products have been sourced from suppliers here. This activity will continue in 2023/24 and remains a key driver of our carbon reduction plans in EMEA.



Sustainable products and service solutions

By 2029/30 we want to develop innovative and sustainable product and service solutions for all our customers, including offering 100,000 Better World products by the end of 2024/25.

Sustainable products

c. 20,000

Products in our Better World product range launched in the UK and Republic of Ireland in 2022/23

Better World

Customers are telling us that they want products that are sustainable, responsibly made and that help them to reduce their environmental impact. They seek products and solutions that are more energy efficient, save energy, reduce water consumption or help reduce emissions.

We are responding to our customers' needs with the launch of our Better World product range and by developing solutions like RS Industria®, which connects and monitors factory operations to reduce costs and make energy savings, as well as other sustainability solutions to reduce carbon emissions (see sustainability in action on page 16).

We are also promoting sustainable engineering design through our DesignSpark platform to 1.3 million members (see page 59) and are helping customers to streamline their buying and consolidate their supply chains to be greener and more efficient through RS Integrated Supply.

Providing these value-creating solutions attracts new customers, increases revenue and is a key differentiator for our brand.

Introducing our Better World sustainable product range

In 2022/23 we partnered with external sustainability experts to create a robust product framework to meet the growing demand from customers and other stakeholders for more sustainable products.

Our Better World product offering, initially launched in the UK and Republic of Ireland in March 2023, identifies products that have an improvement in at least one area of sustainability. These improvements are supported by clear and credible third party sustainability certifications or eco-labels, supporting our customers' requirement for trust and transparency.

Our approach to this is evolutionary. We have started by using certifications as this is something that many products already have, with claims having already been externally verified. We are, however, actively continuing to develop our model and, as a next step, want to showcase claims and improvements around key attributes such as using more sustainable raw materials, carbon or energy reduction and circularity.

Further ahead the aim is to offer tools, for instance similar to a product lifecycle assessment, which can be run in a more automated and efficient way.

We hope to have 100,000 Better World products on offer to our customers by the end of 2024/25.

The Better World product range forms the foundation of our alignment towards the EU taxonomy for sustainable activities and, as we progress in developing the framework, we will begin to report key metrics that are considered taxonomy-aligned.

Our aim is to complete a taxonomy benchmarking analysis over the next year in preparation for reporting in 2023/24.

Opportunities with new low carbon industries

Beyond our traditional customer sectors, there is also a huge opportunity for us to work together with our suppliers to serve the new industries and customer segments that will drive the low carbon transition.

To stay on track with a 1.5°C future, a US\$125 trillion investment is required globally in the low carbon economy by 2050¹.

Renewable, green hydrogen, EVs and smart mobility, carbon capture and storage industries will continue to grow and be a priority. As an industry, we must pivot our product and service solutions to support these new sectors to help support a more sustainable world.

At RS we are increasing our support of the offshore wind industry (see sustainability in action to the right) and the EV charging market. We are focused on building our capability and relationships to serve these sectors better and we want to partner with our suppliers to offer the product and service solutions they need to grow.

1. Source: Lead co-chair of Think 20 (T20) Bambang Brodjonegoro June 2022: en.antaranews.com/news/232289/world-needs-us125-trillion-to-achieve-2050-emissions-targett20.

SUSTAINABILITY IN ACTION

ADVANCING ESG SOLUTIONS

The offshore wind sector has seen, and will continue to see, exponential growth, as demand for clean energy and support for sustainability initiatives increase. As an organisation committed to providing ESG solutions to our customers, we have identified a unique opportunity to enhance our position in the UK offshore wind sector.

According to Offshore Renewable Energy (ORE) Catapult, the UK's leading innovation centre for offshore renewable energy, the UK offshore wind maintenance, repair and operations market is projected to reach £1.3 billion per year by 2030².

In 2022/23, RS was selected to participate in a business transformation programme with the Offshore Wind Growth Partnership, part of ORE Catapult, to enhance our position as a supplier to the offshore wind industry through dedicated market intelligence, insight and business support. This has been instrumental in helping us to build a sophisticated value proposition, establishing RS as first-choice for customers in this sector.

By increasing our activity and visibility at what is a pivotal point for the offshore wind sector, we are well placed to deliver long-term value for our shareholders.

2. Source: www.great.gov.uk/international/content/investment/sectors/offshore-wind/.



Supplier engagement

By 2029/30 we want to commit to engage 67% of suppliers by spend to set SBTs by 2025.

Suppliers by spend setting SBTs

25%

6 pts increase from 2021/22

With over 2,500 direct suppliers and more than 750,000 stocked products, it is vitally important we collaborate with our supplier partners to decarbonise our value chain.

We have committed to 67% of our suppliers by spend setting SBTs with the SBTi by 2025 and to date 25% have done so. We have made good progress this year with a six percentage point increase in suppliers (by spend) committing to SBTs from 2021/22. However, more progress is needed if we are to stay on track to achieve our ambitious 2025 target. We know that setting SBTs has a strong impact on carbon reduction.

During 2022/23, we engaged with over 400 key suppliers at our EMEA supplier conference in Frankfurt, Germany, emphasising the importance of prioritising ESG and sustainability action. This included a focus on carbon reduction, developing more sustainable product and service solutions and setting SBTs for their direct and value chain emissions. By focusing on these areas, we believe we will increase suppliers' impact, strengthen their business and generate significant stakeholder value.

We also introduced a new ESG Supplier Handbook to inspire positive action and to help embed positive ESG principles.



WHAT'S NEXT?

> Carbon emissions:

- Progress building decarbonisation initiatives at Beauvais, France, and Nuneaton, UK
- Key focus on energy efficiency initiatives and monitoring through EMDs at largest sites
- Roll out of EVs and critical infrastructure across the Group

> Packaging:

- Introduce additional automated packaging machines in Bad Hersfeld, Germany, (2023/24) and Beauvais, France (2024/25)
- Introduce more reusable materials for packaging used for internal product replenishments
- Prioritise recycled and recyclable materials, with particular focus on reducing plastics and finding sustainable alternatives e.g. bioplastics

> Recycling and waste:

- Achieve zero waste to landfill at sites with alternative facilities available, i.e. recycling facilities
- Launch EMD for waste streams focused on reuse, recovery and recycling
- Collaborate with waste management providers, with particular focus on the UK and the US

> Product transportation:

- Decarbonise our logistics by sourcing and storing more products locally and regionally and by shifting our transportation modes
- Network optimisation which includes increasing local sourcing, storing and deliveries in EMEA and Asia Pacific
- Engage freight partners to prioritise decarbonisation and lower carbon technologies, for example EVs, air efficiency and the use of sustainable fuel alternatives

> Sustainable product and service solutions:

- Expand RS Better World product range to 100,000 products by 2024/25
- Collaborate with our suppliers to offer customers more products that are made with sustainability in mind, as well as those that help to reduce environmental impacts

> Supplier engagement:

- Further engagement with suppliers to set SBTs to reach 67% of our suppliers by spend by 2025

CHAMPIONING EDUCATION AND INNOVATION



People and innovation are key to driving a more sustainable and inclusive world. It is essential that we build skills to inspire the next generation of innovators – to ensure our sector and business have both the future skills to thrive and to foster the development of sustainable solutions that improve lives.

At RS, we provide accessible educational technologies, inspirational learning content and immersive skills development opportunities to help students embark on an exciting future career in technology or engineering.

Our commitments and progress

2030 ACTIONS	PERFORMANCE	STATUS	COMMENTARY	READ MORE
Inspiring future engineers and innovators: – Reach one million young people with educational technologies, learning content and skills development	471,000 young engineers and students reached through educational programmes, products and DesignSpark platform since 2020/21	●	– Increased the number of students we engage with by 12% this year through our enhanced education programme	See page 59 ESG Report rsgroup.com/esg
Purpose-driven innovation: – Engage with 1.5 million engineers and innovators in creating socially responsible and sustainable solutions	319,000 engineers and innovators engaged in purpose-driven innovation initiatives since 2020/21	●	– Increased the number of engineers and innovators engaged by 16% this year, which is slightly behind target. Following the launch of our subscription-based service, we anticipate growth in DesignSpark members will continue in 2023/24	See page 60 ESG Report rsgroup.com/esg
Social impact partnerships: – Support our social impact partners to develop solutions that improve lives – including supporting The Washing Machine Project (TWMP) to help 100,000 people in need	28,000 lives improved through TWMP since 2019/20 £330,000 Amount raised for TWMP since 2019/20	●	– Good progress made in 2022/23 through fundraising and volunteering support from RS employees and our partners. However more activities will be required in 2023/24 to raise vital funds for the charity	See page 61 ESG Report rsgroup.com/esg

Status key

Each of our actions are broken down into a series of annual targets that need to be met in order to remain on track to achieve our 2025 and 2030 goals. The colour coding below reflects our current position:

- On track or ahead
- Slightly behind target – monitor closely
- Not on track – further action required

More information is available in our full ESG scorecard: www.rsgroup.com/ESG



Inspiring future engineers and innovators

By 2029/30 we want to reach one million young people with educational technologies, learning content and skills development opportunities to support future engineers and innovators.

Our global education programme

Globally we sell our educational product and service solutions to c. 4,400 educational institutions, making this an area of growth for the Group and a core part of the education ESG solutions that we are developing for customers.

In 2022/23, we relaunched our education programme to pull together all the various aspects of our education offering into one global programme that will enable more of our markets to participate in activities directly with our education customers. This way, our teams can reach out to more education customers with RS products, as well as tools and resources from DesignSpark, and provide support to upskill students with Grass Roots learning content.

Our enhanced education programme has been rolled out to 10 countries to date and by 2023/24 our aim is to reach 15 countries in total.

Number of young engineers and students reached through educational programmes, products and DesignSpark platform

471,000

12% increase from 2021/22

Our global education offering overview:

SCIENCE, TECHNOLOGY, ENGINEERING AND MATHS (STEM) LEARNING – OKDO	EDUCATIONAL PRODUCTS / SERVICES – GRASS ROOTS	ENGINEERS AND INNOVATORS – DESIGNSPARK
OKdo offers a broad range of coding and electronics products, tools and games to get young people switched on to the exciting possibilities of engineering from a young age. Our smart education and STEM technology solutions are one of the most affordable and accessible ways for young people to learn coding, wherever they are in the world. Our aim is to inspire, enable and unleash the potential of the next generation.	We partner with c. 4,400 educational institutions across 10 countries to offer a broad range of educational product and service solutions that enable young engineers and innovators to learn the skills they need for their future careers. Our early investment and 'by your side' support of engineers from the start of their careers help to create lifetime loyalty with our future customers and address the skills and diversity gaps in our industry.	Our DesignSpark platform is a hotbed of engineering design, innovation and resources for 1.3 million budding engineers, hobbyists, professionals and students across 193 countries. Curious minds from all walks of life use our design resources, programming software and technology updates to improve productivity and innovate responsibly.
Key actions in 2022/23 – Sponsored the FIRST LEGO League¹ to help children understand the basics of STEM and apply their skills in an exciting competition, while building habits of learning, confidence and teamwork skills – Sponsored the BBC's do your :bit challenge by donating 5,000 micro:bits to disadvantaged communities. By taking part in the challenge, it is estimated that we are positively impacting c. 20,000 young people globally – Signed a distribution agreement with ROCK, a series of next generation single-board computers designed to target industrial customers and the education sector	Key actions in 2022/23 – Global roll out of Grass Roots' education programme to 10 countries across the globe – Held Grass Roots' annual flagship event REflect, designed to inspire young people from global ethnic majority backgrounds into STEM – Sponsored Formula Student², a global student engineering competition run by the Institution of Mechanical Engineers. We provided £1,000 of RS products to support over 30 teams to build their cars, ahead of the grand finale at Silverstone	Key actions in 2022/23 – Launched DesignSpark 2.0, a new subscription-based service (free until 31 March 2023) which provides members with more access to the bill of materials and sustainability-related information – Championed #ActivistEngineering projects to inspire engineers to put engineering responsibility at the heart of their product designs while also using their skills to positively impact the lives of people and the planet – One example is the Breathe Better Bear, which is designed to monitor air quality at schools. The innovative device is currently being used in Malta to make poor air quality more visible so that actions can be taken to improve environments for school children
More information ESG Report: rsgroup.com/esg www.okdo.com	More information ESG Report: rsgroup.com/esg uk.rs-online.com/web/content/discovery/education	More information ESG Report: rsgroup.com/esg www.rs-online.com/designspark/home

1. <https://www.firstlegoleague.org/>

2. <https://www.imeche.org/events/formula-student>

Purpose-driven innovation

By 2029/30 we want to engage with 1.5 million engineers and innovators in creating socially responsible and sustainable solutions.

Number of engineers and innovators engaged

319,000

16% increase from 2021/22

As a purpose-driven business at the heart of the global industrial sector, we are passionate about nurturing innovative technologies and purpose-driven engineering that will benefit people and the planet. By 2029/30 our aim is to bring together 1.5 million engineers and innovators to create sustainable solutions that will help shape a better future.



Q CHAMPIONING EDUCATION IN ACTION

RS INNOVATORS CHAMPIONSHIP

The RS Innovators Championship is a global competition for teams of young innovators to design sustainable solutions to five challenges (linked to the UN SDGs) that will help transform how the industry currently operates to enable a better world.

Teams of up to five young people were asked to pick a challenge for a chance to win £10,000. The challenge categories included training and language; water filtration; sustainable packaging; sustainable products; and smart distribution centres, which are all aligned to the sustainability goals of RS and its partners like TWMP.

Ten shortlisted teams participated in masterclasses and a mentoring programme for six weeks to help them develop their idea in preparation for the virtual final pitch day. The masterclasses were focused on assisting the teams to build a strong value proposition and business fit for the solution with consideration of people, planet and profit.

Also, the teams were each assigned a business mentor who arranged coaching sessions and offered guidance and business links to sense check their ideas.

In March 2023, the NextGen Engineers team from South Africa were crowned the winners for their innovative solution for filtering water, linked to TWMP. By filtering out impurities, such as rock and sand, the device enables the reuse of water, which makes it a perfect filtration solution for low-income or displaced people around the world.

Find out more about the competition here: rs-online.com/designspark/home

19

Teams entered the championship and 30 RS colleagues participated as mentors and judges.



Social impact partnerships

By 2029/30 we want to support our social impact partners to develop solutions that improve lives – including supporting TWMP to help 100,000 people in need.

Amount raised for TWMP

£330,000¹

£218,000 to 2021/22

Total number of lives impacted

28,000²

1,260 to 2021/22

The Washing Machine Project

70% of the world's population do not have access to an electric washing machine. While handwashing clothes might sound like a simple task, it disproportionately affects the health, wellbeing, education and livelihoods of women and girls in low-income communities around the globe.

To tackle this challenge through innovation, we support the TWMP and TWMP Foundation – a global charity that uses the power of sustainable engineering to provide displaced and low-income communities with accessible and affordable off-grid washing machines.

In 2022/23 we worked with the TWMP to support refugees from Ukraine who were living in Poland, by donating five electric washing machines and a tumble dryer to the refugee centre in Warsaw. We also supplied RS PRO parts for the construction of Divya 1.55, the latest version of the manual-crank washing machine.

Employees from across the organisation have volunteered several hundred hours of their time to assist with TWMP this year. Technical and non-technical employees have provided the charity with expertise in critical areas, such as sourcing manufacturing and logistics solutions, while 323 volunteers helped to build 30 washing machines at our DC in Corby, UK, enabling machines to support communities in Uganda, Kenya and the US.

Engineers Without Borders International

We have partnered with Engineers Without Borders-International (EWB) since 2020/21, to support their mission to place global responsibility at the heart of engineering.

We sponsor their Engineering for People Design Challenge, which sees 20,000 students a year take part in designing solutions to real world problems in the UK, US, South Africa and Australia. The challenge forms a key part of the curriculum for first and second year engineering students, encouraging them to broaden their awareness of the social, environmental and economic impacts of their engineering solutions.

1. Total raised since 2019/20.

2. Total number of lives impacted since 2019/20.

WHAT'S NEXT?

> Inspiring future engineers and innovators:

- Complete the roll out of our education programme to a further five countries in Thailand, Malaysia, the Philippines, Spain and the US

> Purpose-driven innovation:

- Collaborate with the FAB15 (our Fresh Advisors Board) to generate innovative solutions to ESG and business challenges utilising the fresh perspective of the younger generation
- Develop DesignSpark #ActivistEngineering campaigns to cover wider ESG challenges

> Social impact partnerships:

- Support TWMP to roll out additional projects around its mass manufacturing and distribution strategy and its next community pilot in the Republic of Congo and Kenya



EMPOWERING OUR PEOPLE



Our unique team of over 8,700 individuals is the lifeblood of our business. Every day, their passion and expertise enable us to delight our customers and make amazing happen for a better world.

Our commitments and progress

2030 ACTIONS	PERFORMANCE	STATUS	COMMENTARY	READ MORE
Engaged employees: – Achieve and maintain an employee engagement score in the top 10% of high-performing companies	78 employee engagement score (out of 100)	●	– Improved from 75 in 2021/22 and achieved our highest score to date	See page 63 ESG Report rsgroup.com/esg
Diversity and inclusion (D&I): – Ensure our team is reflective of the customers, suppliers and communities we serve by working towards 40% of our senior leaders being women and 25% being ethnically diverse	30% women in senior leadership roles 11% ethnically diverse senior leaders	● ●	– We have not made progress towards our 2029/30 D&I goals with the percentage of ethnically diverse leaders at 11% and the percentage of female leaders decreasing by 2 percentage points to 30%. This means we have not achieved our 2022/23 target for the percentage of management that are women and the linked KPI within our SLL facility	See page 63 ESG Report rsgroup.com/esg
Health, safety and wellbeing: – Aim for zero accidents involving our people	0.40 25% improvement in our all accident frequency ¹ since 2021/22	●	– Improvement on previous year's performance. We are now back to a more historical trend. Further progress is required to reach zero accidents	See page 66 ESG Report rsgroup.com/esg
Volunteering: – Inspire 50% of colleagues to volunteer to support their communities and build new skills	18% of employees have volunteered in the last two years	●	– Continued support from our people has resulted in a 15 percentage point increase this year. However there is more work to do to reach our goal	See page 66 ESG Report rsgroup.com/esg

1. Per 200,000 hours.

Status key

Each of our actions are broken down into a series of annual targets that need to be met in order to remain on track to achieve our 2025 and 2030 goals. The colour coding below reflects our current position:

- On track or ahead
- Slightly behind target – monitor closely
- Not on track – further action required

More information is available in our full ESG scorecard: www.rsgroup.com/ESG

Our people plan

Our priority is to become first choice for our people and to position RS as a career destination of choice. We will do this by creating a purpose-led, high-performance and inclusive culture and making this our greatest differentiator. We have a clear people strategy and plan for the next year, which sets out where we are investing in our people and culture to support our strategy.

Engaged employees

By 2029/30 we want to achieve and maintain an employee engagement score in the top 10% of high performing companies.¹

Employee engagement score

78

Up from 75 in 2021/22

We know that having an engaged and motivated team is critical to ensuring a high-performance culture and delivering our future success. A high employee engagement score is one of the best indicators of being an employer of choice and will help us to attract and retain the best talent to support our ongoing business transformation. We gather regular feedback through our annual MyVoice survey to understand how our people feel about working for us and what we can do to better support them.

In 2022/23 we made improvements to our engagement survey by focusing questions on the topics that matter most to our people (benchmarked externally) and by providing additional information around the meaning of each question to remove ambiguity. We also increased the number of managers who receive engagement reports for their teams and held upskilling sessions with c. 670 managers globally.

Joan Wainwright, a Non-Executive Director and one of the designated employee engagement directors, met with representatives from our employee resource groups (ERGs) during a visit to Corby, UK, in March 2023.

1. As at 31 March 2023, we were four points away from the top 10% of high performing companies. These global benchmarks are updated twice a year.



D&I

By 2029/30 we want to ensure our global team is reflective of the customers, suppliers and communities we serve by working towards 40% of our senior leaders being women and 25% being ethnically diverse.

% of female leaders

30%

2 pts decrease from 2021/22

% of ethnically diverse leaders

11%

Not reported in 2021/22

As a business we want to ensure we have the capabilities required to deliver our strategy and to ensure that our people love being part of RS. This means we want to recruit the best people, develop talent, generate greater innovation and listen to a range of different views and perspectives. By embracing differences we are better suited to understanding our customers and suppliers and finding unique solutions to meet their needs.

We have not made progress towards our 2029/30 D&I goals this year, with the percentage of ethnically diverse leaders at 11% and the percentage of female leaders decreasing by 2 percentage points to 30%. This means we have not achieved our 2022/23 target for the percentage of management that are women and the linked KPI within our SLL facility.

We know we have much more work to do in recruiting, attracting and retaining more diverse talent and in embedding diversity in the succession planning of our SMT. We are monitoring these KPIs closely to ensure a concerted effort and investment throughout the business.

In 2022/23 we introduced our first global D&I survey, which has been informed by our ERGs who represent each of our diversity disciplines. The survey included key questions about diversity characteristics (in countries where we are legally able) and asked employees whether they think they are well-represented at RS and what we need to do more of to move the D&I agenda forward.

We also launched the second phase of our mandatory inclusion training, focusing on cultural intelligence to build trust and launched a campaign across eight of our markets to encourage people to disclose more personal diversity data in relation to gender, ethnicity, disability, mental health and sexual orientation.

Inclusion

We want to empower our people to bring their true self to work, creating a culture of psychological safety so everyone can excel and thrive. We are supporting our people to achieve their best by building an inclusive workplace. This year we placed particular emphasis on driving greater D&I around gender, ethnicity and LGBTQ+.

Gender

We are committed to promoting gender diversity across the Group. Our gender representation across all levels in the organisation sits at a near 50/50 split and 44% of the Board including our Chair are female.

In 2022/23, 30% of senior leaders were women which is a 2 percentage point decline from 2021/22 and means we have not achieved our target for 2022/23. This decline is due to a number of factors but ultimately we have hired more men than women. This is disappointing and we are firmly committed to addressing this in 2023/24 by

focusing on diverse talent in succession planning and hiring processes.

Despite the results, in 2022/23 we undertook a number of steps to develop more women into senior positions and to build a pipeline of future talent, such as business partnering with talent teams in the regions, challenging recruiters to provide diverse long and shortlists and successfully piloting a new Remarkable Women programme, which enables female leaders to transform their mindset and adopt bold, daring action.

We are bringing gender diversity to the forefront of our agenda with Elevate, our women's ERG to help address gender imbalance through a series of cultural and engagement activities. A key event this year was hosted at our DC in Corby, UK, as part of International Women's day where Jenny Garrett OBE, an award winning career coach and leadership trainer, explored how we can all embrace equity to create more gender-balanced companies at all levels.

We also signed the Menopause Workplace Pledge, which is focused on encouraging organisations to take positive action and support all people affected by menopause in the workplace. We also signed the Endometriosis Friendly Employer scheme to help our employees overcome the challenges they face due to endometriosis and other menstrual health conditions.

RS also featured in the FTSE Women's Review for a second consecutive year, published in March 2023. This is a UK government-backed independent, voluntary and business-led initiative aimed at increasing female corporate representation.

Overall we were placed 54 in the review, which is down on our previous ranking of 33. We maintained our position in the top half of our peer group; however we are aware that we need to do more to increase female representation in senior positions.

More information about our gender diversity performance and plans to address our gender pay gap will be included in our 2022/23 Gender Pay Gap report, which will be published on our website later this year: rsgroup.com/esg.

For the full year ending 31 March 2023, we complied with the Financial Conduct Authority's diversity reporting requirements regarding gender and ethnic diversity of the Board and Management.

Ethnicity

In 2022/23, 11% of our senior leaders and two Board members, representing 22%, of the Board, were ethnically diverse. We know that we still have a long way to go and we are committed to becoming a more ethnically diverse organisation by being proactive in our recruitment practices and internal development programmes.

A key action in 2022/23 was joining the HALO Code in the UK and the CROWN Act in the US, which were created to prevent race-based hair discrimination. Our aim is to ensure that employees feel encouraged and empowered to show their natural hair at work.

Our EmbrACE ERG has focused on raising awareness around ethnically diverse communities within RS. Over the last year we have supported Heritage Week and Black History Month, with events aimed at driving conversations and discussions around ethnicity, equality and inclusion, including supporting the first Advancing Racial Equity conference in the UK in February 2023.

At the beginning of 2023/24 we signed a three year contract with Flair Race in the Workplace to investigate the experiences and views of our workforce with regards to racial equity in the workplace. This will include a questionnaire to UK and US based employees, where the results will be used to determine key strengths and improvement areas.

LGBTQ+ community

We are focused on creating an inclusive culture where the LGBTQ+ community can thrive, find support and are empowered to bring their true self to work. Our Spectrum network is our LGBTQ+ community and allies group, offering guidance, support and education to employees.

Over the last year, we have supported Trans in the City, a global platform for organisations to further inclusion of transgender, non-binary and gender diversity in business. One of our RS leaders is a director at Trans in the City and helps to increase visibility of members of the LGBTQ+ community.

We also sponsored Dallas Pride in the US and celebrated many inspirational current and historical LGBTQ+ role models during LGBTQ+ history month, including a session with Helen Richardson-Walsh talking about her experiences as a gay woman in the GB Olympic hockey team, and the importance of an inclusive culture and leadership to achieving high performance. We look forward to supporting Dallas Pride again in 2023/24 and we are the gold sponsors of Corby's first ever Pride march, in the UK.

Gender and ethnicity split at 31 March 2023

Gender	Total employees		Management ^{1,2,5}		Board of Directors ^{3,4,5}		Chair, CEO, CFO and Senior Ind Director ^{3,4,5}	
	2023	2022	2023 ⁶	2022	2023	2022	2023	2022
Female	4,206 (48%)	3,843 (50%)	42 (30%)	42 (32%)	4 (44%)	4 (44%)	1 (25%)	1 (25%)
Male	4,562 (52%)	3,811 (50%)	96 (70%)	89 (68%)	5 (56%)	5 (56%)	3 (75%)	3 (75%)
Ethnicity	Not disclosed		11 ⁷ (11%)	–	2 (22%)	1 (11%)	–	–

1. Permanent and temporary employees who operate at a senior level in the Group and typically, although not exclusively, are the Senior Management Team and their direct reports (including directors of subsidiary entities). Contractors and agency staff are not included. In 2021/22, four temporary employees (three female and one male) were also excluded.
2. Compiled through our employee database and collected on a self-reporting basis.
3. Collected on a self-reporting basis and agreed directly with the Board.
4. Data includes gender and ethnicity information for David Egan who left the organisation on 3 May 2023.
5. We will collect the full gender and ethnic diversity split of the Senior Management Team and the full ethnic diversity split of the Board and report this in our 2023/24 annual report to fully comply with the listing requirement LR9.8.6 R.
6. The management gender split has been subject to assurance by ERM CVS. See independent assurance report on pages 77 and 78.
7. 101 of our 138 senior managers self-reported their ethnicity via the employee database and 11 managers identified as ethnically diverse (non-white).

Capability development

Talent development and leadership

Attracting and retaining top talent remains key to our long-term success. Our talent strategy is about enabling and accelerating the development of our most high-performing people, with a strong diversity lens, while providing all our people with opportunities to learn, grow and achieve their full potential.

Our Future Shapers programme is focused on investing in our people and their careers by growing and developing their leadership skills. This programme continues to grow with 16 employees taking part in 2022/23, experiencing award-winning executive development from experts Ivy House through participation in their masterclass programme, coaching, mentoring and personal development. Additionally, we ran an Include Me development programme designed to promote an inclusive culture, which was experienced by c. 300 leaders between January and May 2022.

Learning and development

We are committed to investing in skills, education and training programmes for our people. Through our global learning hub, My Academy, over 159,000 hours of training were completed in 2022/23, on both mandatory and non-mandatory content.

This online learning is supplemented by local bespoke learning where required. For example, our EMEA sales teams have been trained in value selling and RS Americas is partnering with education providers and industry experts to enable employees to gain professional qualifications and upskill their technical and behavioural capabilities.

In addition, as part of a partnership with Women in Electronics, we have 30 women in our organisation, at all levels of the business, participating in personal and professional development.

We continue to provide apprenticeships and in 2022/23 we supported 267 colleagues in the UK to develop their knowledge, skills and behaviours in roles that include various levels of management, data analytics, project management and business transformation. RS in the UK is a Gold member of the 5% club, a dynamic movement of employers all of whom are inspired to take action for increased inclusive and accessible workplace training.

Reward and benefits

Our Group reward policy ensures base pay levels are set to ensure we pay a real-living wage, are competitive to attract and retain top talent and offer market-leading bonus and long term incentive plans (LTIPs).

We regularly evaluate our incentive schemes and benefits packages to provide the most competitive physical, financial and social wellbeing benefits.

In response to the cost of living crisis, in 2022/23 we supported our people through this difficult period, providing ad hoc cost of living support payments. We also introduced two new benefits:

- For employees we introduced the RS YAY! Award, a share plan that enables colleagues across the globe the potential to own up to 100 shares in RS Group plc (see remuneration in action on page 122)
- For senior leaders we introduced the Journey to Greatness (J2G) LTIP Award, and one of its performance measures is linked to our employee engagement score (see page 120)

Top 100

For the second consecutive year, RS ranked in the Top 100 Apprenticeship Employers in the UK for 2022

Q EMPOWERING OUR PEOPLE IN ACTION

AMAZING LEADERS

Our Amazing Leaders framework (show passion, act with humility, demonstrate trust) is the blueprint for leadership across RS. To continue to evolve culture through leaders' behaviour, Amazing Leaders has been integrated into performance conversations, talent discussions and all leadership development activity, including team development.

At our Global Leaders Event in April 2022 over 200 leaders from across the Group came together to craft and share their personal leadership purpose, articulating the impact of their leadership on others – creating a strong foundation to grow a more purpose-led culture.

All new leaders joining the organisation are invited to participate in a small group session to explore Amazing Leaders and identify the personal development that is important to them. Our goal is to ensure that all leaders know what good looks like and take personal ownership and responsibility for becoming the best leader they can be for their people, using the tools and resources that RS provides.

>200

leaders from across the Group joined our Global Leaders Event in April 2022



Health, safety and wellbeing

By 2029/30 we aim for zero accidents involving our people.

All accident frequency rate (per 200,000 hours)

0.40

25% improvement from 2021/22

Target Zero performance

The health, safety and wellbeing of our people underpins everything we do. Through our Target Zero programme, we are committed to protecting our people, reducing incidents and supporting physical and mental health.

Our performance has improved this year and we are now back to a more historical trend on health and safety. This is following a focus on establishing a stronger health and safety culture at our newer sites that had higher accident rates in 2021/22. This is in part reflected in the increased reporting of near misses and an enhanced understanding of unsafe acts leading to near misses and potential accidents.

None of the accidents reported in the year resulted in life-changing injuries and there were no work-related fatalities. In Asia Pacific, we were able to conduct remote visual audits of our operations

in order to keep people safe in the region, which has been particularly advantageous due to travel restrictions. In 2022/23 we completed 17 visual inspections.

All our sites have health and safety management systems in place. Of these, 27 sites are certified to ISO 45001 or an equivalent standard, covering 67% of floor area and 45% of sites.

Promoting mental health and physical wellbeing

Ensuring our people are happy, healthy and able to perform at their best is vital to our success. To provide emotional support to our people, we have 63 mental health first aiders across the Group. We have provided all employees with access to online mental health awareness training, to equip our managers in particular, with the resources they need to support their teams.

	2023	2022	Change
All accidents	33	40	(18)%
All accident frequency rate per 200,000 hours	0.40	0.53	(25)%
Lost time accidents	22	23	(4)%
Lost time accident frequency rate per 200,000 hours	0.27	0.31	(13)%
Total calendar days lost	333	252	+32%
Near misses reported	16,740	13,770	+22%
Near misses per head	1.96	1.76	+11%

For more health & safety data please visit our ESG data centre: www.rsgroup.com/ESG

Volunteering

By 2029/30 we want to inspire 50% of our employees to use their volunteer time to have a positive impact on global communities.

% of employees who have volunteered in the last two years

18%¹

3% in 2021/22

Each year, our employees receive two days paid leave to volunteer at charitable initiatives and good causes that boost their physical and mental wellbeing, as well as benefiting the communities that surround us.

In the last two years, 18% of our people volunteered to support their chosen charitable cause, or one of our social impact partners – The Washing Machine Project or Engineers Without Borders-International (see page 61). Examples include employees in the UK supporting a local hospice and food bank, as well as colleagues in Spain and Italy planting trees in the local community.

1. Includes the 3% recorded in 2021/22.





WHAT'S NEXT?

> Engaged employees:

- Continue to improve our employee engagement score to reach the top 10% of high-performing companies
- Deliver on outcomes of employee engagement surveys, ensuring that we continue to listen and act on the opinions of all of our people

> D&I:

- Continued focus on creating a more diverse leadership team and a more inclusive culture
- Evolve our D&I strategy and improve our diversity data across all of our businesses and markets

> Capability development:

- Focus on leadership and management development
- Evolve our learning platform and offerings to support development of strategic capabilities underpinning delivery of our strategy

> Health, safety and wellbeing:

- Focus on zero accidents across the organisation
- Continued focus on mental health and the overall wellbeing of our employees

> Volunteering:

- Encourage employees to use their two paid annual volunteering days, giving their time and skills to have a positive community impact

DOING BUSINESS RESPONSIBLY



As we grow, it is essential we do so responsibly. Our strong governance, ethics and compliance approach ensures that doing the right thing underpins everything we do, both within our direct business and global value chain, so that we remain a trusted and transparent partner to our stakeholders.

We are committed to raising environmental and ethical standards across our supply chain through our responsible procurement approach and ESG supplier action plan. To support this, we are introducing ESG objectives into our supplier partnerships, starting with our strategic suppliers.

Our commitments and progress

2030 ACTIONS

Incentivising ESG progress:

- ESG-related targets included in our employee rewards programme across all levels and geographies

PERFORMANCE

50%

of employees had their annual incentive aligned to Group carbon reduction in 2022/23

STATUS



COMMENTARY

- 50% of employees were incentivised to deliver our Scope 1 and 2 carbon emissions reduction targets in 2022/23

READ MORE

See page 70
ESG Report
[rsgroup.com/esg](https://www.rsgroup.com/esg)

Responsible supply chain:

- Evaluate our suppliers against our high ethical and environmental standards. Set ESG objectives for strategic suppliers

52%

of suppliers by spend signed our ethical trading declaration

50%

of suppliers by spend have an EcoVadis membership

49%

of RS PRO suppliers by spend with a Sedex membership



- We have increased supplier engagement on ESG priorities through the launch of our ESG supplier action plan and handbook. The results have been positive and we will continue to embed our ESG objectives into partnership scorecards and quarterly business reviews

See page 71
ESG Report
[rsgroup.com/esg](https://www.rsgroup.com/esg)

Status key

Each of our actions are broken down into a series of annual targets that need to be met in order to remain on track to achieve our 2025 and 2030 goals.

The colour coding below reflects our current position:

On track or ahead

Slightly behind target – monitor closely

Not on track – further action required

More information is available in our full ESG scorecard: www.rsgroup.com/ESG

ESG governance

Strategic oversight from the top

Our commitment to ESG is driven by strong governance from the very top of the Group. The Board has strategic oversight for ESG, while the SMT is responsible for the operational management of our 2030 ESG action plan and overseeing development of our ESG Solutions brand for customers.

In 2022/23 we established the ESG solutions function to ensure dedicated oversight for delivery of our 2030 action plan across RS and with our stakeholders, while supporting business growth through the development of ESG product and service solutions. Debbie Lentz, President ESG Solutions is responsible for all ESG aspects and sits on the SMT reporting to the CEO.

To reinforce our strong ESG governance approach we have an ESG Committee comprised of key SMT members and chaired by a Non-Executive Director. It meets twice a year to govern development, delivery and reporting of our 2030 ESG action plan.

Our strong ESG leadership approach is complemented by a suite of policies and procedures that ensures robust governance, ethics and compliance across our business and wider supply chain. All our policies and standards are available on our website: rsgroup.com/esg

The Board and its Committees support the strategy and governance of the Group's ESG approach. The Board has at least one overarching ESG strategy session each year, supported by deep dive sessions on key ESG topics and performance updates and reviews. In 2022/23 the Board reviewed the Group's ESG double materiality results (page 9), the 2030 ESG action plan and net zero performance and future priorities and the ESG solutions function's commercial strategy.

The Board is supported by the Audit Committee. The Audit Committee oversees compliance to the 11 recommendations of the Task Force on Climate Related Financial Disclosures (TCFD), reviews and recommends to the Board approval of key ESG disclosures, ensures horizon scanning of emerging

ESG legislation and compliance with developing reporting requirements. The Audit Committee reviewed our 2022/23 ESG, TCFD and Scope 3 disclosures and quantitative climate-scenario modelling.

ESG reporting approach

Our ESG approach is tailored to meet our stakeholders' needs identified in our ESG materiality assessments. It is focused on generating long-term value for all our stakeholders by mitigating our key ESG risks and leveraging the opportunities, as well as meeting existing and emerging regulatory requirements.

We have achieved leading status in a number of global ESG ratings (see page 1) including being awarded a AA by MSCI and being included in the Dow Jones Sustainability Indices Europe for the first time. This reflects our strong progress, differentiates our brand against our competitors in the eyes of our customers and supplier partners and places us in a good position for inclusion in ESG investment funds.

We are progressing our actions to comply with emerging ESG regulations, such as the International Sustainability Standards Board (ISSB), UK Transition Plan Taskforce (TPT), Corporate Sustainability Reporting Directive (CSRD) and the EU and UK Green Taxonomies. The completion and disclosure of our ESG double materiality results, Scope 3 emissions disclosure and assurance and our enhanced TCFD disclosure with financial modelling, forms a key part of these emerging requirements and puts us in a strong position for early compliance.

For our reporting, we align to the sector-specific recommendations of the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI). In 2022/23 we completed a gap analysis to ensure that any additional data required by these standards was consolidated into our ESG data centre. This has supported us in preparation for the ISSB standards which are due to be finalised in 2023/24.

We are also members of the United Nation's Global Compact (UNGC) and our priorities are aligned to six UN SDGs. For further standards and compliance please see our ESG Report and assurance of our data by ERM CVS (pages 77 and 78).

In December 2022, we were shortlisted for the Lloyds Bank Sustainable Business of the Year Award at the edie Awards 2023. The award recognises organisations that are scaling up commitments and actions across all areas of corporate sustainability to advance the green economy.

To read more about our ESG approach, performance and progress, our 2022/23 ESG Report can be found here: rsgroup.com/esg.

Strong governance, ethics and compliance approach

Modern Slavery

We have a responsibility both as a business and as individuals to tackle any form of modern slavery. We will not tolerate, facilitate or condone any form of modern slavery across our business or throughout our supply chains. This is supported through the commitment to, and compliance of, our employees, suppliers and third-party providers with our RS Group anti-slavery and human trafficking policy.

Ethics

We have a broad set of ethical standards for our people and suppliers. Our procurement policy is to only source products and services from those that meet, or are willing to take action to meet, those standards. This is made clear to all our employees through our Code of Conduct and to our suppliers through our ethical trading policy.

Whistleblowing

Speak Up, our dedicated whistleblowing policy and helpline, promotes an open and accountable culture where employees can raise ethical concerns confidentially without fear of victimisation. The independent reporting tool is operated by a third party and available to all our global employees.

In 2022/23, we received 38 Speak Up reports globally and they were reviewed and monitored by our Audit Committee (see page 111). Appropriate actions were taken to address them. We continued to deliver Speak Up training, awareness and refresher campaigns across the Group.

Anti-bribery and corruption

We have a zero-tolerance stance on all forms of bribery and corruption and are committed to conducting our business affairs in line with UNGC Principle 10. Our Group-wide anti-bribery policy covers our stance on bribes, gifts and hospitality, facilitation payments, political and charitable contributions. In the anti-bribery campaign which finished in 2022/23, 90% of our employees in higher risk markets and roles (c. 2,000 employees) completed the anti-bribery training.

Data and information security

We have a robust information security programme, central to which is an information security policy that is aligned with the principles of NIST-CSF and ISO 27001. We recognise the high level of trust that our customers, suppliers and employees place in us. This is why we maintain a high level of focus on data and information security as part of our cyber security breach / information loss principal risk (see page 44).

We delivered dedicated information security training to c. 5,800 employees in 2022/23. We also deliver engaging security awareness material regularly that helps our employees to stay safe online, including short videos featuring information security tips developed through collaboration with security specialists. See managing risks in action on page 41.

Privacy

In 2022/23, 88% of our employees who deal with personal data from the UK and EU (c. 3,500 employees) completed privacy training, with more frequent training given to employees who handle personal data as a core part of their role.

Incentivising ESG progress

By 2029/30 we want to include ESG-related targets in our employee rewards programme across all levels and geographies.

Incentivising ESG 2022/23 progress

8

ESG metrics in the Group RS Way performance scorecard

50%

of employees with carbon reduction in annual bonus

By integrating ESG targets in our employee rewards programme we are driving progress of our 2030 ESG action plan.

We have eight ESG metrics in our performance scorecard, including three SBTs covering Scopes 1, 2 and 3 emissions, which the Board reviews annually and uses to manage performance. Our Group annual incentive also has a performance measure linked to our climate action goals.

In 2022/23, 50% of Group employees have their annual incentive aligned to Group carbon reduction and 89 of our senior leaders participate in the J2G LTIP which has employee engagement as a measure.

Sustainability-linked loan (SLL)

In October 2022, we refinanced our SLL facility, which increased from £300 million to £400 million, and its maturity has been extended to five years at similar terms to the previous SLL facility that was agreed in October 2021. It is directly linked to the achievement of three of the Group's most material 2030 ESG actions which are: the reduction of direct carbon emissions (Scope 1 and 2 CO₂e emissions), packaging intensity and the percentage of management that are women.

DOING BUSINESS RESPONSIBLY IN ACTION

DIVERSIFYING OUR SUPPLY CHAIN

At RS, we believe that promoting diversity and inclusion within our own business and across our value chain leads to greater innovation, better decision making and ensures we can recruit and retain top talent to our industry.

We have set specific diversity targets to ensure our team reflects the communities we serve by working towards 40% of our leaders being women and 25% ethnically diverse by 2030. Also, we ask our supplier partners to prioritise diversity and inclusion within their own businesses and sourcing programmes with their suppliers.

As part of this commitment, we have established our first supplier diversity and inclusion programme within the RS Integrated Supply business in the US. We have chosen to start in the US as supplier diversity within procurement is already a mature and best practice approach there due to supporting regulation. It is also a high priority for our customers.

Our aim is to provide opportunities to businesses that have historically been underrepresented in global supply chains by making it easier for them to partner with us. By working with small, disadvantaged, women-owned, ethnically diverse and other underrepresented businesses we are building stronger and more diverse supply chains, which ultimately helps to create more equal communities and resilient local economies.

We will consider expanding this to other countries in the future, as our experience and stakeholder priorities increase.



Responsible supply chain

By 2029/30 we want to evaluate all our suppliers against our high ethical and environmental standards and set ESG objectives for strategic suppliers.

Suppliers signed our ethical trading declaration¹

52%

23 pts increase from 2021/22

Suppliers have committed to SBTi¹

25%

6 pts increase from 2021/22

Suppliers with EcoVadis membership¹

50%

10 pts increase from 2021/22

RS PRO suppliers are Sedex members¹

49%

19 pts increase from 2021/22

1. Suppliers by spend.

Embedding ESG standards with our key suppliers

It is vital that businesses across the value chain are aligned on the issues that matter most and collaborating to drive ESG action.

By championing sustainable products and packaging, green logistics, a net zero supply chain and responsible procurement practices, we are reinforcing our pivotal role at the centre of the global industrial value chain, helping to drive ESG action with our supplier partners, on behalf of our customers.

By establishing clear standards upfront in our supplier engagement process, we can ensure that we are prioritising suppliers that share our values and that display clear evidence of taking ESG improvement actions both within their own businesses and with their partners.

In 2022/23, we continued to strengthen our approach towards screening and managing suppliers, which helps to reduce risk and increase our value to customers. We target our top 67% of suppliers by spend (c. 350 businesses) as well as RS PRO suppliers, to embed our ESG standards within their processes.

Highlights from 2022/23 include:

- **All of suppliers** on our existing RS database are risk screened against global government-issued lists
- **Created a supplier questionnaire** containing key ESG requirements that suppliers must complete as part of our pre-qualification process as well as requalification at agreed intervals. This was rolled out by Indirect Procurement, Americas and RS Integrated Supply in 2022/23 and will be extended across the Group in 2023/24
- **143 inspections of RS PRO Asia suppliers** have taken place since May 2019. This covers 90% of RS PRO suppliers operating in higher-risk sourcing countries
- **Held an EMEA Supplier ESG Forum** in February 2023, where we launched our ESG Supplier Handbook and set out three key asks linked to our global ESG goals with 10 key actions (see pages 37 and 57). The handbook is available on our website: rsgroup.com/esg
- **225 suppliers attended six webinars with EcoVadis** in March 2023, to share the platform, benefits of getting rated and best practice in the four key areas of environment, labour and human rights, ethics and sustainable procurement
- **Held EcoVadis training for c. 120 employees** in product and supplier management roles

+ **More information in our ESG Report:** rsgroup.com/esg

WHAT'S NEXT?

> ESG governance:

- Review ethics and compliance policies to ensure they reflect best practice
- Review ESG governance structure at a Board and SMT level

> Incentivising ESG progress:

- Further embedding ESG KPIs into annual incentives and objectives

> Responsible supply chain:

- Embedding our 10-step supplier ESG action plan with EMEA and Indirect Procurement suppliers, while further rolling out the programme to suppliers in other regions
- Developing ESG objectives in partnership with suppliers and embedding into partnership scorecards and quarterly business reviews
- Continue to create supporting materials that help to educate and facilitate conversations with suppliers around Better World products, EcoVadis and Sedex assessments and carbon reduction and setting SBTs
- Embedding the new supplier ESG qualification / requalification questionnaire across the Group
- Working proactively with suppliers to drive ESG performance improvements using the intelligence gathered from launching Better World products, EcoVadis, Sedex, SBTi and Scope 3 emission reporting to set objectives and drive progress

TCFD: OUR PROGRESS

The progress table on pages 73 and 74 is a summary of our most material actions taken in 2022/23 as we believe that this is the most valuable information to our stakeholders. Where possible, we have made use of the TCFD Final Report and Annexes (October 2021), and technical supplements for our quantitative modelling and scenario analysis. We will continue to use these resources to strengthen our disclosure in the future.

For an in-depth overview against all 11 recommendations, please review our standalone TCFD factsheet at: rsgroup.com/esg

FINANCIAL IMPACT OF CLIMATE CHANGE – CURRENT ASSESSMENT

In 2021/22 we published our first TCFD disclosure which was consistent with the 11 recommendations and was well received by our stakeholders. Our 2022/23 disclosure builds on this and reflects progress made, specifically in relation to quantitative climate-modelling of our CRROs. Below we provide a summary of the results.

Through our ongoing work in 2022/23, we identified five key CRROs:

Transition:

1. Changes in market demand and customer segments (risk / opportunity)

- Opportunity: growth in customer segments linked to the low carbon economy (e.g. renewables or EVs) and product categories that enable the net zero transition e.g. automation and control products that reduce energy consumption
- Risk: decline in traditional customer segments reliant on fossil fuels and product categories that aren't required in the low carbon economy

2. Logistics decarbonisation (risk)

Risk: increased costs associated with carbon freight taxes and low carbon technologies

3. Reduced emissions and energy costs by installing solar panels at DCs (opportunity)

Physical:

4. Impact of extreme heat on our DCs (risk)

5. Impact of extreme weather (storms / floods / landslides on DCs (risk))

At the time of publication of this Annual Report, we have complied with the requirements of Listing Rule 9.8.6R, by including climate-related financial disclosures that are consistent with the TCFD recommendations across its four pillars and 11 recommendations.

For further information on how we embed action on our CRROs across our governance, strategy, financial investments, risk management and metrics and targets see our TCFD Factsheet 2022/23.

In 2022/23 we conducted a quantitative financial analysis of our CRROs across different time horizons and scenarios in order to provide further granularity around the financial impact of our key climate-related risks and opportunities. The basis of the financial models is the existing RS Group five-year strategic plan and capital allocations. Selected climate scenarios were overlayed onto these and projected out to 2050 to show how the business plan may be impacted under various climate scenarios.

We modelled the unmitigated financial impact range of the transition risks and opportunities under three different climate scenarios from the International Energy Agency, which were used in our previous TCFD analysis, reflect best practice

and are consistent with the CDP. For physical risks, we used two Intergovernmental Panel on Climate Change Representative Concentration Pathways (RCPs) – see reference table on page 75.

We identify the timeframe for when the risk / opportunity is likely to emerge:

- Short-term: 0–5 years
- Medium-term: 5–10 years
- Long-term: 10–100 years

There are no short-term CRROs identified and therefore we have modelled our medium and long-term CRROs in the table on page 76.

In 2022/23 a £3.7 million investment was approved to begin decarbonising our DC in Beauvais, France. Net zero costs for DCs have been built into the goodwill impairment on page 169.

Our key progress in 2022/23 included:

TCFD Pillar	2022/23 Highlights	More information	Future plans
Governance	– ESG solutions function formed which is focused on broadening the ESG solutions we offer our customers	See page 56	– Further embedding awareness, ownership and action relating to our CRROs with management teams across the Group – Reviewing and strengthening our ESG governance structure and developing climate skills at a Board, SMT and management level
	– Better World product range launched in UK and Republic of Ireland	See page 56	
	– Five ESG sessions held with the Board and Audit Committee in 2022/23, covering ESG solutions, launch of Better World products, 2030 ESG action plan, TCFD quantitative climate scenario analysis, actions, disclosures and results and ESG performance reporting	See pages 69, 94 and 97	
	– Strategic ESG solutions session with SMT and Board to support development of Better World products and new sustainability solutions for customers, and review net zero delivery progress and future initiatives	See page 69 See page 4 in TCFD 2022/23 standalone factsheet	
	– TCFD session held with the SMT and key functional management teams e.g., product and supply chain leadership team and ESG solutions team, to further embed awareness, ownership and action related to our CRROs	See page 69 See page 4 in TCFD 2022/23 standalone factsheet	
	– Formalisation of a net zero steering group to lead and coordinate global decarbonisation and net zero delivery across our operations	See page 4 in TCFD 2022/23 standalone factsheet	
Strategy	– Quantitative modelling of CRROs performed across a range of global warming outcomes from 1.4°C to 4.3°C	See below and pages 8 to 13 in TCFD 2022/23 standalone factsheet	– Increase Better World product range and roll out to other EMEA and US markets – Establish ESG solutions offerings for customers – Grow support to low carbon industries e.g. UK offshore wind and EV industries – Advocating with suppliers and customers to focus on operational and product decarbonisation – Progress initiatives for net zero 2030 in direct operations: site decarbonisation at Beauvais, France, and Nuneaton, UK; energy management across all DCs and continue switch to electric or hybrid vehicles – Establish ESG strategy, initiatives and reporting in new acquisitions: Risoul and DH – New capital expenditure requirements for net zero activities will continue to being built into the financial five-year plan, as they are defined – Preparing our climate transition plan in preparation for UK TPT
	– ESG solutions function formed with customer sustainability propositions a key focus e.g., Better World products launched in UK and Republic of Ireland, new services to help customers save energy and achieve climate goals such as RS Industria® (see page 16), as well as to establish RS as a leading maintenance, repair and operations provider for low carbon growth industries e.g. UK offshore wind sector	See page 56	
	– RS leading suppliers and industry to focus on development of sustainable product and service solutions, as well as serving low carbon industries	See pages 56 and 71	
	– Increased sustainable packaging and logistics optimisation to support our customers' climate goals. In 2022/23 we reduced packaging intensity by 32% and Scope 3 product transport emissions intensity by 28% since 2019/20	See pages 54 and 55	
	– ESG supplier action plan launched with EMEA and Integrated Supply suppliers. Key actions around product sustainability, carbon reduction and setting SBTs	See page 71	
	– Net Zero transition plans outlined with Scope 1, 2 and 3 carbon emissions targets and initiatives to decarbonise our DCs, transport network and products – validation in progress with SBTi	See pages 51 and 52	
	– £3.7 million financial investment approved to begin decarbonising our DC in Beauvais, France (e.g. solar panels on roof, heat pumps for space heating) and funding approved to scope activities at Nuneaton, UK DC. Further pipeline of net zero energy management projects underway worldwide	See page 51	
	– Strategy to acquire businesses with stakeholder value-creation opportunities and product offerings that support sustainability. ESG is a key workstream for due diligence and integration in acquisitions including with Risoul and DH. Year one priority is to obtain robust climate-related data and establish a pipeline of decarbonisation initiatives for energy, buildings and vehicles	Pages 6 and 7 of TCFD 2022/23 standalone factsheet	

TCFD Pillar	2022/23 Highlights	More information	Future plans
Risk	– High level CRRO risk register and mitigation plans developed with functional and regional business owners	Page 14 of TCFD 2022/23 standalone factsheet	– Group risk team embedding CRRO risk register with market and functional leaders – Proactive climate business continuity planning for Fort Worth, US, in line with exposure risk to physical effects of extreme weather events
	– Strategies and controls in place to mitigate physical climate-related risks on operations and wider supply chain	Page 11 of TCFD 2022/23 standalone factsheet	
	– Review of ESG impacts incorporated at due diligence stage of acquisitions and net zero investment lines added to integration plans	See pages 4, 6 and 14 of TCFD 2022/23 standalone factsheet	
Metrics and targets	– Progressing towards 2030 net zero target with 58% reduction in direct carbon emissions since 2019/20 and a 28% reduction in Scope 3 product transportation intensity (links to physical risks and logistics decarbonisation costs)	See pages 50, 52 and 55	– Further Scope 3 carbon emissions reporting refinement to provide more robust and granular data and move to an activity-based reporting model for supplier and product categories. Greater focus on Scope 3 action plans and increased disclosure of initiatives and progress – Re-baselining targets for Scope 1 and 2 carbon emissions, packaging intensity and Scope 3 product transportation emissions – Finalising validation of our Scope 1, 2 and 3 targets with the SBTi
	– Carbon intensity reduced by 72% since 2019/20 (links to physical risks)	See page 53	
	– Progressing validation of our Scope 1, 2 and 3 carbon targets with SBTi (links to all CRROs)	See page 52	
	– In 2022/23, we conducted a Scope 3 assessment and this identified purchased goods and services and upstream transport and distribution (product transportation) as our two most material categories. As such we have disclosed these two categories on page 55 and had the methodologies and data externally assured. We will also provide more detail on our wider Scope 3 emissions categories in our ESG Report: rsgroup.com/esg (links to transition CRROs)	See page 55	
	– Sustainability-linked loan facility increased to £400 million and extended to five years, aligned to carbon reduction goals and supports net zero DC investment (links to physical risks and logistics decarbonisation costs)	See page 70	
	– 50% employees have their annual incentive aligned to Group climate reduction goals (links to physical risks)	See page 70	
	– Internal shadow carbon price applied and reported by businesses in an RS Carbon Reduction League for direct operations, business travel and product transportation (links to physical risks and solar panel opportunity)	See page 51	
	– Five climate metrics monitored by the SMT quarterly and Board twice a year as part of The RS Way scorecard include: carbon emissions, packaging intensity, percentage of waste recycled, product transportation, percentage of suppliers by spend signed up to SBTi (links to all CRROs)	See pages 50 to 57	
	– Key CRRO metrics being monitored by relevant functional management teams include: ◦ Physical – DC and office temperatures, employee productivity and wellbeing, energy reductions ◦ Transition – Better World products and ESG solutions revenue, freight costs and carbon intensity	See pages 10 to 13 of TCFD 2022/23 standalone factsheet	
	– Overall CDP climate leadership score of A- and A for supplier engagement (links to all CRROs)	See page 1	

KEY FINDINGS

1. Products

- The revenue opportunity for sustainable products and services and targeting new customer segments linked to the low carbon transition is significant
- We are focusing on growing our existing product mix, introducing new sustainable product and service solutions and targeting low carbon customer segments. With our diversity and agility – we are well placed to capitalise on this opportunity



2. Logistics

- Costs for logistics are likely to increase due to decarbonisation of transport technologies and increasing carbon taxes
- Decarbonising our logistics emissions by modal shift, supply chain localisation and optimisation and sustainability KPIs for logistics providers remains a high priority to reduce cost and carbon impacts and meet customers' growing sustainability requirements



3. Physical

- Our exposure to the physical effects of climate change is limited
- Our DCs are in areas of low likelihood of physical disruption, with the exception of Fort Worth, US, where we are doing proactive DC improvements and insurance and business continuity planning



+ Further information can be found in our standalone TCFD 2022/23 factsheet: rsgroup.com/esg

	Temperature rise/ stabilisation by 2100
Transition scenarios	
NZE – The Net Zero Emissions by 2050 ¹	1.4°C stabilisation
APS – The Announced Pledges Scenario ²	2.1°C rise
STEPS – The Stated Policies Scenario ³	2.6°C rise
Physical pathways	
RCP 8.5 – Representative Concentration Pathway 8.5 ⁴	4.3°C rise
RCP 4.5 – Representative Concentration Pathway 4.5 ⁵	2.4°C rise

1. Maps out a way to achieve a stabilisation in the rise in global average temperatures by 2100, alongside universal access to modern energy by 2030.
2. Assumes that all aspirational targets announced by governments are met on time and in full, including their nationally determined contributions, long-term net zero and energy access goals.
3. Does not take for granted that governments will meet all announced goals and instead looks at where the energy system might evolve to without additional policy implementation, looking at existing policies and measures and those under development.
4. A pathway where greenhouse gas emissions continue to grow unmitigated, leading to a best estimate global average temperature rise of 4.3°C by 2100.
5. A moderate scenario in which emissions peak at about 2040 and then decline, leading to a best estimate global average temperature rise of 2.4°C by 2100.

High level results of the quantitative financial scenario analysis of our CRROs are shown below, with the financial impact of each risk / opportunity shown in the key.

		Raw risk / opportunity						Mitigating activity cost	Residual risk / opportunity						
		Medium-term financial impact (£m p.a. as at 2030)			Long-term financial impact (£m p.a. as at 2050)			Investment	Medium-term financial impact (£m p.a. as at 2030)			Long-term financial impact (£m p.a. as at 2050)			
		NZE	APS	STEPS	NZE	APS	STEPS		NZE	APS	EPS	NZE	APS	STEPS	
Transition		Definition													
Risk	1a. Product: changes in customer segments and product demand	Decline in traditional customer segments reliant on fossil fuels and product categories that are not required in the low carbon economy	1	1	1	1	1	1	1	1	1	1	1	1	1
Risk	2. Logistics: decarbonisation costs	Increased costs associated with carbon freight taxes and low carbon technologies	1	1	1	1	1	1	1	1	1	1	1	1	1
Opp	1b. Product: changes in customer segments and product demand	Growth in customer segments linked to the low carbon economy and product categories that enable the net zero transition	2	1	1	3	2	1	1	2	1	1	3	2	1
Opp	3. DC solar generation	Solar panels on DCs to reduce energy costs and increase resilience	1	1	1	1	1	1	1	1	1	1	1	1	1
Physical															
Risk	4. Physical: Impact of extreme heat on DCs	Increased costs associated with cooling systems or potential impacts on the health, safety and wellbeing of our DC people which could reduce productivity	1	1	1	1	1	1	1	1	1	1	1	1	1
Risk	5. Physical: Impact of severe weather on DCs	Flooding and storms have the potential to disrupt our operations and logistics and cause physical damage to our infrastructure	1	1	3	1	1	2	1	1	1	2	1	1	2

Impact key:**Risks****Opportunities**

This impact key is aligned with how we measure our global risks and was also used to distinguish the financial impact of our key ESG material issues, as shown on page 9.

Very high (5)	Very high (5)	Group / region / business e.g. EMEA, Asia Pacific, Americas, Integrated Supply – Greater than 32% of operating profit
High (4)	High (4)	Group / region / business e.g. EMEA, Asia Pacific, Americas, Integrated Supply – Between 24% and 32% of operating profit
Medium (3)	Medium (3)	Group / region / business e.g. EMEA, Asia Pacific, Americas, Integrated Supply – Between 16% and 24% of operating profit
Low (2)	Low (2)	Group / region / business e.g. EMEA, Asia Pacific, Americas, Integrated Supply – Between 8% and 16% of operating profit
Very low (1)	Very low (1)	Group / region / business e.g.. EMEA, Asia Pacific, Americas, Integrated Supply – Less than 8% of operating profit

See pages 11 to 13 of our TCFD factsheet for the actions and key metrics monitored for each of our CRROs.

ESG ASSURANCE

Independent limited assurance statement to RS Group plc

ERM Certification and Verification Services Limited (ERM CVS) was engaged by RS Group plc (the Group) to provide limited assurance in relation to the selected information set out below and presented in RS Group's 2022/23 Annual Report and Accounts (the Report).

Engagement summary	
Scope of our assurance engagement	Whether 2022/23 data for the following ESG key performance indicators (KPIs) shown on pages 53 to 55 and 64 of the Report are fairly presented, in all material respects, with the reporting criteria: – Total Scope 1 and Scope 2 GHG emissions (tonnes CO₂e) – Total Scope 3 GHG emissions from the following categories (tonnes CO₂e): ◦ Category 1 – Purchased goods and services ◦ Category 4 – Upstream transportation and distribution – Carbon intensity (tonnes of Scope 1 and 2 CO₂e per £ million revenue) – Product transportation emissions intensity (tonnes CO₂e per tonne of product sold) – Packaging intensity (tonnes per £ million revenue) – Percentage of management that are women (percentage)
Reporting period	– 2022/23 (1st April 2022 – 31st March 2023)
Reporting criteria	– WBCSD/WRI GHG Protocol Corporate Accounting and Reporting Standard (2004, as updated in 2015 with the Scope 2 Guidance) for the Scope 1 and Scope 2 GHG emissions – WBCSD/WRI GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard for the Scope 3 GHG emissions – The Group's internal definitions (basis of reporting) for the packaging intensity and percentage of management that are women KPIs, as described on pages 54 and 64 of the Report
Assurance standard and level of assurance	We performed a limited assurance engagement, in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Standards Board. The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.
Respective responsibilities	The Group is responsible for preparing the Report and for the collection and presentation of the information within it, and for the designing, implementing and maintaining of internal controls relevant to the preparation and presentation of the selected performance data. ERM CVS's responsibility is to provide conclusions to the Group on the agreed scope based on our engagement terms with the Group, the assurance activities performed and exercising our professional judgement. We accept no responsibility, and deny any liability, to any party other than the Group for the conclusions we have reached.

Our conclusion

Based on our activities, as described below, nothing has come to our attention to indicate that the 2022/23 data for the ESG KPIs listed under Scope above and shown on pages 53 to 55 and 64 of the Report are not fairly presented, in all material respects, with the reporting criteria.

Our assurance activities

Considering the level of assurance and our assessment of the risk of material misstatement of the performance data, a multi-disciplinary team of sustainability and assurance specialists performed a range of procedures that included, but was not restricted to, the following:

- Assessing the appropriateness of the reporting criteria for the selected ESG KPIs
- Interviews with the Group management personnel and external consultants responsible for the management of the ESG KPI data to understand and evaluate the data management systems and processes (including internal review processes) used for measuring, collecting and reporting the ESG KPI data
- In-person site visits to three RS Group operating facilities in the United Kingdom, Germany and France to review the data measurement, collection and reporting processes at the facility level and to test the consistency of reported 2022/23 data for the energy and fuel use underlying the GHG emissions and for packaging with underlying source data and related documentation
- An analytical review of the 2022/23 data for all the Group locations included in the reporting boundary, including a review of the completeness of the data and of the mathematical accuracy of the consolidation of the data
- A review of the unit conversion and emission factors used in the calculation of the GHG emissions data and the alignment of these factors with the relevant sources
- A review of the definition of management roles applied by the Group in the calculation of the percentage of management that are women, and a review of employee data by gender and grade
- A review of the presentation in the Report of the data relevant to the scope of our work, to ensure consistency with our findings

The limitations of our engagement

The reliability of the assured information is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

Our independence, integrity and quality control

ERM CVS is an independent certification and verification body accredited by the United Kingdom Accreditation Service to ISO 17021:2015. Accordingly, we maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our quality management system is at least as demanding as the relevant sections of ISQM-1 and ISQM-2 (2022).

ERM CVS applies a code of conduct and related policies to ensure that its employees maintain integrity, objectivity, professional competence and high ethical standards in their work. Our processes are designed and implemented to ensure that the work we undertake is objective, impartial and free from bias and conflict of interest. Our certified management system covers independence and ethical requirements that are at least as demanding as the relevant sections of Parts A & B of the IESBA Code relating to assurance engagements.

The team that has undertaken this assurance engagement has extensive experience in conducting assurance on environmental, social, ethical and health and safety information, systems and processes, and provides no consultancy related services to the Group in any respect.

Gareth Manning
Partner, Corporate Assurance
 UK, London

19 May 2023



ERM Certification and Verification Services Limited
 www.ermcvs.com
 Email: post@ermcvs.com

NON-FINANCIAL AND SUSTAINABILITY 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. A description of our principle risks and impact of business activity can be found on pages 40 to 45. Some of the information listed is incorporated by cross-reference and some of the below policies can also be found on our corporate website: rsgroup.com/esg/codes-policies-and-standards

	Our approach	Policies and standards	Due diligence	Outcomes of policies	Further information
Environmental matters	We are developing sustainable operations and product and service solutions to help reduce environmental impacts and tackle climate change. Our strategic focus is to proactively limit our environmental impacts to ensure our business grows sustainably.	– Code of Conduct – Global Environmental Policy – Supplier Ethical Trading Declaration – Group Energy Management Policy – Group Print, Promo and Gifts policy	– The Board has strategic oversight of the Group's environment and climate-related actions, which includes our Group Environmental Policy – We monitor our environmental KPIs on a quarterly basis and provide an update on performance twice a year – We collaborate with our strategic suppliers to decarbonise our global value chain, which includes asking suppliers to develop more sustainable products and set science-based targets for their direct and value chain emissions	– Read more about our net zero commitments and climate action as well as how we are advancing sustainability across our global value chain on pages 50 to 57 and in our ESG Report: rsgroup.com/esg	– Advancing sustainability pages 50 to 57 – TCFD report on pages 72 to 76 – ESG report: rsgroup.com/esg
People	Our priority is to position RS as a career destination of choice. We will do this by creating a purpose-led, high performance and inclusive culture that becomes our greatest differentiator. Our aim is to recruit the best people, develop talent, generate greater innovation, and encourage a range of different views and perspectives.	– Code of Conduct – Group Health & Safety Policy² – Modern Slavery Policy¹ – Diversity and Inclusion Policy¹ – Gender Pay Gap Report¹ – Employee Data Protection Policy – Bullying and Harassment Policy – Family Friendly Policy – Benefits Policy – Supplier Ethical Trading Declaration	– The Board has oversight of our people strategy which sets out where we are investing in our people and culture to support our strategy – People-related policies are reviewed by the Group's HR function annually to ensure they reflect best practice and meet minimum control standards – Every employee is accountable for reading and following the policies included – Employees are requested to complete annual training on diversity & inclusion	– Read more about how we are empowering our people on pages 62 to 67 and in our ESG Report: rsgroup.com/esg	– Empowering our people pages 62 to 67 – Governance Report pages 82 to 99 – Nomination Committee report pages 100 to 103 – ESG report: rsgroup.com/esg

1. RS Board reviews and approves this policy/standard on an annual basis.
2. RS Board receives regular updates on this policy/standard.

	Our approach	Policies and standards	Due diligence	Outcomes of policies	Further information
Social matters	We have strict standards of behaviour that we expect of our employees and supply chain partners, which are set out in our global Code of Conduct and Ethical Trading Declaration. This includes respecting and safeguarding our people and the wider community. We believe in inspiring our employees to give back to our communities through volunteering activities and fundraising. Through our social impact partnership with The Washing Machine Project, our aim is to positively impact the lives of over 100,000 people globally by 2030.	– Code of Conduct – Group Health & Safety Policy² – Modern Slavery Policy¹ – Supplier Ethical Trading Declaration – Volunteering Policy	– We ask our suppliers to commit to strong labour practices and ensure their business and supply chain is free from modern slavery by signing our Ethical Trading Declaration – We ask our third-party suppliers to get EcoVadis rated and RS PRO suppliers to become Sedex members to continuously benchmark and improve their approach – We conduct ethical inspections of our high-risk private-label suppliers – Employees are each given two days a year to volunteer for their chosen charitable cause	– Read more about how we are empowering our people on pages 62 to 67 and in our ESG Report: rsgroup.com/esg	– Empowering our people pages 62 to 67 – Doing business responsibly pages 68 to 71 – ESG report: rsgroup.com/esg
Respect for human rights	We recognise and respect the Universal Declaration of Human Rights, ensuring that all people have freedom, equality and dignity. We uphold the highest ethical and legal standards within our own business and throughout our supply chain. We only source products and services from organisations that are willing to both meet these standards and ensure compliance throughout their own supply chains.	– Code of Conduct – Group Health & Safety Policy² – Modern Slavery Policy¹ – Supplier Ethical Trading Declaration – Speak Up Policy (whistleblowing)^{1,2}	– We ask our third-party suppliers to get EcoVadis rated and RS PRO suppliers to become Sedex members to continuously benchmark and improve their approach – We conduct ethical inspections of our high-risk private-label suppliers. See page 71	– Read more about how we are empowering our people on pages 62 to 67 and in our ESG Report: rsgroup.com/esg	– Doing business responsibly pages 68 to 71 – ESG governance page 69 – ESG report: rsgroup.com/esg
Anti-bribery and corruption	We have a zero-tolerance stance on all forms of bribery and corruption and are committed to conducting our business affairs in line with the United Nations Global Compact Principle (UNGC) 10. Our Group-wide anti-bribery policy covers our stance on bribes, gifts and hospitality, facilitation payments, political and charitable contributions.	– Code of Conduct – Anti-Bribery Policy^{1,2} – Group Marketing Campaigns Policy – Group Competition Law – Compliance Policy² – Group Embargoes Policy² – Speak Up Policy (whistleblowing)^{1,2}	– Employees are required to complete an annual training on anti-bribery and corruption prevention	– Read more about how we are empowering our people on pages 62 to 67 and in our ESG Report: rsgroup.com/esg	– ESG governance page 69 – Governance report pages 82 to 99 – Audit Committee report pages 104 to 111 – ESG report: rsgroup.com/esg

Non-financial KPIs

More information on our non-financial KPIs is included on the pages below:

- Business model (page 13)
- Our strategy in action (pages 20 to 25)
- Non-financial KPIs (pages 30 and 31)
- ESG (pages 48 to 78)

1. RS Board reviews and approves this policy / standard on an annual basis.
2. RS Board receives regular updates on this policy / standard.

SECTION 172 STATEMENT

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 RS Group plc and its stakeholders. Throughout 2022/23, we have strived to continue to demonstrate how, as a considerate, sustainable, responsible and solutions-driven business, our Board of Directors and the SMT have achieved this. Throughout this report, there are many examples of how we have taken into account our key stakeholders: our people, customers, suppliers, communities and shareholders. Details of how the Board in particular has considered these stakeholders' interests can be found in the Corporate Governance Report on pages 91 to 95.

Forward-looking statements 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 RS Group 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 RS Group 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 RS Group 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, RS Group plc has no intention or obligation to update forward-looking statements contained herein.

The long-term consequences of decisions that are taken

Board oversight of our strategy and ongoing monitoring of performance against agreed metrics	Pages 20 and 28 to 31
Ensuring we have robust data driven insight to support our key decisions and continuously improving our executional capabilities	Pages 22 and 25
Acquisition and integration of domnick hunter and Risoul into the Group's business to create effective synergies	Pages 27 and 92
Accelerating growth ambitions organically and inorganically	Pages 26 and 27
Focusing our effort and resource on where we can add value	Pages 13 and 20

The interests of our employees

Prioritising the health, safety and wellbeing of our workforce	Pages 31 and 66
Developing a high-performance, purpose-led culture and investing in our people to attract and retain the best talent	Pages 6, 18, 21, 62 to 67
Providing career development and learning opportunities	Page 65
Continuing our programme of Board employee engagement	Page 95

The need to foster our business relationships with our customers, suppliers and regulators

Expanding our product range, supplier depth and global service solutions offering	Pages 7, 11, 13 and 24
Aligning our operating plans to build organisational capabilities and a scalable market strategy	Pages 10, 11 and 13
Engaging with our suppliers to help ease significant supply chain challenges	Pages 7, 56, 57 and 71

The impact of the Group's operations on the environment and community

Enhancing a purpose-led culture, driving our environmental, social and governance goals in our commitment for a better world	Pages 48 to 78
Driving to be a sustainable and responsible leader in our sector	Pages 68 to 71
Supporting suppliers to provide more sustainable and clean products	Page 71

Our reputation for having high standards and sound ethical conduct

Code of conduct: for our people (Speak Up) and our suppliers	Page 69
Ensuring anti-bribery training is regularly rolled out to our employees	Page 69
Ensuring we apply a zero-tolerance approach to modern slavery	Page 69

The need to act fairly between members of the Company

Continuing to pursue a progressive dividend policy	Page 36
Increasing operating effectiveness, delivering increased mid-teen operating profit	Page 33

The Strategic Report was approved by the Board on 23 May 2023 and is signed on its behalf by:

Simon Pryce
Chief Executive Officer

CORPORATE GOVERNANCE

Corporate governance at a glance	83
Chair's letter	84
Our Board of Directors	86
Board leadership and governance framework	88
Board activities during the year	91
Board evaluation	96
Nomination Committee report	100
Audit Committee report	104
Directors' Remuneration report	112
Directors' report	133
Statement of Directors' responsibilities	136



GOVERNANCE AT A GLANCE

UK CORPORATE GOVERNANCE CODE

Compliance statement

The UK Corporate Governance Code 2018 (the Code) applied to the financial year ended 31 March 2023. The Code is publicly available at www.frc.org.uk

For full details of all the Code's Principles and how the Company has applied them, see page 98.

The Company confirms that it applied the Principles and, since the implementation of the new Remuneration Policy from 14 July 2022 which brought Executive Director's pension entitlement in line with the rate of the majority of the wider UK workforce, has complied with the Provisions of the Code during 2022/23.

HIGHLIGHTS OF BOARD ENGAGEMENT DURING THE YEAR

People

c. 110 employees attended four engagement sessions with a Non-Executive Director in London and Corby, UK, Fort Worth, US, and Beauvais, France

Shareholders

We held three specific engagement programmes with our major shareholders during the year in respect of the adoption of a new Directors' Remuneration Policy and changes to the Chief Executive Officer (CEO) position

Suppliers

The Board met with representatives from three of our key suppliers at Fort Worth, US, in September

SKILLS AND EXPERIENCE

Director	Digital	M&A	Climate change and sustainability	Strategy	International operations	Distribution	Emerging markets	Service industry	Finance	Supply chain	Customers
Alex Baldock	●		●	●	●	●		●		●	●
Louisa Burdett	●	●	●		●			●	●		●
Rona Fairhead	●	●		●	●		●	●	●		●
Navneet Kapoor	●				●		●	●			
Bessie Lee	●	●		●	●		●			●	
Simon Pryce	●	●	●	●	●		●	●	●	●	●
David Sleath		●	●	●	●	●		●	●		●
Joan Wainwright	●		●	●	●	●					●

BOARD COMPOSITION

As at 31 March 2023

Board tenure

Years



Gender



Independence



Simon Pryce was an Independent Non-Executive Director throughout the year and was appointed as CEO with effect from 3 April 2023

Age of Directors

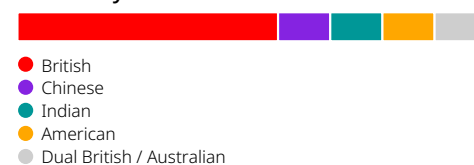
Years



Ethnicity



Nationality



KEY HIGHLIGHTS

Board activities 2022/23

- Took part in a dedicated strategy deep dive digital workshop
- Continued monitoring and review of our purpose-led strategy
- Monitored the progress of streamlining the supply chain and product offering to give end-to-end visibility and better customer experience
- Oversaw the acquisition pipeline, including completion of two strategic acquisitions during the year
- Recruitment of new CEO
- Adoption of enhanced ESG reporting
- Completion of externally-facilitated Board evaluation
- Site visits to Fort Worth, US and Corby, UK to witness the Group's culture first hand
- Adoption of the Board Diversity and Inclusion Policy (Board D&I Policy)
- Strengthened the Group's succession planning and career development for members of the senior management team (SMT)
- Approved the adoption of The RS Way scorecard and the Journey to Greatness Long Term Incentive Plan Award (J2G LTIP Award)
- Launched the RS YAY! Award to promote employee shareholding

Board priorities for 2023/24

- Recruitment of a Chief Financial Officer (CFO)
- Continue embedding environmental, social and governance (ESG) and further enhancement of ESG reporting
- Receive detailed regional deep dives
- Further development of the customer experience
- Continued focus on D&I strategy
- Continued supply chain focus
- Developing purpose-driven innovation
- Product expansion and supplier strategy
- Continued development of the M&A pipeline

CHAIR'S LETTER



Dear Fellow Shareholder,

On behalf of the Board, I am pleased to present our Governance Report for the year ended 31 March 2023.

Good governance is fundamental to the continued success of the Company. By ensuring that the Board has oversight and is supporting our strategy, we are confident in driving long-term sustainable success for all of our stakeholders. We also recognise the value in ongoing engagement with our stakeholders, to help ensure that our priorities mirror those of our wider community.

Board changes

As announced on 16 December 2022, Lindsley Ruth stepped down as CEO during the year. On behalf of the Board and everyone at RS, I would like to thank him for his many achievements and wish him happiness, health and every future success.

As part of our enhanced succession planning, David Egan, CFO, took on the role of Acting CEO when Lindsley went on a leave of absence at the beginning of November 2022. As a result of Lindsley stepping down, David continued as Acting CEO until Simon Pryce was appointed as CEO on 3 April 2023. As announced on 3 May 2023, David stepped down from the Board with immediate effect. Jane Titchener has been appointed as Interim CFO until a permanent replacement CFO is appointed.

Simon is a highly experienced business leader of customer-focused, global industrial manufacturing and services businesses. The Board is very confident that Simon has the right leadership style, skills and experience to lead RS to continued future success in the next stage of the Group's growth. Full details of the CEO selection process can be found on page 101.

Navneet Kapoor joined the Board with effect from 1 June 2022 and brings with him great international experience, in particular in the transformation and digital fields. I would like to welcome him to the Board.

We have a strong leadership team which is aligned behind a clear strategy, focused on delivering profitable growth and market share gains, and myself and the Board have every confidence in our people.

Stakeholder engagement

As a result of the announcement of Lindsley's leave of absence, I offered to speak to our top 25 shareholders to discuss and answer any questions they had. I held calls with 22 shareholders, who represented c. 66% of the Company's share register during early November 2022. Following Lindsley's subsequent departure in December 2022, similar invitations for engagement were offered, resulting in further calls with eight shareholders, who represented c. 31% of the Company's share register. These calls provided shareholders with the opportunity to hear about the steps the Board had taken over the previous 18 months to strengthen its succession planning, which enabled us to act swiftly and appoint David as Acting CEO. It also gave shareholders the opportunity to ask questions and provide feedback.

On the announcement of Simon's appointment in March 2023, a further round of calls were held with shareholders. These calls provided shareholders with details of the selection process undertaken to identify Simon as the strongest candidate, and answer any questions shareholders had regarding his appointment.

In addition to the above, there was significant engagement with shareholders earlier in the year in respect of the Directors' Remuneration Policy (Remuneration Policy) which was put to shareholders at the 2022 Annual General Meeting (AGM). Full details of investor engagement relating to remuneration can be found on page 116.

For the first time since before the COVID-19 pandemic, our Board members took part in physical site visits. In September 2022, the Board visited the Fort Worth, US, office and distribution centre (DC), and in March 2023 the Board visited the Corby, UK, DC. During the US visit the Board met the Americas leadership team and the service solutions team.

Chair's letter continued

In the UK, the Board met the sales team and were given a demonstration of the new RS PRO lab. A deep dive into strategy and performance of both areas was conducted during each visit along with the opportunity to meet our regional leadership teams and employees to discuss regional initiatives. Tours of each of the DCs were also conducted where members of the Board were given first hand demonstrations of the Group's DC operations and processes.

Joan Wainwright, as one of our designated employee engagement directors, held employee forums with colleagues in the UK in June 2022 and March 2023, the US in September 2022 and France in December 2022. Further information about the structure and outcome of these meetings can be found on pages 92 and 95.

The Board also took the opportunity while in Fort Worth, to meet with senior representatives from three of our key suppliers of Americas. Discussions held were focused on what the suppliers felt they needed from distribution partners to succeed and their views on the market outlook for the year ahead. This was an incredibly valuable engagement, giving the Board and suppliers an opportunity to ask probing questions and challenge the thinking around the best ways to grow together and share in future success.

Strategy and culture

The Board continues to oversee the Group's medium and long-term strategy. This included a dedicated strategy deep dive in January 2023. As part of this, an innovative digital workshop was held where each Director was given the opportunity to experience different customer personas through the use of technology. In addition to this, a review of strategic capabilities, data, technology and digital innovation was undertaken. Further information regarding this can be found on page 99.

Our people are fundamental to the success of our business and achieving our strategy. In addition to site visits, the Board regularly met with members of the SMT and received regular updates from the people team. This included an update on the evolution of our people plan and how it supports our strategy. The Board also approved The RS Way scorecard during the year and received regular updates on progress against targets.

Embedding ESG into our governance processes

As part of our commitment to ESG, and ensuring strong governance and Board oversight, the ESG Committee was established in 2021. Our ESG Committee meets twice a year to discuss performance against our targets and progress in the core areas of our ESG action plan. This is chaired by Joan Wainwright, as Non-Executive Director, and members include the CFO, President ESG Solutions and the Chief People Officer, Company Secretary & Senior Vice-President, Group Professional Services.

The purpose of the Committee is to lead the development and execution of our 2030 ESG action plan – For a Better World. Full details of ESG-related activity during the year, along with our ESG ambitions and targets, can be found on pages 48 to 78.

An inclusive and diverse company

We believe that creating a culture where our people feel safe and empowered to bring their true self to work fosters an environment where everyone can thrive. During the year, the Board adopted a new Board D&I Policy which sets out the Board's approach to driving D&I within senior management roles. Full details can be found on page 103.

Succession planning

Since joining the Company in November 2020, I have worked with the Nomination Committee to enhance our succession planning and the career development of senior management. During the year, this work ensured that when Lindsley went on a leave of absence in November, we had plans in place to ensure strong leadership of the Company continued and the momentum behind driving the strategy was maintained. We are continuing to build a strong pipeline of talent within the organisation, which includes initiatives such as the Future Shapers and Amazing Leaders programmes, to help ensure we identify and support future leaders. Further information on our succession planning and the work of the Nomination Committee can be found on pages 100 to 103.

Board evaluation

After two years of internal Board evaluations, we conducted an externally facilitated Board evaluation during the year, in line with the Code. After conducting a tender process, Clare Chalmers Limited (Clare Chalmers) was engaged to carry out the evaluation process. This process concluded that the Board continues to function effectively and identified areas of improvement. Full details of the tender process, outcomes of the evaluation and progress against the previous year's actions can be found on pages 96 to 97.

Rona Fairhead
Chair
23 May 2023



We recognise the value in ongoing engagement with our stakeholders, to help ensure that our priorities mirror those of our wider community.”



THE RIGHT BLEND OF SKILLS AND EXPERIENCE

Members as at 23 May 2023

-  Nominations Committee
-  Audit Committee
-  Remuneration Committee
-  Treasury Committee
-  Committee Chair

David Sleath Senior Independent Director



Committee membership    Date of appointment Jun 2019

Skills, experience and contribution

David brings a wealth of experience to the Board, including valuable insight into the dynamics of service-led business models, having been the senior independent director at Bunzl plc. As serving chief executive officer, and previously chief financial officer, of SEGRO plc, David has strong manufacturing and distribution experience. He also brings to the Board in-depth financial, strategic and governance experience, which are essential to his role as Senior Independent Director. David has also previously served as president of the British Property Federation and group finance director of Wagon plc.

Current external roles

- Chief executive officer of SEGRO plc
- Board member, European Public Real Estate Association

Rona Fairhead Chair



Committee membership  Date of appointment Nov 2020

Skills, experience and contribution

Rona brings a tremendous range of commercial and strategic experience to the Company. Rona's strong understanding of UK corporate governance and her extensive experience in digital transformation and international expansion provide the Board with strong and valuable leadership to deliver long-term sustainable value for all our stakeholders. Previous roles have included chair of the BBC Trust, Minister of State in the UK Department for International Trade, non-executive director of HSBC Holdings plc and PepsiCo, Inc. and chair and chief executive officer of Financial Times Group.

Current external roles

- Non-executive director of Oracle Corporation
- Member of the House of Lords
- Member of the advisory board of Hong Kong Exchanges & Clearing Limited

Simon Pryce Chief Executive Officer*



Committee membership  Date of appointment Sep 2016*

Skills, experience and contribution

Simon is a highly experienced business leader of customer-focused, global industrial manufacturing and service businesses. He has a strong track record of driving results and delivering excellent stakeholder outcomes through enhanced performance and the effective execution of organic and inorganic growth strategies. Previous roles include chief executive officer of Ultra Electronics Holdings plc, group chief executive at BBA Aviation plc and a range of international finance and management roles at GKN plc, JP Morgan and Lazards.

Current external roles

- None

Alex Baldock Independent Non-Executive Director



Committee membership   Date of appointment Sep 2021

Skills, experience and contribution

Alex has extensive experience in digital transformation, accelerating omni-channel growth and embedding customer focus, evidenced through his successful transformation of Currys plc. Alex was previously chief executive officer of Shop Direct, now the Very Group, where he led the business's digital transformation from a catalogue retailer to the UK's second largest e-commerce pureplay and through four consecutive years of record growth in sales, profits, customer satisfaction and colleague engagement.

Current external roles

- Group chief executive of Currys plc

Louisa Burdett Independent Non-Executive Director



Committee membership    Date of appointment Feb 2017

Skills, experience and contribution

Louisa brings a wealth of financial, commercial, M&A and risk management experience to the role of Non-Executive Director and Chair of the Audit Committee. Louisa is a chartered accountant and has held senior financial positions in industrial, manufacturing, publishing and pharmaceutical companies. Louisa was previously the chief financial officer of Meggitt plc, group finance director at Victrex plc, and chief financial officer at Optos plc and the Financial Times Group.

Current external roles

- Chief financial officer of Croda International plc

Bessie Lee
Independent Non-Executive Director



Committee membership

Date of appointment Mar 2019

Skills, experience and contribution

Bessie has extensive strategic experience in digital marketing technology and media knowledge, principally in China. She has in-depth experience of the world of eCommerce and digital media. She is a frequent media commentator, blogger and international speaker. Bessie has more than 30 years of experience in the media communications industry in Greater China. Her previous roles include chief executive officer at Mindshare, GroupM and WPP in China.

Current external roles

- Chief executive officer of Withinlink
- Chief executive officer of JLL Greater China
- Non-executive director of Abcam plc

Navneet Kapoor
Independent Non-Executive Director



Committee membership

Date of appointment Jun 2022

Skills, experience and contribution

Navneet brings great international experience, in particular in the transformation and digital fields and change from product to services-driven approaches. In his current role, he is responsible for driving changes across culture and leadership, modernising processes and technology landscapes, and developing digital platforms and ways of working. Prior to this, Navneet held various senior leadership roles at Target India, part of Target Corporation, and was vice president, marketing at General Electric in Asia.

Current external roles

- Executive vice president and chief technology and information officer of A.P. Møller-Mærsk A/S

Joan Wainwright
Independent Non-Executive Director



Committee membership

Date of appointment Nov 2019

Skills, experience and contribution

Joan has extensive experience in distribution, transforming digital platforms to generate revenue growth and leading customer experience programmes that drive measurable improvements. Her extensive knowledge of customer experience aligns with the Company's vision and provides a strong insight into the customer dynamic in the US. Joan's previous roles include president, Channel & Customer Experience at TE Connectivity Ltd, vice president, public affairs at Merck & Co, and deputy commissioner of communications at the U.S. Social Security Administration.

Current external roles

- Director of NJM Insurance Group

Clare Underwood
Company Secretary



Date of appointment Mar 2022

Skills, experience and contribution

Clare brings a wealth of FTSE 100 governance experience to support the Board in effective governance. The skills and knowledge from her previous roles at John Laing Group plc and Cable and Wireless Communications plc enable her to provide first-class company secretarial advice and support. Clare leads the Group Professional Services team and is responsible for legal, governance, compliance, pensions and information security.

Other Directors who served during the year

Lindsley Ruth stepped down from the Board on 16 December 2022.

David Egan stepped down from the Board on 3 May 2023.

Members as at 23 May 2023

- Nomination Committee
- Audit Committee
- Remuneration Committee
- Treasury Committee
- Committee Chair

* Joined in September 2016 as Non-Executive Director. Appointed as CEO on 3 April 2023. During the year Simon was also a member of the Audit and Nomination Committees, and was the Chair of the Remuneration Committee. He stepped down from each of these Committees with effect from 14 March 2023. Simon became a member of the Treasury Committee as at 3 April 2023.

Board leadership and governance framework

BOARD LEADERSHIP AND GOVERNANCE FRAMEWORK

PURPOSE, STRATEGY AND CULTURE

To achieve the long-term sustainable value generation of the Group, the Board has continued to work closely with the SMT on the Group's purpose of making amazing happen for a better world.

The Board is responsible for ensuring that the Group's culture is aligned with its purpose, values and strategy.

During the year, activities conducted by the Board to assess and monitor the culture have included:

- Regular updates from the CEO and Acting CEO that provide insight into the business and how it is operating, including the strategic KPIs.
- Updates regarding the people team's approach in supporting the Group's culture and its people were provided during the year, including a presentation regarding the people plan as part of the strategy deep dive in January 2023.
- Joan Wainwright (as one of the designated directors for employee engagement) conducted four employee engagement sessions during the year. In-depth feedback is then provided to the Board following these engagements, with discussions held regarding outcomes. See pages 92 and 95 for further information.

- The Board reviewed the outputs from employee engagement surveys which were conducted during the year.
- The Board visited the Fort Worth, US office and DC in September, and the Corby, UK office and DC in March. Each of these included the opportunity for members of the Board to meet employees of the DCs and have informal discussions with the regional leadership.
- In addition to ongoing strategic updates, the Board participated in a customer experience workshop in January 2023; further details of this can be found on page 99.
- Regular information received on the usage of the Group's whistleblowing facility and how reports have been followed up, allowing it to assess the effectiveness of the facility and actions taken.
- Via the Nomination Committee, monitoring succession and talent pipelines for the Executive Directors and senior management.

Role of the Board

The Board's principal responsibility is to ensure the long-term sustainable success of the Group as a whole. The Board is accountable to stakeholders for the Group's financial and operational performance and is responsible for taking strategic decisions and providing oversight across the Group, ultimately to ensure stakeholder interests are protected. The Board aims to lead with integrity and in a sustainable commercial manner to ensure value is created for all the Group's stakeholders. The Board also provides leadership to executive and senior management and applies a robust governance framework to ensure that this leadership is delivered effectively.

The Board is responsible for ensuring that the strategic objectives are adequately resourced and supported to help ensure the long-term success of the Group, realisation of its strategy, and to monitor the effective deployment of those resources. The Group's risk management framework supports the strategic aims of the Group, with controls to help mitigate identified risks. The Board regularly reviews the internal controls and overall risk management framework, with support from the Audit Committee. Full details of the risk management framework can be found on pages 40 to 45.

The Board is supported by its Committees, which make decisions and recommendations on matters delegated to them by the Board. This enables the Board to spend time on strategic, long-term matters. Each Committee comprises Non-Executive Directors only and has an experienced Chair. Regular updates are provided to the Board by the Committee Chairs as well as by the Chair of the Board, the CEO and CFO. Further information regarding the governance structure can be found on pages 88 to 90. Each Committee of the Board has provided reports on how they have discharged their responsibilities and details of their activities during the year, which can be found on pages 100 to 132.

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 on page 83.

Division of responsibilities

There is a clear division of responsibilities between the leadership of the Board and the executive leadership of the Group. The responsibilities of the Chair, CEO, CFO, Senior Independent Director (SID), Board and Committees are agreed by the Board. See page 90 for the overall governance framework and page 89 for the division of responsibilities.

Meetings during the year

The Board held a combination of in-person and virtual meetings in 2022/23 and a breakdown of attendance is shown in the table on page 89. In addition to the eight scheduled Board meetings, a further five ad hoc meetings were held.

There may be instances during the year where a Director is unable to attend a meeting. If this is the case, they are provided with all the meeting information and have the opportunity to discuss their feedback with the Chair or Company Secretary to ensure their contributions are raised at the meeting.

During the year, the Chair held a number of meetings with the Non-Executive Directors without the Executive Directors being present. The Non-Executive Directors also met without the Chair to discuss the Chair's performance.

The Chair and the Committee Chairs ensure Board and Committee meetings are structured to facilitate open discussion, debate and challenge. As part of the annual Board evaluation process, the functioning of the Board and each of its Committees are reviewed and considered by the Board as a whole. The findings of the review are used to establish an ongoing programme of actions to improve effectiveness of both the Board and the Committees. Further information on this can be found on pages 96 to 97.

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 which can be found on our website at rsgroup.com/investors/corporate-governance

Board leadership and governance framework continued

Division of responsibilities and attendance at scheduled meetings for the year ended 31 March 2023

Position	Board	Nomination	Audit	Remuneration	Responsibilities
Chair					
Rona Fairhead	8/8 ^c	3/3 ^c	–	–	– Leading the Board and ensuring its oversight of strategy, performance, value creation, culture, stakeholders and accountability – Promoting open, trusting, challenging discussions and debate and constructive relations between Executive and Non-Executive Directors – Leading the Board succession planning, and seeking to ensure effective communication with shareholders
Executive Directors					
CEO Lindsley Ruth ¹	4/6	–	–	–	– Managing and leading the Group on a day-to-day basis, making decisions on matters affecting the operation and performance of the Group's business – Developing, leading and implementing strategy – Ensuring robust management succession plans are in place – Responsible for ESG, including climate-related matters
CFO David Egan ²	8/8	–	–	–	– Financial management and implementation and monitoring of financial controls – Developing the Group's financial policies and strategies – Ensuring a commercial focus across the business activities and appropriateness of risk management – Together with the CEO, designing, developing and implementing strategic plans and managing day-to-day operation of the Group
Senior Independent Director					
David Sleath	8/8	3/3	4/4	5/5	– Acting as a sounding board to both the Chair and the CEO – Acting as a conduit for the views of other Non-Executive Directors and conducting the Chair's annual performance appraisal – Being available to shareholders to help resolve concerns
Independent Non-Executive Directors					
Alex Baldock	8/8	–	4/4	5/5	– Overseeing and constructively challenging executive management regarding the performance of management against agreed performance objectives, and helping to develop and set the Group's strategy – Satisfying themselves on the integrity of financial information and reviewing the Group's risk exposure and controls – Through the Remuneration Committee, determining the remuneration of Executive Directors
Louisa Burdett	8/8	3/3	4/4 ^c	5/5	
Navneet Kapoor ³	5/6	2/3	–	–	
Bessie Lee	8/8	3/3	–	–	
Simon Pryce ⁴	8/8	2/2	4/4	4/4 ^c	
Joan Wainwright ⁵	8/8	3/3	–	5/5 ^c	
Company Secretary					
Clare Underwood	– Supporting and advising the Board on matters relating to governance, ensuring good information flows and providing practical support to the Directors – Organising Directors' induction and training				

1. Lindsley Ruth stepped down from the Board on 16 December 2022. Lindsley was unable to attend two meetings prior to stepping down due to personal reasons and his leave of absence.
 2. David Egan was appointed as Acting CEO from 3 November 2022 to 2 April 2023 and stepped down from the Board on 3 May 2023.
 3. Navneet Kapoor joined on 1 June 2022. Navneet was unable to attend one Board and Nomination Committee meeting due to prior commitments.
 4. Simon Pryce was Non-Executive Director during 2022/23 and was appointed as CEO from 3 April 2023. Simon stepped down as member of all Committees and as Chair of the Remuneration Committee with effect from 14 March 2023 and therefore did not attend the Committee meeting held in March as a member.
 5. Joan Wainwright became the Chair of the Remuneration Committee with effect from 14 March 2023.
- C Chair of Board / Committee.

OUR GOVERNANCE FRAMEWORK

The Board

Chair:

Rona Fairhead

The Board is responsible for establishing the purpose, values and strategy for the Group, ensuring the culture is aligned, and promoting the long-term sustainable success of the Company for the benefit of our members and stakeholders.

The Board discharges some of its responsibilities directly, or has delegated authority to its Committees.

Treasury Committee

Chair:

Jane Titchener

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

Nomination Committee

+ See pages 100 to 103 for further details

Chair:

Rona Fairhead

- Reviews the structure, skills, knowledge, experience and diversity of the Board
- Identifies and nominates, for approval by the Board, candidates to fill Director positions
- Leads succession planning for Non-Executive and Executive Directors and the SMT

Audit Committee

+ See pages 104 to 111 for further details

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 Auditors

Remuneration Committee

+ See pages 112 to 132 for further details

Chair:

Joan Wainwright

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

Board activities during the year

BOARD ACTIVITIES DURING THE YEAR

The following pages outline some of the key topics reviewed, monitored, considered and discussed by the Board during the year. Before the start of each year, the Board and each of its Committees consider and review a calendar of events and agenda items for the year ahead. The Chair, with assistance from the CEO, CFO and Company Secretary, agrees the agenda for each Board meeting. This process ensures that sufficient time is being set aside for strategic discussions and business critical items, while including regular standing items, such as reports on trading and financial performance and routine reporting or compliance requirements.

Our Strategic Report on pages 1 to 81 demonstrates how the business considers and interacts with the Company's key stakeholders: our people, customers, suppliers, communities and shareholders. This section of the Governance Report sets out the areas of focus for the Board during the year, how these relate to our strategic aims and how our stakeholders have been considered.

The Board delegates the day-to-day operational decision-making of the business to the CEO and CFO with support from the SMT and their teams. The Board recognises, however, that doing so does not absolve it of its accountabilities to the Group's stakeholders and the need to reinforce and support management's decisions by setting the tone from the top. The Board must consider the needs of, and impacts of its decisions on, all stakeholders as well as the consequences of its decisions in the long term. The Board recognises that when making decisions it will sometimes have to consider the competing interests of stakeholders and that it may not always be possible to deliver an outcome that is welcomed by all stakeholders. In these situations, the Board is guided by the need to consider the long-term sustainability of the business.

Activity	Decision and s172 consideration
Strategy	
The Board approved The RS Way scorecard metrics which underpin the J2G LTIP and RS YAY! Awards	The strategic vision to become the first choice for all our stakeholders is supported by The RS Way scorecard. The scorecard enables the Board to track progress against our key strategic actions. Our key stakeholders are the foundation to this, and with this in mind, the Board is updated on progress on a quarterly basis. Further details on these metrics can be found on page 126.
Linked to our stakeholders:	
Change of Company name	To bring the business together under one strong, unified global brand, the Company's name changed during the year. The Board has monitored progress of the rebranding, and in particular any impacts on employee, customer and supplier journeys, ensuring there was a co-ordinated roll out, including an internal and external communications programme and rebranding exercise.
Linked to our stakeholders:	
Strategy updates	The Board receives regular updates on the Company's performance against our strategic actions, and evaluates how external factors such as the macroeconomic environment may impact this, and makes any adjustments to plans it deems necessary.
Linked to our stakeholders:	

Key

Our people
 Customers
 Suppliers
 Communities
 Shareholders

Board activities during the year continued

Activity	Decision and s172 consideration
Acquisitions	
The acquisitions of domnick hunter-RL (Thailand) Co., Ltd. (DH) in Thailand, and Risoul y Cia, S.A. de C.V. (Risoul) in Mexico were completed during the year Linked to our stakeholders:    	As part of any acquisition process, a thorough due diligence exercise is conducted. As part of this, various stakeholders are considered, such as the potential impact on employees, customers and suppliers of the target company and the RS region involved, to help ensure the acquisition will provide long-term benefits to all. Once an acquisition has been agreed, an integration management team leads the process through to completion and then into full integration into the Group. This includes regular meetings with all relevant teams, ensuring that all workstreams are in regular contact, completing their designated actions and raising any concerns or issues. There is also a heavy focus on engagement with employees through activities such as town halls and onsite visits. Rona Fairhead and David Egan visited the Risoul offices in late January 2023 to meet the team, and witness first hand how the integration was progressing.
The Group maintains an acquisition pipeline, which is reviewed by the Board on a regular basis Linked to our stakeholders:    	The Board reviews the acquisition pipeline on a regular basis, considering the current business and its ongoing requirements, along with the predicted benefits of potential acquisitions. Target acquisitions are considered on each of their merits. Detailed due diligence is undertaken to determine if the target is a good strategic fit. For those acquisitions seen as a strong strategic fit, the Board receives regular updates on progress, with key milestones being highlighted for approval as part of the governance process.

Key

 Our people
  Customers
  Suppliers
  Communities
  Shareholders

Activity	Decision and s172 consideration
Culture	
People and culture updates The Board receives regular updates which include different elements of culture such as engagement, employee retention, development, management, succession planning and D&I. Linked to our stakeholders: 	Creating a high-performance, purpose-led, customer-focused, diverse global talent base and leadership team is one of our strategic priorities. To help achieve this, the Board considered and supports the ambition to become first choice for all our stakeholders, including our people. This included aspirations regarding development of skills and behaviours, identifying what good leadership looks like, promoting D&I and supporting the strategy. Further information can be found on pages 21, 63 and 64.
Employee engagement As part of Joan Wainwright's and Bessie Lee's role as designated employee engagement directors, they regularly visit our offices and DCs. In addition to this, Board members also engaged with various employees as part of the site visits and strategy workshops conducted during the year. Linked to our stakeholders: 	As a result of Joan's site visits to the US, France and UK during the year, she provided a detailed report for the following Board meeting where key themes were identified, any issues raised and discussed and actions agreed. Bessie Lee was unable to hold any sessions during the year as a result of local travel restrictions.

Board activities during the year continued

Activity	Decision and s172 consideration
Financial	
Regular financial reporting cycle The CFO provides regular updates to the Board on financial performance. In addition to overall results, these include performance against scorecard metrics, our key performance indicators (KPIs) and forecasts.	Consideration is given to operating costs and expenditure against performance. Changes to the methodology relating to Net Promoter Score (NPS) were implemented in April 2022 to make responses more representative of the customer base.
Linked to our stakeholders:	
Investor relations updates Linked to our stakeholders:	Feedback arising from shareholder discussions and investor roadshows are provided to the Board along with any new investor insights, which the Board considers on an individual basis.
Viability and going concern Linked to our stakeholders:	As part of the full-year and half-year financial process, the Board, on recommendation of the Audit Committee, assesses the Group's viability and going concern. This process includes considering the possibility of the Company failing.
Payment of final and interim dividends Linked to our stakeholders:	Multiple stakeholders are considered when deciding whether to approve the dividend, including impact on employees, and their remuneration and working conditions, customer and supplier propositions, acquisitions and our shareholder base.
Audit tender Linked to our stakeholders:	The Audit Committee oversaw the audit tender process during the year, which resulted in the recommendation that either Deloitte LLP (Deloitte) or PricewaterhouseCoopers LLP (PwC), with a preference for Deloitte, be appointed as the external Auditors of the Company for the year ending 31 March 2025. The Board approved the appointment of Deloitte.

Key

Our people
 Customers
 Suppliers
 Communities
 Shareholders

Activity	Decision and s172 consideration
Our people	
J2G LTIP Award and RS YAY! Award The Remuneration Committee and Board reviewed the proposed all employee share scheme and related performance conditions.	The Board supported the launch of the J2G LTIP Award and RS YAY! Award to help drive exceptional performance and provide a unified incentive across the Group. Ahead of the AGM to approve the J2G LTIP Award, an engagement programme was conducted with shareholders to discuss the structure and outcomes of the proposed award.
Linked to our stakeholders:	In addition to consulting with shareholders in April 2022, a follow-up exercise took place in January 2023 to seek further shareholder input on the J2G LTIP Awards and our wider Remuneration Policy. Further details of shareholder engagement in respect of remuneration can be found on page 116.
Linked to our stakeholders:	A programme of employee communications was launched around the RS YAY! Award to highlight the scheme, its benefits and what it means to be a shareholder of the Company (see page 122 for further information).
Health and safety The Board receives updates at each Board meeting regarding health and safety performance and related activity during the year, with details of any incidents and causes of them.	Reports highlighted incidents which have occurred during the year. Action plans were implemented to address areas of concern, increase focus, raise awareness and further embed safety procedures. The Board monitors progress against these action plans.
Linked to our stakeholders:	
Pensions updates The Board receives regular updates on the funding position of the UK defined benefit scheme and the triennial valuation.	To help ensure the pension fund is appropriately funded for our current and former employees, the Board evaluates the funding position on a regular basis. Further details regarding the pension scheme can be found on page 36.
Linked to our stakeholders:	

Board activities during the year continued

Activity	Decision and s172 consideration
ESG	
Enhanced ESG reporting Linked to our stakeholders:	The Audit Committee approved, and recommended to the Board, the approach to ESG reporting for the year. This included approval of new ESG disclosures around an ESG double materiality assessment, Scope 3 carbon emissions reporting and the results of the quantitative climate-scenario analysis for the Task Force on Climate-related Financial Disclosures (TCFD). The Board approved all of these additional disclosures and the production of a dedicated ESG report to meet our full ESG reporting requirements.
TCFD The Company provides the TCFD report on pages 72 to 78, in line with our commitment to providing transparent and quality climate reporting. Our ESG report can be found at rsigroup.com/esg/reporting-centre Linked to our stakeholders:	The Audit Committee considered the TCFD report to be included in the Strategic Report. The Board, on recommendation of the Audit Committee, adopted the TCFD report.
Risk management	
Risk management framework Linked to our stakeholders:	The Board received regular updates from the VP Audit and Risk regarding the Group's risk register. The Board considered the risks and opportunities and reviewed the Group's risk appetite during the year. Further details regarding the Group's risk management framework can be found on pages 40 to 45.
Principal and emerging risks Linked to our stakeholders:	The Board undertook a robust assessment of the Group's principal and emerging risks during the year. As part of the regular reporting of operational activities, the Board received updates on the principal risks and their mitigation.

Key

Our people
 Customers
 Suppliers
 Communities
 Shareholders

Activity	Decision and s172 consideration
Governance	
AGM Linked to our stakeholders:	Approval of and recommendation to shareholders for the resolutions put to the 2022 AGM.
Compliance with the Code Linked to our stakeholders:	Evaluation of all aspects of the Code to review compliance for the year ended 31 March 2023.
Whistleblowing Linked to our stakeholders:	Regular updates to the Board and Audit Committee on instances reported via the whistleblowing hotline. These are considered by the Board and Audit Committee, along with actions identified and any further escalation. See pages 69 and 111 for more details.
Policies and procedures Linked to our stakeholders:	A number of policies have been considered by both the Audit and Nomination Committees and the Board during the year. Full details of policies can be found on pages 79 to 80.

Board activities during the year continued

Q GOVERNANCE IN ACTION:

EMPLOYEE ENGAGEMENT

4

employee engagement sessions held during the year in France, UK and the US

c. 110

employees who took part during the year

Joan Wainwright, Non-Executive Director and Chair of the Remuneration Committee, visited our office and DC in Beauvais, France, in early December 2022. This included a tour of the DC and two employee engagement sessions, one being in person and the other a virtual meeting. Each meeting had a good mix of representation from across the business to help ensure a wide range of views were provided. It was Joan's first visit to our French site and she witnessed a real energy and pride in the team. Key issues and concerns were discussed as part of the sessions, with an open and honest dialogue between Joan and the employees. The teams were appreciative of the opportunity to voice their opinions directly to a member of the Board. Overall, Joan found that employees are proud to be part of RS and are engaged fully in improving the performance of the Group. Joan is due to revisit our French site later in 2023.

Key themes and observations from Joan's visits during the year were around strategy, performance and culture, working conditions, ways of working and highlighting areas of potential improvement. These themes were fed back to the Board and the relevant management team in order for actions to be identified.



Board evaluation

BOARD EVALUATION

Board evaluations provide invaluable insight and objectivity to the Directors and the Committees, which in turn enables the Board to improve its leadership, effectiveness and focus. Examining each Director's role and their corresponding responsibilities within the overall Board dynamic encourages collaborative decision making and strategic clarity.

An evaluation is undertaken by the Board on an annual basis. During 2022/23, we conducted an external evaluation and appointed Clare Chalmers to carry this out. The scope of the evaluation covered the Board and Board Committees. The process we followed for the evaluation is set out below.

There is no connection between Clare Chalmers and either RS Group or the individual Directors.

The outcomes from the 2022/23 Board evaluation are as follows:

Key recommendations	Actions agreed
Succession planning and talent management	
– Consideration to be given in respect of skills gaps and maintaining the right balance of experience and background for new Board appointments – Continued focus on talent, development and succession of the members of the SMT	– Recruitment to take into consideration aspects such as existing appointments, time commitments and locality – Further agenda items to be included in the forward looking agenda regarding key people topics and succession planning
Strategy	
– Increased information to be provided to the Board regarding exploration of opportunities in global markets, with the continued prioritisation of technology and digital. Information provided on the market and competitors to be further enhanced – Refine how progress is tracked against the strategy, with KPIs underpinned by deep dives and regular focus on critical areas such as technology and new products	– Revised annual forward looking calendar for strategic discussions to be reviewed – Performance reporting and KPIs to be reviewed by management. Deep dives to be aligned
Board effectiveness and process	
– Agendas to have a sharper focus around priority topics and reduce the number of standing reports and updates. Key topics to be presented as deep dives at regular intervals to help further enhance discussion – Continued consideration to be given on how to keep Board and Committee papers short and easily navigable	– A review of agendas and standing reports will be built into the above review of the forward looking calendar – The Board paper template will be updated with clear guidance to users on what information to include and level of detail required

OUR SEVEN-STAGE EXTERNALLY FACILITATED BOARD EVALUATION PROCESS

1	2	3	4	5	6	7
Tender and approval of provider	Agree process and timetable	Document review	Board and Committee observation	Interviews	Reporting	Feedback
Tender by four potential providers to carry out the evaluation. They were assessed against criteria agreed by the Chair.	The evaluator met with the Chair of the Board and Company Secretary to discuss objectives and agree the timetable and approach.	A document review was carried out whereby various relevant materials such as Board and Committee papers, forward agendas, Terms of Reference and the Annual Report were reviewed. The content also helped to inform the interview stage.	Observations of the Board and Audit Committee were conducted. This provided an overview of the practical arrangements and meeting dynamics.	Individual interviews with each of the Directors, members of the SMT and the external Auditors were conducted.	A focused but descriptive written report was provided to the Chair and Company Secretary, explaining how the Board is working and where certain changes may provide improvements. A specific list of recommendations was provided.	A meeting was held with the Chair to discuss the draft report. Once finalised, the report was presented to the whole Board for discussion and actions arising from the recommendations were agreed.

Board evaluation continued

Progress against the 2021/22 Board effectiveness evaluation

A summary of the Board's progress against the actions from the 2021/22 evaluation is set out below.

Key outcomes	Actions agreed	Progress against actions
Board effectiveness and process		
- While the level and balance of challenge is right, there is still encouragement for the Non-Executive Directors to challenge the Executive Directors more and push harder - Meeting agendas could be shorter with more efficient time allocation. Continued support for condensed meeting papers - In-person meetings encouraged to build Board effectiveness	- Encourage Non-Executive Directors to challenge the Executive Directors more - Reduce length / granularity and improve consistency of Board papers using clear summaries to highlight key issues / areas for discussion - Return to a majority of in-person meetings, with virtual / hybrid meetings only for meetings with appropriate agenda topics - Ensure time is allocated within the agenda to allow increased focus on: - Monitoring progress and execution of strategy - Capitalising on growth opportunities - Technology, including the Group's digital capabilities - Continue to improve agenda to focus on key matters and reduce time spent on papers for information only - Improve internal and external training options list	- The Non-Executive Directors provide constructive feedback to the Executive Directors and SMT. This will be developed further during 2023/24 - Good progress has been made in respect of the structure of Board papers and agendas during the year. Further improvements will be made to build in the 2023/24 strategic agenda and implement the recommendations arising from the 2022/23 Board evaluation - All Board and Committee meetings held during the year were in-person meetings with hybrid arrangements to accommodate travel restrictions - External training options are communicated to the Directors on a regular basis
Strategy		
- Continued improvement in the quality of strategy execution and status updates positively received - Monitoring progress and execution of strategy highlighted as an area of focus for the Board - Good advancement of competitor landscape in terms of information, but increased discussion and debate relating to competition encouraged	- Implement a scorecard to enable regular monitoring of progress and execution - Increase time devoted to competitors and our relative position	- Good progress made during the year, with the adoption of a strategic scorecard. Progress against agreed targets is reviewed on a regular basis by the Board - Further work will be conducted during 2023/24 in respect of competitors and our relative position as part of the strategic agenda
Composition and succession		
Good satisfaction with the balance of the Board but increased focus on diversity required going forward	Nomination Committee to continue to focus on succession planning and diversity	Succession planning has been further developed during the year. Focus will continue on succession planning, development and enhancing diversity (see pages 100 to 103).

Training and induction

As part of the Board's continuous development, the Directors receive regular updates from the Company Secretary as well as a schedule of briefings and training offered externally. External training includes facilitated events, forum discussions and seminars related to the listed company environment, many of which were offered virtually. In 2022/23 the Board undertook training on ESG reporting via the Audit Committee. This included details of ESG double materiality reporting assessment, Scope 3 carbon emissions accounting and emerging ESG legislation. The Board also received regular updates from senior management on specific topics such as data protection, supply chain and health and safety. Finally, to enhance operational awareness, the Board visited Fort Worth, US in September and Corby, UK in March, which provided an opportunity for Directors to meet with employees, see first hand the DC and operations and to meet key suppliers in Fort Worth, US.

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.

Following the appointment of any new Director, the Chair and Company Secretary ensure that a customised induction to the Company and the role of the Board is made available. The induction programme is tailored to the individual Director, based on their skills, experience and needs. New Directors are provided with a Directors' Manual which sets out the relevant information on the Company's approach to governance, information on key Group policies and day-to-day administrative matters, as well as historical Board packs and Committee papers if applicable.

Corporate Governance Code compliance

If circumstances allow, a site visit to one of our DCs is also arranged. This ensures that each new Director can experience the day-to-day operations of the distribution facilities and ultimately understand better the culture of the business. Navneet joined the Board during the year, bringing with him a wealth of experience in digital and transformation programmes. As part of his induction, he met with other members of the Board and the SMT. He took the opportunity during the Board visits to Fort Worth, US and Corby, UK to visit the DCs to see first hand the operations and practices in those locations.

Appointment and time commitments

The Chair, SID and other Non-Executive Directors each have letters of appointment with RS Group plc, and do not serve, or are employed in any capacity by the Group.

Non-Executive Directors are generally appointed for three-year fixed terms; however, in line with what is considered good governance practice, all Directors are proposed for annual re-election (or election if newly appointed) by shareholders at the AGM, where letters of appointment for each Non-Executive Director are available for inspection.

As illustrated on pages 86 and 87, the Board has a diverse and appropriate range of skills and experience and works effectively in its role.

The expectation regarding time commitment for Board members to effectively discharge their duties is set out in the Directors' letters of appointment. The external commitments of our Directors are kept under review to ensure they have the time to effectively contribute to the activities of the Board and its Committees throughout the year. Any additional external appointment taken on by a Director must be approved by the Chair prior to appointment, to ensure that the Director's ability to meet the required time commitments to the Group is maintained.

The Board, following the external evaluation process, also considers whether each Director performs effectively and demonstrates their commitment to the role. The Board recommends that all Directors be re-elected at this year's AGM.

As recommended by the Code, the Executive Directors who held roles during the year did not hold more than one non-executive directorship in a FTSE 100 company or any other significant appointments.

UK Corporate Governance Code 2018

The Directors' Report is set out in a way that helps shareholders and investors to evaluate how the Company has applied the Principles and complied with the Provisions of the Code during the year. The table below signposts the most relevant parts of the Annual Report, in particular where supporting information is not in the Directors' Report.

Principles of the Code

Topic	Page(s)
1. Board leadership and Company purpose	
Chair's introduction	4, 5, 84 and 85
Our Board	86 and 87
Purpose, values and strategy	6 to 27
Culture	19, 21, 63 to 67
Board stakeholder engagement and decision making	91 to 95
Key performance indicators and strategic performance	28 to 31
Risk assessment	40
Risk management	40 to 45
Rewarding our people	65
Whistleblowing	69 and 111
2. Division of responsibilities	
Our Board	86 and 87
Board leadership and governance framework	88 to 90
Board independence and time commitments	83 and 98
Committee reports	100 to 132
Board and Committee meeting attendance	89

Topic	Page(s)
3. Composition, succession and evaluation	
Our Board	86 and 87
Board leadership and governance framework	88 to 90
Board evaluation	96 and 97
Nomination Committee Report	100 to 103
4. Audit, risk and internal controls	
Audit Committee Report	104 to 111
Statement of Directors' responsibilities	136
Risk management	40 to 45
Principal risks and emerging risks	42 to 45
Going concern	47
Viability statement	46 and 47
5. Remuneration	
Directors' Remuneration Report	112 to 132
Other remuneration disclosures	131 and 132

Q GOVERNANCE IN ACTION:

CUSTOMER EXPERIENCE WORKSHOP

1.1m

customers

>750k

stocked products

In January 2023, the Board took part in an innovative customer experience workshop at the London, UK office. As part of this, each Director was given a customer persona. These were representative of the different customers we have within the design, build, maintain, operate and repair lifecycle, and reflected the different products they are interested in and why and how the products add value to our customers. The Directors carried out an exercise which demonstrated real-life experiences through the eyes of the customer.

As part of our transformation journey to become the first choice for our customers, we have an exciting agenda ahead of us and this really brought it to life. Through these digital experience enhancements, we will know our customers even deeper and serve them with an enriched experience making RS even easier to do business with.



NOMINATION COMMITTEE REPORT

Rona Fairhead
Chair



KEY HIGHLIGHTS

Membership as at 23 May 2023

Rona Fairhead (Chair)	Louisa Burdett
Navneet Kapoor	Bessie Lee
David Sleath	Joan Wainwright

Activities for 2022/23

- Enhancement of talent mapping, development and succession planning
- Oversight of CEO selection process
- Adoption of the Board D&I Policy
- Oversight of the Board evaluation process

Priorities for 2023/24

- Recruitment of a new CFO
- Continued focus on improving the succession planning process
- Work with the SMT to enhance materials and data in respect of succession planning in accordance with the findings of the Board evaluation report

KEY ACTIVITIES DURING THE YEAR

JUL

Talent mapping and succession planning for both Executive Directors and SMT

DEC

Succession planning for CEO role and SMT
Review of Committee Terms of Reference

MAR

Recommendation of appointment of Simon Pryce as CEO
Adoption of the Board D&I Policy

> Dear fellow shareholder

I am pleased to present the Nomination Committee's (the Committee) report for the year ended 31 March 2023. This section of the Report details how the Committee discharged its duties during the year, along with its key activities.

Lindsley Ruth stepped down as CEO during the year and, therefore, the Committee focused its attention on the recruitment of a successor in the latter part of the year. After a rigorous selection process, Simon Pryce was appointed CEO with effect from 3 April 2023. Simon is an experienced and proven CEO of high-performing international businesses with strong, effective cultures. He has been an enormously valued member of the Board for the last six years and been highly engaged in the development of the Group's strategy. The Committee, along with the rest of the Board, is very confident that Simon has the right leadership style, skills and experience to lead the Group to continued future success in the next stage of the Group's growth. I would like to thank Simon for his commitment and contribution as Non-Executive Director over the last six years. Full details of the CEO selection process can be found in the following pages. Further to the announcement on 3 May 2023 detailing David Egan's resignation, the recruitment process to identify a new CFO has started. Full details will be provided in the 2023/24 Annual Report and Accounts.

Throughout the year, the Committee further enhanced its work to strengthen talent mapping, development and succession planning for both the Executive Directors and senior management. Further details on this can be found on page 102.

The Board places great emphasis on ensuring its membership reflects diversity in its broadest sense. During the year, the Committee recommended an updated Board D&I Policy, which was subsequently adopted by the Board. This sets out the objectives for Board membership in respect of diversity, along with specific targets for the senior management, as reflected in the Group's D&I Policy. Further details on the Board D&I Policy can be found on page 103.

An external Board evaluation was conducted during the year, with the process being overseen by the Committee. The findings from the evaluation were broadly positive, with some areas of improvement being identified. These will form the basis of an action plan which will be implemented during the course of the year, with oversight from the Committee. The Committee also considered the actions identified from the 2021/22 internal evaluation and monitored progress against these. Full details of the Board evaluation process, outcomes and previous actions can be found on pages 96 and 97.

I would like to take this opportunity to welcome Navneet Kapoor as a member of the Committee. His extensive international experience, in particular in the transformation and digital fields and change from product-driven to services-driven approaches will bring valuable insight to the Committee and its decision making in the future.

Rona Fairhead
Chair of the Nomination Committee
23 May 2023

Nomination Committee report continued

Committee structure, meetings and responsibilities

The Committee is comprised of independent members. There were two changes to the Committee membership during the year, Navneet Kapoor joined the Board and the Committee on 1 June 2022, and Simon Pryce stepped down from the Committee with effect from 14 March 2023. Details of Navneet's appointment process can be found in the Annual Report and Accounts for the year ended 31 March 2022.

The Committee held three scheduled meetings during the year and held a further four unscheduled meetings to consider the leave of absence of Lindsley Ruth and the CEO selection process. Details of attendance at meetings can be found on page 89.

In addition to the members, the regular attendees at the meetings of the Committee have included the CEO, CFO, Chief People Officer and the Company Secretary.

The Committee Chair attends the Company's AGM and is happy to answer any questions from shareholders on matters falling within the Committee's responsibilities.

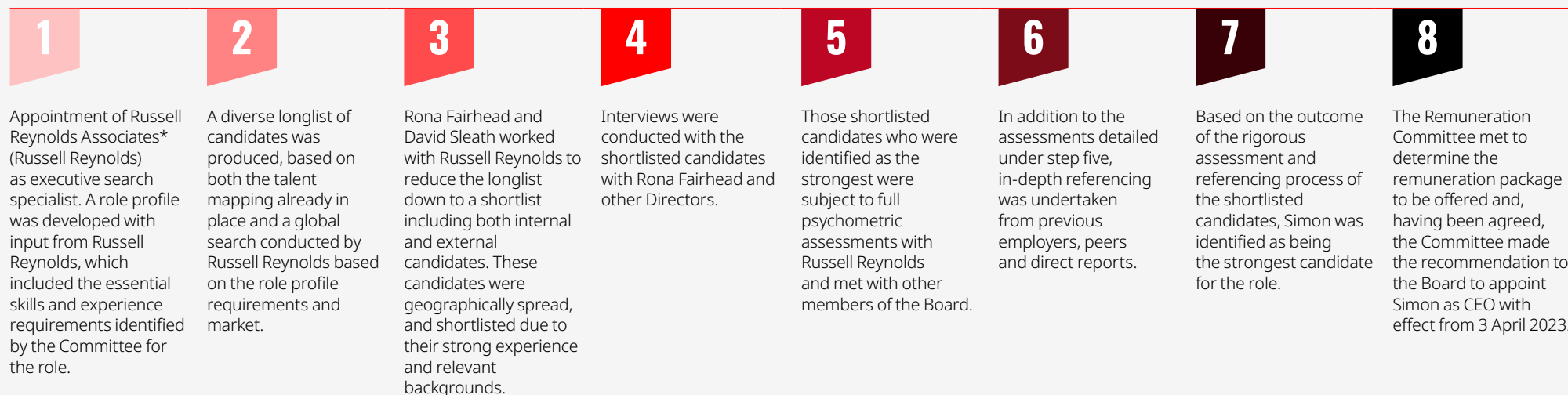
Meetings of the Committee generally take place shortly before Board meetings and activities of the Committee are reported by the Chair to the Board as a separate agenda item.

The Committee's chief responsibilities have not changed during the year. The Committee's Terms of Reference are reviewed formally and approved annually and set out its principal duties in full, including its authority to carry out its duties. These are available at [rsgroup.com](https://www.rs-group.com/rsgroup.com).

CEO SELECTION PROCESS

The CEO selection process is set out below.

As a result of this rigorous process, Simon Pryce was identified as the strongest candidate for the role, being a highly experienced business leader of customer-focused, global industrial manufacturing and service businesses. He has a strong track record of driving results and delivering excellent stakeholder outcomes through enhanced performance and the effective execution of organic and inorganic growth strategies.



*Russell Reynolds Associates provides no other services to the Group and has no other connections with it or the individual directors.

Nomination Committee report continued

Board changes

As announced on 16 December 2022, Lindsley Ruth stepped down as CEO due to personal reasons. As part of the Company's ongoing succession plans, David Egan became the Acting CEO when Lindsley went on a leave of absence from 3 November 2022, and continued in this role until the process to find a permanent CEO concluded. During this time, David was instrumental in driving transformation, excellent performance and growth, and was supported by a strong and highly experienced management team.

As detailed on page 101, a rigorous selection process was conducted for the role of CEO, which led ultimately to the appointment of Simon Pryce effective 3 April 2023. Simon stepped down as a member of the Committee and Audit Committee, and as Chair of the Remuneration Committee with effect from 14 March 2023, and did not take part in any of the discussions regarding the CEO selection process.

As detailed in last year's report, Navneet Kapoor joined the Board with effect from 1 June 2022 as a Non-Executive Director. His full biographical details can be found on page 87.

As announced on 3 May 2023, David Egan stepped down as CFO with immediate effect. The recruitment for a new CFO is underway.

Succession planning

Nurturing talent is a key enabler to creating a high-performance, purpose-led culture to support our strategy.

As part of the Committee's ongoing responsibilities, it has reviewed succession plans for senior management and strengthened the talent mapping process. Therefore, during the course of the year, the Committee had a good understanding of potential candidates, both internally and externally, for key management positions. This is an ongoing initiative, which is reviewed and adapted to ensure it is continuously fit for purpose and is reflective of the current market.

Overall accountability for senior succession planning is held by the CEO, with each SMT leader accountable for building a strong succession pipeline within the Group. This structure encourages a culture whereby each senior leader takes ownership of their respective plans, while being supported with agreed processes and a framework.

Our succession planning can be split into two tiers: the first for the Executive Director positions, and the second for key SMT roles.

The succession plans are split between short and long-term requirements:

- Short-term requirements: for use in unplanned or emergency situations, whereby interim cover on a short-term basis is implemented.
- Longer-term requirements: for creating a pipeline of talent within the organisation by identifying individuals who have potential to step into the role. Any gaps in experience and knowledge are identified, and a development plan devised and implemented to upskill potential candidates.

CEO and CFO succession

To help inform the discussion on Executive Director succession, the role specifications for both CEO and CFO roles were refreshed during the year and reflected an increased focus on digital, M&A, change and culture. These have a five-year horizon, defining what the Committee believes the Company needs in that role in the medium to long term. The CEO role specification was refreshed further upon Lindsley's departure.

SMT succession

Talent and development profiles for each of the SMT will be used for tailored, meaningful and stretching individual development. These will form the basis of a much more focused approach to the identification, succession and development of all members of the SMT, based on the individual's specific aspirations, potential, strengths and development areas. In addition to this, there is a dedicated SMT Development Programme, which includes focused development activities provided by a range of leading industry experts, which will include coaching and mentoring as required.

The following actions have been implemented during the year:

- Regular conversations with every SMT successor regarding their aspirations and gaps, agreeing specific development actions and holding leaders to account for actioning
- Regular reviews of the pipeline and development plans for successors to the SMT, by each SMT leader and the people team
- Success profiles for each role and alignment of SMT core skills and experience
- Experience and skills gap-led leadership and talent development programmes



Nurturing talent is a key enabler to creating a high-performance, purpose-led culture to support our strategy.”

Nomination Committee report continued

Diversity and inclusion

During the year, the Committee adopted an updated Board D&I Policy. This provides a high-level overview of the Board's approach to driving D&I in our succession planning, selection, nomination, operation and evaluation of the Board. This policy works in conjunction with our wider Group D&I policy and reflects the overall Group targets for senior management. For further details of performance against targets see page 64.

Policy statement

We believe that creating a culture where our people feel safe and empowered to bring their true self to work fosters an environment where everyone can thrive. We are proud to support our people to be their best by building an inclusive workplace that supports everyone, irrespective of ethnicity, disability, socio-economic backgrounds, mental health conditions, neurological diversity, age, religion, sexual orientation or gender identity.

The Board places great emphasis on ensuring that its membership reflects diversity in its broadest sense. We believe a key driver in delivering our organisational diversity commitments is through a Board which has a balance of skills, personal and cognitive strengths, experience, diversity (including of gender and of social and ethnic background), independence and knowledge. Consideration is given to the combination of demographics, skills, experience, ethnicity, age, gender and other relevant personal attributes on the Board to provide the range of perspectives, insights and challenge needed to support good decision making.

New appointments are made on merit, taking account of the specific skills and experience, independence and knowledge needed to ensure a diverse and rounded Board and the benefits each candidate can bring to the overall composition of the Board and its Committees.

Objectives

Objectives for achieving Board diversity are periodically reviewed. The Board aspires to be comprised of:

- at least 40% women
- at least one of the senior Board positions (Chair, CEO, CFO or SID) is a woman
- at least one Director from a minority ethnic background, with a target of 25% by 2030, to reflect the overall Group target for senior roles held by ethnically diverse executives

The Board acknowledges that in periods of Board change, there may be times when this balance is not maintained.

Reflecting these aspirations, the Board will aim to meet any recommendations set out by the FTSE Women Leaders review (formerly Hampton-Alexander Review).

The Board places high emphasis on ensuring the development of diversity in the senior management roles across the Group and supports and oversees the Group's ambition of achieving 40% of senior roles held by female executives and of 25% of senior roles held by ethnically diverse executives by 2030, as detailed in the Group's D&I Policy.

Responsibilities, monitoring and reporting

The Chair of the Board will lead the Board's diversity agenda and set measurable objectives, with the aim of continuously improving D&I generally, ultimately leading to better debate and decision making.

The Board will be expected to role model inclusive language, behaviours and practice in all undertakings for and on behalf of the Group, setting a clear tone from the top.

The Committee is responsible for ensuring that the Board has the right balance of skills, experience and knowledge and, in accordance with its Terms of Reference, shall:

- regularly review Board composition
- monitor and drive succession planning, talent development and the broader aspects of D&I for both Executive Directors and the SMT
- for any Director appointments, work with executive search firms who reflect and understand the Group's values and approach to diversity, including this Policy, and will honour those values and approach in identifying and proposing suitable candidates for appointment to the Board and its Committees
- identify suitable candidates for appointment to the Board on merit against objective criteria having regard to:
 - the benefits of diversity in promoting the success of the Group for the benefit of its shareholders as a whole
 - the skills, experience, background, independence and expertise of current members of the Board and its Committees
- report annually in the Governance Report of the Annual Report and Accounts on the implementation of the Board D&I Policy and other matters as required by the Code and other regulatory and statutory requirements
- review the Board D&I Policy at least annually and recommend any revisions to the Board

Board and Committee evaluation

The Committee, led by the Chair of the Board, is responsible for overseeing the Board evaluation process. An externally facilitated evaluation was conducted this year by Clare Chalmers.

The Committee also considered the remaining actions taken in response to feedback from the previous internal review undertaken in 2021/22 and monitored progress against the agreed actions. Full details of both the external evaluation and actions against the previous year's evaluation are provided on pages 96 and 97.

Committee effectiveness

As part of this process, the Committee examined its own performance and operational effectiveness. The key finding in respect of the functioning of the Committee was a recommendation to improve the materials and data submitted to the Committee to help support the work of the Committee as main forum for senior management succession planning.

The overall findings of the evaluation demonstrated that the Committee operated effectively and continues to discharge its duties in line with its Terms of Reference.

AUDIT COMMITTEE REPORT

Louisa Burdett
Chair



KEY HIGHLIGHTS

Membership as at 23 May 2023

Louisa Burdett (Chair) David Sleath
Alex Baldock Navneet Kapoor

Activities for 2022/23

- Oversaw the audit tender process, resulting in the recommendation to the Board of Deloitte or PwC, with a preference for Deloitte to be appointed as the external Auditors of the Company starting in 2024/25
- Reviewed and monitored the Group's approach to risk and its internal control system and risk management process, including evaluation of performance of the internal audit function
- Continued its focus on development of the Group's information security strategy
- Reviewed the Group's initial assessment of the likely impact of the proposals to restore trust in audit and corporate governance by the UK's then Department of Business, Energy & Industrial Strategy (BEIS) corporate reform
- Reviewed the outcomes of the first phase and the progress of the second phase of the Group's review of internal controls over financial reporting (ICFR)
- Reviewed the fair value determination and initial integration of acquisitions completed in the year and the effectiveness of their internal control systems
- Reviewed the Group's ESG reporting approach, including the update on its climate-related risks and opportunities in relation to TCFD

Priorities for 2023/24

- Continue to monitor the Group's progress in its ongoing review of ICFR
- As the detailed regulations resulting from the UK's corporate reform are published, review the Group's assessment of the impact and actions taken
- Monitor the plans for transition from PwC to Deloitte as external Auditors
- Continue to review risks and opportunities for ongoing ESG reporting, including TCFD
- Review the integration of 2022/23 acquisitions and assess the improvement in the effectiveness of their internal control systems

> Dear shareholder

As Chair of the Audit Committee (the Committee), I am pleased to present the Committee's Report for the year ended 31 March 2023. The purpose of this Report is to describe the work undertaken by the Committee and explain how it has discharged its responsibilities throughout the year.

The Committee's main role is to monitor and review the integrity of the Company's financial information. This includes recommending to the Board whether the Company's 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. The Committee is also responsible for providing assurance to the Board that the Group's internal controls and risk management systems are fit for purpose and regularly reviewed, as well as overseeing the effectiveness and independence of the external Auditors, PwC, including recommending to the Board the approval of PwC's fees and appointment on an annual basis.

We continued to see professional, comprehensive and robust work in all areas which has meant that the Committee has been able to discharge its obligations seamlessly throughout the year.

The Committee has continued to focus on the Group's financial reporting, including approving the disclosures in relation to geopolitical uncertainties and climate change, the Group's going concern and viability statements and the Group's use and definitions of alternative performance measures. The Committee has continued to focus on the key accounting matters set out on pages 107 and 108. All of these matters were conducted to the satisfaction of the Committee.

We are pleased with the Group's progress of its ICFR review which we are confident will strengthen and formalise its financial processes and controls framework. This will stand it in good stead for complying with the regulations coming out of the UK's corporate reform.

The Committee has spent some time understanding all emerging ESG legislation and the related disclosures and reviewed the Group's reporting approach to it, including the second year of reporting the climate-related risks and opportunities in relation to the Group's obligations under TCFD (see pages 72 to 78).

As part of its duties, the Committee has continued to review the Group's information security and data protection controls, further details of which can be found on page 109.

On behalf of the Committee, I would like to thank our internal audit and finance teams and PwC for their continued support over the past year.

I will be available as usual at this year's AGM to answer any shareholder questions in relation to audit matters.

Louisa Burdett
Chair of the Audit Committee
23 May 2023

Audit Committee report continued

Committee structure, meetings and responsibilities

The Committee acts independently of management to ensure the interests of our shareholders are protected properly in relation to financial reporting, risk and internal control. All members of the Committee are independent Non-Executive Directors, with sufficiently wide-ranging business experience, expertise and competence to enable the Committee to fulfil its responsibilities effectively. There was one change to the membership of the Committee during the year as Simon Pryce stepped down from the Committee on 14 March 2023, upon the announcement of his appointment to the role of CEO. Navneet Kapoor has been appointed to the Committee with effect from 15 May 2023. Louisa Burdett is a chartered accountant and, having held senior financial management positions, has extensive knowledge and experience of financial markets, treasury, risk management and financial accounting standards. Biographies for the Committee members are set out on pages 86 and 87.

The Committee held four scheduled meetings during the year, and held one further unscheduled meeting to consider the external audit tender recommendation. Meetings were held in line with the financial and reporting cycles of the Company. Meetings are generally held prior to Board meetings so that optimum collaboration with the Board is maintained. The Committee Chair provides updates to the Board on the proceedings, considerations and findings of each meeting.

The Committee Chair extends invitations to certain other key individuals to attend meetings, including the Chair of the Board, other Non-Executive Directors who are not members of the Committee, the CEO, CFO, the Company Secretary, Group Financial Controller, Vice President Group Operational Audit and Risk (VP Audit and Risk) and the external Auditors, PwC. The Chief Information Security Officer (CISO) also attends to provide regular updates on the Group's Information Security strategy. The Data Protection Officer attends meetings twice a year to give updates on data protection matters.

During the year, the Committee held separate sessions with the VP Audit and Risk and the external Auditors without the presence of management. The VP Audit and Risk and the external Auditors have direct access to the Committee Chair outside of formal Committee meetings.

The Committee's chief responsibilities have not changed during the year. The Committee's Terms of Reference are reviewed formally and approved annually and set out its principal duties in full, including its authority to carry out its duties, and are available in the corporate governance section of our website: [rsgroup.com](https://www.rsgroup.com).

The core functions of the Committee include:

- Supporting the Board in ensuring the integrity of the financial and corporate reporting and auditing processes
- Assisting the Board in assessing the long-term viability of the Group by reviewing and challenging the scenarios considered and severe but plausible stress testing performed on the principal risks
- Advising the Board on whether the half-year and full-year financial reports present a fair, balanced and understandable assessment of the Group's position and prospects
- Ensuring effective internal control and risk management systems are in place
- Measuring the Group's effectiveness in managing risk and reviewing the risk identification process
- 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 Auditors, including the recommendation to the Board to approve their appointment and fees
- Monitoring progress of the Group's information security strategy to mitigate its major risks
- Reviewing the scope and effectiveness of the external audit process
- Reviewing whistleblowing, fraud, anti-bribery and corruption and data protection procedures



We continued to see professional, comprehensive and robust work in all areas which meant that the Committee has been able to discharge its obligations seamlessly throughout the year.”

Audit Committee report continued

KEY ACTIVITIES DURING THE YEAR

MAY

- Reviewed the year-end key accounting judgements and issues (including tax) and approved their accounting treatment; viability and going concern; and fair, balanced and understandable criteria
- Reviewed the TCFD report for its recommendation to the Board
- Recommended to the Board for approval the adoption of the Annual Report and Accounts for the year ended 31 March 2022 and the full-year results announcement
- Reviewed non-audit fees and the Non-Audit Services Policy
- Recommended to the Board for approval the re-appointment of PwC as Auditors
- Received an update on the ICFR programme
- Reviewed updates regarding operational audit reports, information security and quarterly whistleblowing

↓

JUL

- Reviewed Group Operational Audit remit and performance
- Reviewed the key accounting judgements and issues
- Quarterly review of non-audit fees completed
- Approved PwC's audit plan for 2022/23
- Reports from the Data Protection Officer and quarterly whistleblowing report received
- Review of operational audit reports
- Reviewed the external Auditors' performance
- Audit tender commenced
- Received an update on the ICFR programme

↓

NOV

- Received the half-year key accounting judgements and issues (including tax) and approved their accounting treatment; going concern; and fair, balanced and understandable criteria
- Reviewed the draft interim results for recommendation to the Board
- Quarterly review of non-audit fees completed
- Reviewed PwC's audit fees for 2022/23 and recommended their approval to the Board
- Reviewed updates regarding operational audit reports, information security and quarterly whistleblowing
- Audit tender update received

↓

JAN

- Received Group Operational Audit update, reviewed the businesses' risk and control assessment and approved the 2023/24 operational audit plan
- Approved the key accounting judgements and issues
- 2022/23 ESG reporting approach agreed
- ICFR update received
- Quarterly review of non-audit fees completed
- Reviewed the Anti-Bribery & Corruption Policy and Procedures
- Report from the Data Protection Officer received
- Annual whistleblowing arrangements review and received the quarterly whistleblowing report
- Audit tender update received

↓

MAR

- Recommended to the Board PwC and Deloitte, with a preference for Deloitte to be appointed as the external Auditors of the Company for 2024/25

FAIR, BALANCED AND UNDERSTANDABLE

The Board is required to confirm to the Company's shareholders 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, performance, business model and strategy. The Committee advises the Board on whether this confirmation can be made and the Committee assesses whether it can make this recommendation to the Board by following its regular, robust approach which is:

- Ensuring regulatory requirements for the Annual Report and Accounts were thoroughly understood.
- Reviewing draft copies of the Annual Report and Accounts early in the reporting process to assess and advise on direction and key messages, with a near final version 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. This included a cascaded sign-off across the Group to determine the accuracy, consistency and clarity of the data, information and language.

- Reviewing the use and disclosure of alternative performance measures and confirming its belief that separate disclosure of these measures enables readers of the Annual Report and Accounts to understand better the underlying financial and operating performance of the Group. The alternative performance measures are consistent with prior years except for updating the definition of adjusted profit measures to exclude impairment of intangible assets arising on acquisition of businesses and not just their amortisation. The definitions and reconciliations of alternative performance measures are set out in Note 3 on pages 151 to 154.
- Ensuring that a thorough review of the Annual Report and Accounts was undertaken by all appropriate parties including external advisors.

The Committee has reviewed the Annual Report and Accounts for the year ended 31 March 2023 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.

Audit Committee report continued

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. The Committee considers the principal accounting policies that are used when preparing these results as well as reviewing the significant accounting issues and areas of judgements made as noted below and other key areas of focus as noted on page 108. Also, this includes the fair, balanced and understandable review as described in more detail on page 106. The Committee receives regular reports from the CFO and Group Financial Controller to support this work.

Significant accounting issues and areas of judgement

Management is required to exercise judgement in a number of areas when preparing the Group accounts and the Company accounts. The Committee focuses on any significant areas of judgement that may materially impact the Group's and Company's reported results and assesses and challenges, if necessary, whether these judgements are reasonable and appropriate. The Committee also reviews the clarity and transparency of the related disclosures.

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

Significant accounting issues and areas of judgement

How the Committee addressed these matters and conclusions reached

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 2023, the total net deficit in relation to these retirement benefit obligations was £36.4 million (2021/22: £12.4 million), of which the UK was £26.2 million (2021/22: £nil). Key judgements are made in relation to the assumptions used when valuing the retirement benefit obligations. See Note 9 on pages 160 to 165.

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, Head of Group Pensions and Group Financial Controller were reviewed by the Committee. The Committee also reviewed the external Auditors' 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 at the half year and year end.

At the half year, the impact of the volatility in the UK markets on the discount rate caused the UK scheme's obligations to decrease by £179.3 million. This was offset by the decrease in the UK scheme's fair value of scheme assets as a result of the scheme's liability hedging strategy. Therefore, the Committee also assessed the adequacy of disclosure of this impact and agreed with the additional disclosure, especially around sensitivities.

At the year end, the Audit Committee agreed with management's decision to update the discount rate sensitivity analysis to show the impact of a 0.5% movement as this is considered to be currently a reasonably possible change.

Inventories valuation

Inventories represent a material proportion of the Group's net assets. At 31 March 2023, the Group had £616.3 million (2021/22: £529.5 million) of inventories on the balance sheet. Judgements are made in estimating the net realisable value of inventories. At 31 March 2023, inventory provisions were £43.7 million (2021/22: £29.7 million). Sensitivity analysis on the assumptions was performed, which indicates that any reasonably likely change in assumptions, including the current global economic uncertainty and longer-term impacts of climate change and environmental regulations, is not expected to have a material impact on the current net realisable value of inventories. See Note 17 on page 172.

From an International Accounting Standard (IAS) 1 'Presentation of Financial Statements' perspective, the judgements involved in estimating the net realisable value of inventories do not have a significant risk of resulting in a material adjustment to the carrying amount of inventories within the next year. However, the Committee believes that inventories and their management are so critical to the Group's operating model that areas of judgement in inventories valuation are significant and require its particular focus.

The Group estimates the net realisable value of inventories in order to determine the value of any provision required. The judgements made in the methodology used to estimate the net realisable value relate to the number of years of sales there are in inventories of each product 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 impact of supply constraints during the year, the current global economic uncertainty and the longer-term impacts of climate change and environmental regulations on these assumptions were considered and the assumptions were adjusted where necessary to ensure they remain appropriate. Also, adjustments were made to take account of the slowdown in sales of electronics products and its impact on the net realisable value. The latest review was presented to the Committee and it reviewed and agreed the reasonableness of the assumptions.

In order to reach these conclusions, the Committee also discussed with senior managers the inventory management process and the changes made during the year to monitor and quickly flex the inventory position to ensure the Group remains well positioned to maintain service levels within a supply constrained market while also considering the impact of a potential global recession.

Audit Committee report continued

Going concern and viability statements

As part of the Committee's responsibility to provide advice to the Board, the Committee reviewed and challenged the Group's going concern assumptions at the half year and full year and reviewed and challenged the process and assessment of the Group's longer-term viability at the full year.

Management included a going concern statement in the Group's half-year report. The Committee reviewed the process conducted to prepare this statement, including the assumptions used in the reverse stress tests. It recommended to the Board that it was appropriate to continue to adopt the going concern basis in the half-year results. The Committee also reviewed and agreed the wording of the going concern statement and recommended its approval to the Board.

For the viability statement in the Annual Report and Accounts, the Committee reviewed the assessment period and reviewed and challenged the scenarios considered for each principal risk and the determination of severe but plausible stress tests and reverse stress tests. The Committee reviewed the outcomes of these stress tests and, as a result, recommended to the Board that it is able to confirm the Group's viability statement and the going concern statement. Details of these statements can be found on pages 46 and 47 of the Strategic Report.

Other key areas of focus

The Committee also reviews a number of other key areas that require management to exercise judgement. These judgements have not had a significant effect on the amounts recognised in the accounts in the year ended 31 March 2023 nor are they significant estimates which have a significant risk of resulting in a material adjustment to the carrying amounts of the Group's assets and liabilities within the next year. However, the Committee focuses on these areas to ensure these judgements are also reasonable and appropriate and to ensure they have not become significant.

These other key areas of focus in the year were:

Other key area of focus	How the Committee addressed these matters and conclusions reached
Fair values and goodwill on acquisition of businesses	
The Group completed the acquisition of DH on 30 June 2022 for consideration of £4.1 million. The purchase price allocation resulted in goodwill of £3.4 million and other intangible assets of £1.9 million. The Group completed the acquisition of Risoul on 3 January 2023 for cash consideration of £233.6 million less an accrual refund of £0.2 million. The purchase price allocation resulted in goodwill of £108.4 million and other intangible assets of £105.9 million. Judgements are made in relation to the assumptions and data used in determining the fair values of the intangible assets acquired and the goodwill arising. See Note 28 on pages 182 and 183.	The Group reviewed the net assets acquired, identifying and fair valuing all the assets and liabilities. For larger acquisitions the Group engages external professional advisors for the identification and calculation of fair values of intangible assets while ensuring that the assumptions and forecast cash flows used in the valuation models are reasonable. The Committee reviewed the process, discussed it with management and the external Auditors and assessed the results of the work undertaken. The Committee concluded that it is satisfied with the fair values and goodwill arising on acquisition of businesses.
Impairment of goodwill and other assets	
There is £463.3 million of goodwill on the balance sheet at 31 March 2023 (2021/22: £330.5 million). 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 13 on pages 169. The Committee reviews these impairment tests every year, including the main assumptions. These assumptions also include consideration of the impact of climate change. The Committee 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 main assumptions, confirming that the valuation is reasonable. The Committee also reviewed and agreed with the trade receivable impairment allowance and disclosure in Note 22 on pages 176 and 177.

Audit Committee report continued

Other matters

The Committee also carried out a range of other activities in relation to financial reporting during the year which included:

- Reviewing the impact of amendments to accounting standards adopted during the year
- Reviewing the effective tax rate, judgements made in relation to the levels of tax contingencies for potential challenges by local tax authorities and recoverability of losses, and relevant disclosures
- Reviewing and agreeing the accounting treatment and disclosure of any potential post-balance sheet events at both the half year and full year
- Agreeing with management's assessment that there are no indicators of impairment for the investments the Company holds in its subsidiaries

Internal control and risk management

The VP Audit and Risk provides quarterly reports to the Committee which cover the performance of the Group's system of internal control and its effectiveness in managing the Group's principal risks and identifying any control failings or weaknesses. These reports highlight matters which might impact the delivery of the Group's key strategic objectives or which indicate improvement is required in any of the Group's processes or controls. The Committee carefully considers these findings and discuss appropriate actions where necessary.

An annual review of the Group's risk management processes is undertaken by the Committee, as required by the 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 processes include material controls which cover financial, operational and compliance controls and risk management systems. The outcomes of these reviews are shared with the Board. These, in combination with other updates to the Board on the Group's principal risks, allowed the Board to assess the effectiveness of the Group's systems of

internal control and residual risk prior to making its statement in this Annual Report and Accounts. Further information regarding the Group's principal risks can be found on pages 42 to 45 of the Strategic Report.

The internal control system and risk management process have been in place during the year and up to the date of this Report and Accounts. In the event weaknesses are identified in the internal control system, plans for strengthening them are put in place and then regularly monitored. A small number of weaknesses were identified including:

- Those in the businesses more recently acquired, which generally are subject to internal audits following their purchase. All the more significant control weakness observations, where noted, have actions and agreed timelines assigned against them.
- Some internal control improvements required across the Group's indirect procurement activities. These included observations relating to the need for improved consistency of these processes and controls across the Group. Actions have been agreed and progress is being reported to the Committee.

There were no other material control failings or weaknesses identified during the year.

Internal financial controls

Internal financial controls are the systems that the Group employs to support the Board in discharging its responsibilities for financial matters and the financial reporting process as described on page 136.

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, processes and controls
- Weekly, monthly and annual reporting cycles, including targets approved by the Board and regular forecast updates

- Local leadership teams reviewing financial results against forecast and agreed performance metrics and targets with overall performance reviewed at region, business 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

In 2021/22, in advance of the regulations arising from BEIS's corporate reform, the Group commenced a review of its ICFR. The first phase, completed during 2022/23, was to assess the Group's current financial reporting controls and identify what improvements should be made. The second phase, to action the improvements required, started during the year and will continue during 2023/24. The goal is to improve and build on our existing financial reporting controls focused on key areas. The Committee reviewed the outcomes of the first phase and the progress of the second phase and is pleased with the work to date. It will continue to monitor the Group's progress.

Internal audit

The work of the internal audit function spans the whole Group including, as and when relevant, acquired businesses and provides independent and objective assurance over the Group's systems of internal controls through a risk-based approach. The Committee reviews and approves the scope and resourcing of the internal audit plan annually with the VP Audit and Risk. The scope of the plan is determined by reference to the Group's operating risks and strategy as well as geographic, functional and external risks. 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 business team's resolution of any control issues identified
- The effectiveness of the internal audit function

The VP Audit and Risk has regular, open access to the Committee Chair. 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 focus on enhancing the Group's information security strategy via regular updates from the CISO. These included updates on information security risk assessments relating to our industrial control systems, including improvement actions both underway and planned. Throughout the year, the Committee also received updates on other specific information security risks and improvement actions, including strengthening IT access controls.

The Committee continued with its reviews of the data protection compliance programme through reports from the Data Protection Officer. The Committee continued to provide oversight of the Group's compliance with laws regarding the protection of personal data across its operations, including the General Data Protection Regulation and the UK's Data Protection Act. The Committee received regular reports from the Data Protection Officer highlighting ongoing compliance work such as training and awareness campaigns to embed a culture of privacy by design, as well as assessments of the impact of material changes to the Group's operations on its handling of personal data (such as significant changes to systems).

Audit Committee report continued

The Committee received updates on current and emerging ESG legislation during the year. It discussed and agreed the ESG reporting requirements for 2022/23 and future years, including the results of the Group's ESG double materiality assessment, Scope 3 emissions and additional disclosures in the Group's second TCFD report included in this Annual Report and Accounts. The Committee was comfortable that the disclosures contain appropriate and accurate data and information and recommended to the Board that it approve the ESG disclosures in this Annual Report and Accounts, including the TCFD report.

The Committee discussed and agreed to recommend to the Board approval of an updated Anti-Bribery and Corruption Policy.

External Auditors

Effectiveness and independence

The Committee is responsible for reviewing the performance and effectiveness of the external Auditors, PwC, as well as their appointment and remuneration.

A review of the external Auditors' performance and effectiveness is undertaken by the Committee each year. The review includes looking at qualification, expertise, resources and reappointment of the external Auditors, as well as ensuring that no issues have arisen which might adversely affect their independence and objectivity.

The review also considers how robust the external audit itself has been, as well as the quality of delivery. It also addresses the FRC's Audit Quality Inspection Report on PwC as well as any feedback received from the Group's senior managers.

How well the external Auditors have exercised professional scepticism and whether they have provided an appropriate degree of constructive challenge to management is assessed by the Committee and, as part of risk evaluation planning, the Committee also considers the risk of PwC withdrawing from the market. The external Auditors demonstrated professional scepticism and challenge on the valuation of inventories, the acquisition fair values of Risoul, the recoverability of receivables and assumptions in the going concern and viability assessments.

AUDIT TENDER PROCESS

The Committee approved the establishment of a steering group, comprised of the Committee Chair, CFO and Group Financial Controller, to oversee the process with approval sought from the Committee at each key stage. The following steps took place during 2022/23, which ultimately resulted in Deloitte being chosen as the Group's external Auditors for the year ending 31 March 2025, subject to shareholder approval at the 2024 AGM.

1

Seven audit firms were formally approached with a request for information (comprising all of the big four and three mid-tier firms). The mid-tier firms were selected based on their geographical reach. Of these, three audit firms completed the request for information (two of the big four and one mid-tier firm).

2

An evaluation scorecard to assess the information provided by the three audit firms was used to decide which two firms to invite to take part in the full audit tender.

3

Partners from each of the final two audit firms were interviewed by the steering group and other senior finance managers.

4

Formal invitations to tender were issued to the chosen audit partners. A virtual data room was established and management held meetings with each of the firms (with each RS manager asked to provide feedback on the audit firms). Also, each audit firm visited our DC in Nuneaton, UK and were given several opportunities to ask questions of the Group Financial Controller.

5

The tender documents submitted were reviewed by the steering group, the Chair of the Board, other Committee members and senior finance managers.

6

Each audit firm was invited to give a final presentation to the steering group, a Committee member and senior finance managers, with the incoming CEO attending as an observer. Also, the Chair of the Board met each prospective audit partner. Separately, each audit firm showcased their technology and data analytics capabilities to the Chief Technology Officer, Group Financial Controller, VP Audit and Risk and Technology Risk Manager.

7

A final grading of each firm took place by management, with a preference being made to the Committee.

8

The Committee considered management's preference and, after debating the merits of each firm, recommended both firms to the Board with a preference for Deloitte to be appointed as external Auditors for the year ending 31 March 2025. The Board approved this preference in March 2023.

Audit Committee report continued

During the year, the Senior Statutory Audit Partner, Sandeep Dhillon, or the Audit Director, together with other relevant and appropriate members of the PwC audit team, attended all of the Committee's meetings, with the exception of the March meeting which discussed the audit tender recommendation. PwC provided reports and conclusions on the Group's key accounting judgements, internal control processes, Annual Report and Accounts and half-year report.

Following its review, the Committee concluded that it would recommend to the Board PwC's reappointment as the external Auditors for 2023/24. The Board accepted this recommendation and a resolution will therefore be put to shareholders at the forthcoming AGM to reappoint PwC.

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 website. As in previous years' reports, the Committee can confirm that the Group does not engage PwC to undertake any work that could affect their independence.

The Committee has satisfied itself 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.

Tender and rotation

Following an external tender process in 2014, PwC was appointed as the Group's external Auditors with their first audit being the 2014/15 Annual Report and Accounts.

The EU Audit Regulation and Directive, and the Companies Act 2006 (Companies Act), states that there should be a public tender every 10 years and a change of external Auditors at least every 20 years. In accordance with this, the Company conducted a retender process for the audit of the Annual Report and Accounts for the year ending 31 March 2025, in order to make any necessary

changes to providers of other services in a timely and orderly fashion and to appoint auditors before the start of that year as these are in the best interests of our shareholders. This resulted in the recommendation by the Committee to the Board for either PwC or Deloitte with a preference for Deloitte to be appointed as the Group's external Auditors for the year ending 31 March 2025. Full details of the tender process can be found on the previous page. No contractual obligations exist that might restrict the Committee's choice of external Auditors.

Non-audit assignments undertaken by the Auditors

The Group operates a policy to ensure that the provision of non-audit services does not impair the external Auditors' independence or objectivity and that only permitted services are provided. In determining this policy, the Committee took into account possible threats to the external Auditors' independence and objectivity.

The policy on non-audit services includes:

- In providing a non-audit service, the external Auditors 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

The policy also states that the Committee has pre-approved the CFO to have authority to commission the external Auditors to undertake non-audit work (not covered above) where there is a specific project with a cost that is not expected to exceed £50,000.

Full details of our policy in relation to non-audit services can be found on the corporate governance section of our website. This policy was reviewed by the Committee during the year and no changes were required.

During the year under review there were no non-audit fees for PwC compared to audit fees of £2.9 million plus audit-related assurance services of £0.1 million. Further information on fees payable to PwC are included in Note 5 on page 156.

The Committee has satisfied itself that its use of the external Auditors complies with both the 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.

Fraud

The Committee is responsible for reviewing the Group's procedures for the prevention and detection of fraud. Suspected cases of fraud must be reported to the Company Secretary or General Counsel within 48 hours and investigated by operational management, Group Compliance or internal audit, as appropriate. The outcome of any investigation is reported to the Company Secretary, General Counsel and the CFO. A register of all suspected fraudulent activity and the outcome of any investigation is maintained 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 of the Group's employees 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. Reports may be raised directly to senior management or through an external third-party reporting tool. Whistleblowing is referred to internally as Speak Up and is available to all of the Group's employees. The Committee receives aggregated reports on matters raised through these services and monitors their

resolution. A new European Whistleblowing Directive came into force with effect from December 2021 which required Member States to implement new rules on whistleblowing regimes. To date, the Directive has been incorporated into national law in Denmark, Sweden, Portugal, Republic of Ireland and France. The Group's existing policies and procedures (adopted globally) have been updated to reflect the new legislation. The Group will continue to monitor any national laws that implement additional, relevant requirements and make any required changes to policies and procedures where appropriate. For further information see pages 79 and 80.

Committee evaluation

This year, the Board underwent an externally facilitated evaluation of its performance and the activities of the Committee were reviewed as part of this process. The results of the evaluation demonstrated that the Committee continued to operate effectively and provided sufficient challenge, and that the composition worked well with a good balance of experience. It was also noted that the Committee was well supported by the management team, who bring succinct and precise papers and verbalise issues well, to enable focused discussion and clear actions and outcomes.

Further details of the evaluation process can be found in the Governance Report on pages 96 and 97.

Directors' Remuneration report

REMUNERATION AT A GLANCE

2022/23 PERFORMANCE

Like-for-like revenue growth

10%

2021/22: 26%

Adjusted profit before tax (PBT)

£391m

2021/22: £314m

Adjusted earnings per share (EPS)

63.6p

2021/22: 51.3p

CO₂e reduction (scope 1 and 2 emissions)

21%

2021/22: 20%

Return on capital employed (ROCE)

30.8%

2021/22: 28.7%

2022/23 ANNUAL INCENTIVE – OUTCOMES AGAINST PERFORMANCE MEASURES 62.3% OF MAXIMUM

Adjusted PBT

Target: £382m

102.4% of target achieved

Actual: £391m

Like-for-like revenue growth

Target: 11%

90.2% of target achieved

Actual: 10%

Adjusted free cash flow

Target: £187m

141.3% of target achieved

Actual: £264m

Group Net Promoter Score (NPS)

Target: 50.5

99.4% of target achieved

Actual: 50.2

CO₂e reduction

(Scope 1 and 2 emissions) Target: 8.0%

275% of target achieved

Actual: 21%

2020 LONG TERM INCENTIVE
PLAN (LTIP) – OUTCOME
AGAINST PERFORMANCE
MEASURES: 50%

Adjusted earnings per share (EPS)
(cumulative for the three-year
period ended 31 March 2023)

146.2p

Maximum target: 130.0p
2019 LTIP: 120.3p

Total shareholder return (TSR)

11 of 17

Maximum target: Upper quartile
2019 LTIP: 5 of 17

ALIGNMENT WITH BROADER EMPLOYEE REWARDS

7,752

eligible employees were granted
an RS YAY! Award in July 2022.
Those eligible were permanent,
fixed-term and apprentice
employees employed on
the grant date

87%

of employees participate in
a bonus plan globally

£1,000

To support with the continued
high cost of living being
experienced worldwide, all
our eligible employees globally
(except Executive Directors)
received an ad hoc payment
of £500 in November 2022.
A further £500 was paid to our
eligible employees (except
senior leaders), employed on
28 February 2023 in April 2023

£300

All eligible non-management
employees in the UK received
a £300 lump sum payment in
June 2022 as part of the annual
pay review

5-5.9%

UK managers and
non-management employees
will receive average pay
increases of 5% and 5.9%
respectively in June 2023

REMUNERATION COMMITTEE

Joan Wainwright
Chair



KEY HIGHLIGHTS

Membership (as of 23 May 2023)

Joan Wainwright (Chair) Alex Baldock
Louisa Burdett David Sleath

Activities for 2022/23

- Supporting our people worldwide to navigate the cost of living crisis with a number of interventions including one-off payments
- Successful launch and implementation of the RS YAY! all employee share award; granted 7,752 employees 100 performance shares, aligned with the strategy
- Extensive shareholder consultation
- Implementation of the Remuneration Policy (Policy) approved by shareholders at the 2022 AGM to support accelerated delivery of the strategy and exceptional shareholder returns
- Review and alignment of 2022/23 incentive outcomes with Company performance
- Agreement of departure terms for Lindsley Ruth
- Remuneration structure for the CEO, Simon Pryce

Priorities for 2023/24

- Review our approach to employee share ownership, with the aim of enabling more of our people to become shareholders and to share in the future success of the Company
- Ensuring that both short and long-term incentive outcomes continue to reflect the performance of the Company, the experience of all our stakeholders and support delivery of the strategy
- Maintaining an active and open dialogue with shareholders and ensuring their views and those of their advisors are sought and considered when determining executive remuneration
- Remuneration structure for the new CFO on appointment

> Dear shareholder

On behalf of the Remuneration Committee (the Committee), I am pleased to present the Directors' Remuneration Report, and my first as Chair of the Committee, for the year ended 31 March 2023.

I would like to take this opportunity to thank Simon Pryce for his four years of leadership as Chair of the Committee and congratulate him on his new role as CEO. Along with the Board, I am confident that Simon has the right leadership style and experience (as described on page 86) to lead the Group to further success. Details of Simon's remuneration and the CEO recruitment and selection process the Committee followed, are set out on page 114 and 101 respectively.

The Committee was pleased to see that the 2022 Remuneration Policy, which it believes is in the best interests of the Company's stakeholders, was approved by shareholders at the 2022 AGM, and subsequently implemented during the year. Consistent with our long-standing commitment to active engagement with our shareholders in this area, the Committee undertook an extensive multiphase consultation process with our major shareholders, representing around 80% of the register, as we formulated the Remuneration Policy proposals in early 2022. While the majority of shareholders we engaged with were supportive, including our largest shareholders, we recognise that some of our shareholders were not able to support the proposals ultimately. We have continued to engage with our shareholders during this year and further details of this process are included on page 116.

Despite the continued challenges of the external environment, this is an exciting time for the Group and its stakeholders. In 2022/23, our business delivered a strong performance. A summary of the financial performance of the Group is set out on pages 32 to 36. We believe our remuneration and incentive outcomes for the year, which are outlined on page 124, are reflective of this performance.

Consideration of the wider stakeholder experience

We continue to take a responsible approach to ensure remuneration outcomes align with the wider Company performance to drive exceptional outcomes for all our stakeholders.

Our people remained essential to the delivery of the strategy during the year. Our focus on people was recognised externally including being a finalist at the 2022 ProShare Awards and being awarded our first Global Equity (GEO) Award for Best Plan Communication (for a Company with under 10,000 people) for the RS YAY! Award.

The Group recognised that many of our people continue to be impacted by the cost of living crisis. Throughout the year we helped support our people through these challenges with a series of interventions, including:

- A competitive base pay increase in June 2022 (with an average UK increase of 4.8%), plus an additional lump sum payment to our non-management employees in the UK
- An ad hoc payment to our employees in November 2022 (excluding Executive Directors)
- A further ad hoc payment to our employees (excluding senior leaders) employed at 28 February 2023, was approved in March 2023 and paid in April 2023
- We have increased the number of employees participating in a bonus plan globally
- Our proposed base pay increases for our UK employee population for June 2023 will be 5% to 5.9%

The wellbeing of our people remained an ongoing priority, with an increased focus on sustainable benefits, including a benefits open day in Corby, UK, and a series of financial education events including webinars on a range of topics such as managing the cost of housing, saving for retirement and UK capital gains tax.

Directors' Remuneration report continued

We continue to listen to our people to understand how we can improve our benefit offerings to reflect our diverse workforce at different life stages, including medical support during menopause, fertility treatment and support with neurodiverse conditions.

Sharing success

Giving our people a chance to share in our collective success remains a priority through the provision of incentive plans and all employee share plans. 87% of our employees globally now participate in a bonus plan and we will continue to build on this number. Our senior leaders participate in LTIP programmes, with many also being part of our J2G LTIP Award.

For the first time our people globally now have the opportunity to become shareholders in the Company, with the grant of 100 performance shares each under the RS YAY! Award. The award is aligned with both the strategy and the J2G LTIP Award for eligible senior leaders. We believe that the RS YAY! Award will enhance our people engagement and ensure our people can share in the future success of the Company. Further detail of the award can be found on page 122.

We will continue to consider other ways to help our people share in our overall success including a review in the year ahead of our approach to employee share ownership globally.

Executive Director transition

As previously announced, it was agreed that Lindsley Ruth would step down from the Board due to personal reasons in December 2022. Lindsley continues to be available to the Board, if required until the end of his notice period in December 2023. In line with his service contract Lindsley will receive his base salary for the duration of his notice period.

When considering the treatment of Lindsley's incentives, the Committee recognised the longevity of his service and the significant contribution he made to the growth of the business over that period. The Committee exercised its discretion and determined that Lindsley would be treated as a good leaver for the purposes of his unvested LTIP and deferred bonus awards earned from previous years. The pro-rated LTIP awards will vest based on the original performance conditions and remain subject to the relevant holding periods. He will also receive a pro-rata annual bonus for the year 2022/23, excluding any deferred share element. Lindsley's J2G LTIP Award granted in July 2022 has lapsed in full. Full details are set out on page 125.

David Egan led the Group as Acting CEO for a five-month period from 3 November 2022 to 2 April 2023. David received a double hatting cash allowance of £200,000 per annum pro-rated during this period. When determining the value of the allowance, the Committee considered market data and the Group's internal guidelines for such allowances. The Committee decided that this allowance was at the appropriate level and in line with Group practice for the wider workforce while also reflecting David's increased workload and his previous experience of covering the CEO role. The double hatting allowance did not count as salary for the purposes of pension benefits, the annual bonus or LTIP awards. Full details of David's remuneration is detailed on page 123.

As announced on 3 May 2023, David resigned from the CFO role with immediate effect. David continues to be available to the Company while on gardening leave, as required, until 3 November 2023. David will receive his base pay, pension allowance and benefits for the first six months of his notice period. Thereafter he will be paid in lieu of notice for the final six months of his notice period. The pension allowance and benefits will not be provided during the final six months.

When considering the treatment of David's incentives, the Board recognised the significant contribution David made during his long tenure, driving transformation and on two occasions

acting as CEO. For incentives where he had been in active employment throughout the full performance period, the Committee exercised its discretion and determined that David would retain his 2020 LTIP Award and deferred bonus awards from previous years. David was also awarded the cash element of his annual bonus for the year ended 31 March 2023. David's J2G LTIP Award, granted in July 2022, has lapsed in full, together with his 2021 and 2022 LTIP Awards. Full details are set out on page 125.

Remuneration arrangements for Simon Pryce

Simon stepped down as a member and Chair of the Committee on announcement of his appointment as CEO on 14 March 2023. In line with best practice, Simon excused himself from all discussions related to the CEO appointment and related remuneration.

Simon's remuneration package was determined by the Committee in line with our Remuneration Policy, taking into account his experience and background, shareholder guidance and the external environment, and appropriate market data.

Simon will receive an annual base salary, set on appointment, of £750,191. He will not be eligible for an increase during our normal pay review in June 2023. His salary was set 3% above his predecessor's, representing an increase which is below the expected 5% to 5.9% average increase for the wider UK employee population. It also reflects Simon's position as an experienced and proven CEO of high performing international businesses.

Simon will participate in our annual bonus and LTIP programmes and receive a pension allowance, as set out in our 2022 Remuneration Policy (and summarised on pages 118 to 119). Under the 2022 Remuneration Policy the pension allowance is set in line with the rate available to the majority of the UK workforce.

The Committee considered carefully the approach to Simon's participation in the J2G LTIP. The Committee concluded that it was right for Simon to participate in order to ensure ongoing alignment with the SMT and the wider workforce through the RS YAY! Award. The ability to ensure new recruits could be included to ensure such alignment was an important point raised by a number of shareholders we spoke to when developing the plan design initially in 2022. At the same time, we looked to ensure that the calibration of his award, which we will grant as soon as is reasonably practicable, was in line with relevant best practice principles. In this regard, note the following key aspects of Simon's award:

- His maximum award size was pro-rated to reflect the remaining proportion of the performance period (i.e. reducing the maximum award from 750% to 498% of salary).
- To align with both shareholders and existing participants, the number of shares granted will be calculated using the share price used to determine the grants of J2G LTIP Awards made in July 2022 (1,020.50p) and the salary of the previous CEO. This results in a maximum number of shares of 355,427, which translates, using the grant share price and Simon's salary, to an award value of 483% of salary.
- The award is subject to exactly the same highly ambitious performance targets as the original J2G LTIP Award (see page 126) which require exceptional financial and strategic performance to be delivered to trigger even threshold vesting. These targets remain at least as stretching as they did when originally set. Therefore, there is no windfall benefit to Simon from his participation commencing after the start of the performance period.
- An extended post-vesting holding period of three years will apply to Simon's award to ensure that the total vesting and holding period is five years, in line with established guidance.



Simon is a highly experienced business leader of customer focused, global industrial manufacturing and service businesses.”

In line with our Remuneration Policy, Simon will be subject to the 400% of salary shareholding guidelines (which extends into post-employment), notwithstanding that this increased level had been set partly in contemplation of a J2G Award level significantly in excess of what Simon will receive. The Committee notes that, as a result of his existing holdings and an additional purchase made since his appointment as CEO, Simon already holds a shareholding of around 68% of salary.

Incentive outcomes for the year ended 31 March 2023

The 2022/23 annual bonus measures were adjusted PBT, like-for-like Group revenue growth, adjusted free cash flow, Group NPS and for the first time included an environmental based measure of CO₂e reduction (Scope 1 and 2 emissions), with targets set for each at the start of the year. Further detail of the specific targets and the performance delivered are set out on page 124.

The 2020 LTIP Award, which was based on performance over the three-years ended 31 March 2023, will vest at 50% of maximum. This is based on the TSR performance being below median of the peer group and the delivery of cumulative EPS growth of 146.2p. Further detail on the specific targets and the performance delivered are set out on page 124.

In line with good practice and the terms of our Remuneration Policy, the Committee considered the formulaic outcomes of both the bonus and 2020 LTIP Award in the context of the broader business performance, the intended purpose of the award and the outcomes for our stakeholders. Due to COVID-19 the grant of the 2020 LTIP Awards was delayed from June 2020 partly to mitigate the risk of unexpected windfall gains following the reduction of the share price at that time and to enable the setting of robust targets. Ultimately, this resulted in the LTIP awards being granted in November 2020 at a higher share price compared to if the awards had been granted at the normal time in June 2020. Therefore, the Committee is satisfied that no further adjustment is required.

No discretion has been applied to the Executive Director incentives and, as a result, the formulaic outcomes of 63.2% of maximum for the bonus and 50% of maximum for the 2020 LTIP will be delivered.

As detailed on page 125, neither Lindsley nor David will be entitled to the deferred element of the annual bonus. Therefore David earned a bonus of 42.1%, and Lindsley earned a bonus of 30.0% time pro-rated to 16 December 2022. Lindsley's 2020 LTIP Award has also been time pro-rated to this date.

Remuneration approach for the year ending 31 March 2024

As set out in last year's report following the market re-alignment of base salaries in 2022/23, it is the Committee's current expectation that subsequent salary adjustments during this Remuneration Policy period will be in line with the framework we apply for the wider UK workforce.

Simon Pryce's salary for 2023/24 was set on appointment. Other aspects of the package for Executive Directors will reflect the Remuneration Policy. The annual bonus will be based on a balanced set of key financial and strategic targets for the year and the LTIP structure will be consistent with prior years. We will continue to set stretching targets to reward sustainable, long-term growth. Simon will receive a J2G LTIP Award as described above.

The one minor change to the structure of the annual bonus this year is the introduction of a 10% element based on individual strategic targets. This is intended to align with the framework already in place for those SMT members below the Board and support the business in driving and rewarding key aspects of strategic transformation. The Committee will ensure robust target setting and an assessment framework, as well as high quality disclosure of outcomes next year.

75% of the annual bonus will continue to be based on financial targets for the year ending 31 March 2024. Further detail can be found on page 131.

I would like to thank our shareholders for the time taken to engage with us during the year and their continued support at the last AGM, as well as all Committee members for their significant contribution during the year. We remain committed to a responsible approach to executive pay and believe the decisions made by the Committee both reflect and build on constructive shareholder dialogue. The Committee will continue to engage with shareholders and institutional investor bodies in the development of our remuneration policies and structures and will continue to emphasise the links to performance and to consider wider stakeholders in its deliberations. I hope that you will join the Board in supporting the resolution to approve the 2022/23 Remuneration Report to be put to shareholders at the 2023 AGM.

Joan Wainwright
Chair of the Remuneration Committee
23 May 2023

Directors' Remuneration report continued

Remuneration related shareholder consultation for the year ended 31 March 2023

In line with our continuing commitment to dialogue with our shareholders the Committee and Chair of the Board have offered our major shareholders several opportunities for engagement throughout the year. This included during the development, and approval at the 2022 AGM, of the Remuneration Policy, and as a result of the CEO transition which took place in the second half of the financial year. Full details are provided below.

Topic	Timing and structure	Feedback and impact
2022 Directors' Remuneration Policy	As reported last year we engaged extensively with our top shareholders in respect of the development of the 2022 Remuneration Policy structure, including the J2G LTIP Award. Following initial engagement towards the end of 2021/22, in mid-April 2022, over 20 major shareholders (representing c. 80% of the register) took part in a consultation process. In addition to this, we engaged with shareholder representative bodies and proxy agencies. Subsequent to the 2022 AGM, in January 2023, we engaged further with our top shareholders (again, representing c.80% of the register) to: – provide further explanation of our position around the J2G LTIP Award in particular to confirm that Lindsley Ruth's J2G LTIP Award had lapsed in full on his departure from the Company – give shareholders a further opportunity to share any further perspectives on the Remuneration Policy As a result of the follow up engagement, we also responded to a number of email queries from shareholders.	The initial consultation process provided an opportunity for major shareholders to provide input into the preliminary development of the Remuneration Policy. In this engagement the majority of shareholders we engaged with were supportive of the proposals, including our largest shareholders. They acknowledged the approach the Committee had taken to align our remuneration with our high-performance, purpose-led culture and strategy, recognising that it was distinctive against others in the market. They welcomed the continued focus on the long-term, share-based and performance-linked reward and recognised that the ambitious targets and exceptional performance needed to deliver the top end of the J2G LTIP Award are well aligned with shareholder and other stakeholder interests. Through the consultation process, we received valuable feedback and insights from all those we spoke to, with much of this directly influencing the shape of the final proposals (for example, the J2G LTIP Award performance measures framework). Based on investor feedback, both prior to and since the 2022 AGM, the Committee understands the main reasons why a minority of shareholders were not able to support the Remuneration Policy. These related primarily to the potential maximum quantum under the J2G LTIP Award and actions required to deliver the maximum pay out. We recognise these concerns, set in the context of wider social sensitivities with regards to potential quantum of executive pay. However, the Committee continues to believe, as at the time of the 2022 AGM, that the introduction of the J2G LTIP Award was the right thing to do in order to provide a framework to incentivise senior leadership to deliver truly exceptional performance which would deliver significant value for the Group and all its stakeholders, at this stage of the Group's evolution. We will remain mindful of investor feedback and are committed to ensuring that any payments made under the J2G LTIP Award reflect the underlying performance over the period. We retain the discretion to adjust awards if they are not deemed appropriate in the circumstances.
Simon Pryce's remuneration package for appointment as CEO	On the announcement of Simon Pryce's appointment as CEO in March 2023, major shareholders were offered the opportunity to discuss both his appointment and related remuneration with the Chair of the Board.	This engagement process provided an opportunity to provide shareholders with the background to the appointment and to hear feedback. Details about the CEO selection process is set on page 101. With respect to Simon's remuneration package, we were able to explain the Committee's approach, including how the Committee considered factors such as: – his previous CEO experience and remuneration – his knowledge of the Group – the remuneration arrangements of the wider workforce – alignment to the Remuneration Policy – market data – shareholder best practice A summary of Simon's remuneration package and the underlying rationale for each component, can be found in the Chair's letter, with full details on pages 131 to 132. Some shareholders raised the issue of Simon's participation in the J2G LTIP Award. As described in detail on page 114, the Committee had considered this issue carefully and concluded that it was right for Simon to participate in order to ensure ongoing alignment with both the SMT and the wider workforce through the RS YAY! Award and, therefore, the Group's strategy. The Committee had ensured that the calibration of his award was in line with relevant best practice principles, such as being time pro-rated, calibrated using the same share price as the 2022 awards, subject to the same exceptionally stretching performance targets and with an extended post-vesting holding period.

Directors' Remuneration report continued

Committee structure, meetings and responsibilities

The Committee is comprised of independent members. Upon announcement on 14 March 2023, of his appointment as CEO, Simon Pryce stepped down as Chair and a member of the Committee. Joan Wainwright was subsequently appointed as Chair. Joan has been a member of the Committee since July 2021 and therefore meets the requirements of the Code. There have been no further changes to Committee membership during the year. Details of the skills and experience of the Committee members can be found on pages 86 to 87.

The Committee held five scheduled meetings during the year, and held two additional meetings to consider the remuneration for Lindsley's departure from the Company and the remuneration package for our new CEO, Simon Pryce. Simon did not take part in any discussions in respect of the CEO selection and remuneration package. Details of attendance at meetings can be found on page 89.

The Chair of the Board, CEO, CFO, other Board members, Company Secretary and Senior Vice President Group Professional Services, Chief People Officer and Vice President, Group Reward were invited to attend Committee meetings to advise on specific items 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. Meetings of the Committee generally take place shortly before Board meetings, and activities of the Committee are reported by the Chair to the Board as a separate agenda item.

The Committee Chair attends the Company's AGM and is happy to answer any questions from shareholders on matters falling within the Committee's responsibilities.

The role 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 managers are compensated appropriately for their contributions to the Group's performance, taking into consideration the wider employee group. The Committee also considers the remuneration of the Chair of the Board. The Board determines the remuneration of the Non-Executive Directors. No individual is present while decisions are made regarding their own remuneration.

The Committee's chief responsibilities have not changed during the year. The Committee's Terms of Reference are reviewed formally and approved annually and are available at: [rsgroup.com](https://www.rs-group.com).

Committee evaluation

This year, the Board underwent an externally facilitated evaluation of its performance and the activities of the Committee were reviewed as part of this process. The results of this evaluation demonstrated that the Committee continued to operate effectively and in alignment with its Terms of Reference.

Further details of the evaluation process can be found in the Corporate Governance Report on pages 96 to 97.

KEY ACTIVITIES DURING THE YEAR

APR

- Received feedback from shareholders in respect of the proposed Remuneration Policy and launched a follow up round of shareholder engagement

MAY

- Considered 2021/22 bonus and 2019 LTIP Award outcomes
- Reviewed shareholder feedback on 2022 Remuneration Policy
- Reviewed performance against objectives for the prior year and set objectives for the coming year
- Approved the Remuneration Report and Remuneration Policy to be put to shareholders at the July 2022 AGM
- Approved enhanced Deferred Bonus Share Plan (DSBP) and 2022 LTIP rules
- Reviewed the proposed 2022 share awards
- Approved the structure of the J2G LTIP Award and launch of the RS YAY! Award
- Discussed the Gender Pay Gap Report

JUL

- Approved the granting of the 2022 LTIP and J2G LTIP Awards
- Reviewed the voting results from the AGM of the Remuneration Policy

DEC

- Approved Lindsley Ruth's remuneration and leaver treatment on stepping down from the role of CEO and departure from the Company
- Approved the double hatting allowance for David Egan while covering the CEO role
- Reviewed the SMT remuneration
- Approved LTIP grants, including the RS YAY! Award, to eligible people who joined the Company in the period July to December 2022
- Approved and recommended to the Board the Committee's Terms of Reference
- Reviewed the performance of the remuneration advisor

JAN

- Conducted additional follow up shareholder engagement regarding the Remuneration Policy vote received at the 2022 AGM

MAR

- Reviewed shareholder consultation during the year and considered further action
- Reviewed the initial view of the 2022/23 outcomes for the annual bonus and 2020 LTIP against the performance targets
- Approved remuneration package for the new CEO
- Approved pay review for the SMT
- Approved fees for the Chair of the Board
- Reviewed the 2022/23 Gender Pay Gap report
- Reviewed the Committee evaluation outcome

DIRECTORS' REMUNERATION POLICY

The 2022 Remuneration Policy was approved by shareholders at the AGM held on 14 July 2022 and became effective from that date. The full Remuneration Policy as approved by shareholders is available in the Corporate Governance section of our website at: [rsgroup.com](https://www.rsgroup.com). We have set out a summary below of those parts of the Remuneration Policy which we believe shareholders will find most useful.

Details of how the Remuneration Policy has been applied during the year can be found throughout the Annual Report on Remuneration on pages 123 to 132.

Linking our reward and business strategy

The Remuneration Policy adopted at the 2022 AGM is designed to:

- align incentive and stakeholder outcomes in support of a high-performance culture, with the opportunity for significant levels of reward for the delivery of commensurately exceptional levels of performance for our stakeholders
- ensure continued alignment with best practice guidance and to reflect our ongoing commitment to the highest standards of governance

The Remuneration Policy links directly to our KPIs and how we measure our business performance. The very stretching stakeholder outcomes that our strategy has the potential to deliver is set out in detail on pages 28 to 31.

The introduction of the J2G LTIP Award aligns our remuneration with the strategy and is designed to drive continued levels of exceptional profitable growth and strategic delivery.

- To align with best practice governance:
- Executive Director pensions are aligned to the UK wider workforce level
 - The shareholding guideline has been increased from 250% to 400% of salary
 - The post-employment shareholding guidelines under which Executive Directors will be required to retain the level of in-employment guideline for two years post cessation of employment have been enhanced
 - Strengthened malus and clawback provisions have been adopted by expanding the list of events in which the Committee can invoke the provisions to include error in assessment, serious reputational damage and corporate failure

Summary of the 2022 Remuneration Policy and its operation in 2022/23

Element	Details	Implementation for 2022/23
Salary	Established by considering scope and responsibilities of the role, skills and experience, scale and complexity of the Group, overall total compensation opportunity and competitive environment including consideration of appropriate market data for companies of broadly similar size, sector and international scope to RS Group plc. Salary increases will normally be based on the same framework which applies across the UK employee population.	From 1 June 2022: Lindsley Ruth, CEO – £728,341 base salary David Egan, CFO – £475,782 base salary Increases reflected the sustained increase in the size of the business and recommitment to appropriately market competitive levels of fixed pay, but benchmarked by reference to the FTSE 50–100. From 3 November 2022 to 2 April 2023, David Egan received a double hatting allowance of £200,000 per annum pro-rated, to reflect his additional responsibilities while acting as CEO. See page 123 for further details.
Pension and benefits	Pension allowance aligned with the prevailing rate for the majority of the wider UK employee population (currently 10.5% of base salary). Other benefits include a company car (or cash allowance in lieu) and medical insurance. Executive Directors do not normally receive total taxable benefits exceeding 10% of base salary.	Reflecting prioritisation of long-term performance-based pay in the mix of the package, pension provision for the Executive Directors reduced to the rate available to, and typically chosen by, the majority of the wider UK workforce (of 10.5% of base salary). Benefits received in line with the Remuneration Policy.

Directors' Remuneration report continued

Element	Details	Implementation for 2022/23
Annual bonus	Maximum opportunity is 150% of base salary. Based on financial and strategic performance measures which the Committee considers to be aligned to the strategy and the creation of shareholder value. Such measures include revenue, profit, cash flow, NPS and ESG-related matters. Before any bonus may pay out, a threshold level of adjusted PBT must be achieved. For threshold performance, the bonus pay out will normally be nil, but in no circumstances will it exceed 10% of the maximum opportunity. For target performance, the bonus pay out will be no higher than 50% of the maximum opportunity. 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. One third of total bonus payment will be deferred as shares, which vest after two years. Dividend equivalents may be payable on shares which vest and will be delivered in the form of shares. Malus and clawback provisions apply.	The bonus for the year ended 31 March 2023 was based on: – 35% adjusted PBT – 35% like-for-like Group revenue growth – 10% adjusted free cash flow – 10% Group NPS – 10% environmental based measure of CO₂e reduction (Scope 1 and 2 emissions), for the first time. See page 124 for further details of the specific targets, the performance delivered and bonus outcomes for the year.
LTIP award	The maximum LTIP award in respect of a financial year will be 250% of salary. Awards vest after a performance period of three years, subject to the satisfaction of performance measures. The performance measures for awards are determined annually and will include metrics linked to profitability, shareholder value and capital efficiency. A further holding period of two years will apply post vesting. The level of vesting for threshold performance will be no higher than 25% of maximum. 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 if it does not reflect appropriately the underlying performance over the period or is not appropriate in the context of circumstances that were unexpected or unforeseen when awards were made. Dividend equivalents may be payable on any shares vesting and will be delivered in the form of shares. Malus and clawback provisions apply.	The performance measures for awards granted in 2022 are as follows: – 50% EPS – 50% TSR A ROCE underpin of 20% applies. 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. See page 125 for details of awards granted during the year.

Directors' Remuneration report continued

Element	Details	Implementation for 2022/23
J2G LTIP Award	The maximum J2G LTIP Award which may be granted over the life of the Policy is 750% of salary for each of the Executive Directors on a one-off basis. The J2G LTIP Award will vest based on the achievement of exceptionally stretching performance targets measured over a performance period of three years to 31 March 2025. A further holding period of two years will apply post vesting. The level of vesting for threshold performance is nil. 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 J2G LTIP Award outcomes if it does not appropriately reflect underlying performance over the period or is not appropriate in the context of circumstances that were unexpected or unforeseen when awards were made. Dividend equivalents may be payable on any shares vesting and will be delivered in the form of shares. Malus and clawback provisions apply. An Executive Director appointed during this Policy period may receive a J2G LTIP Award to align with other members of the SMT. The Committee would set any award level with due regard to the proportion of the J2G LTIP Award performance period which had elapsed at the time of appointment.	The following awards were granted in July 2022: – Lindsley Ruth – Award over 535,282 shares (lapsed in full as of 16 December 2022) – David Egan – Award over 349,668 shares (lapsed in full as of 3 May 2023) – Simon Pryce – Award over 355,427 shares to be granted as soon as is reasonably practicable The performance measures for the award are as follows: – 70% adjusted EPS – 30% a scorecard of KPIs directly linked to the strategy A ROCE underpin of 20% also applies. 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. The exceptionally stretching performance targets for the J2G LTIP Award are set out on page 126.
Shareholding guidelines	Executive Directors are expected to build up and retain a personal holding in RS Group plc shares of 400% of salary. There is an expectation that Executive Directors retain at least 50% of any vested share awards until this guideline is met.	
Post-employment shareholding requirement	Executive Directors must retain a personal holding in RS Group plc shares for a two-year period post-cessation of employment. This must be either equal to the 400% in-employment guideline or, if lower, the actual shareholding at the date of cessation of employment. The actual shareholding at cessation includes only shares which have vested (or are in a deferral or holding period, on a net-of-tax basis) from a share award which was granted after the effective date of the 2022 Remuneration Policy.	

Remuneration for the wider workforce

The remuneration for the wider workforce is based on principles broadly aligned with the Remuneration Policy. Annual salary reviews across the Group consider business performance, local pay and market conditions, individual performance and salary levels for similar roles in comparable companies.

All Executive Directors and senior managers are eligible to participate in annual bonus schemes. In line with typical market practice, opportunities and performance measures vary by organisational level, geographical region and an individual's role.

Other members of the SMT are eligible to participate in the DSBP, LTIP and the J2G LTIP awards on similar terms, including share ownership requirements. Differences apply where appropriate (e.g. in the grant levels awarded). Awards made under the J2G LTIP Award and LTIP awards are subject to performance conditions and vest after three years subject to continued employment. Outside of the SMT, managers may be invited to participate in the LTIP. All our eligible employees participate in the Company's all employee share plans. This includes an all employee RS YAY! Award as set out on page 122.

It is important that our people have the opportunity to share in the success of the business that they help create. We achieved this in 2022/23 through:

- Providing all permanent, fixed term and apprentice employees the opportunity to become business owners through the award of 100 performance shares each under our RS YAY! Award, which are subject to an adjusted profit before tax compound annual growth rate (CAGR) performance measure and are due to vest in 2025

- Providing the opportunity to 87% of our employees at all levels of the organisation to participate in a bonus programme
- Providing a Save As You Earn (SAYE) plan to further help our UK employees become shareholders
- Providing a phantom SAYE plan in those countries outside the UK where it is legally possible to do so (which is cash settled for participants)

Directors' Remuneration report continued

Consideration of employment conditions elsewhere in the Group

The Group seeks to promote and maintain good relations with employee representative bodies – including trade unions and works councils – as part of its broader employee engagement strategy and consultation on matters affecting our people and business performance as required, in each case, by law and regulation in the jurisdictions in which the Group operates. The Committee is mindful of the pay increases, incentive outcomes and share award participation in relevant markets across the rest of the Group when considering the remuneration of the Executive Directors. Our people have the opportunity to discuss various topics including the Policy and framework via various internal forums.

Chair and Non-Executive Director remuneration

Non-Executive Directors do not have service agreements, but instead have letters of appointment. The Chair's letter of appointment 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, share schemes or pension plans. Details of the policy on fees paid to the Company's Chair and Non-Executive Directors are set out in the table to the right.

Element: 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 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 (SID). 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 RS Group plc. Time commitment and responsibility are also considered when reviewing fees. The Chair and the Non-Executive Directors may be provided with accommodation and travel expenses 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 £1.2 million 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 on page 123.
Performance measures	Not applicable.

Compliance with Provision 40 and 41 of the UK Corporate Governance Code

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

As well as a focus on Executive Director remuneration, the Committee has oversight of the remuneration policies of the Group to ensure alignment with the business strategy and values. We value the contribution our people make to the success of the Group and charge management with the responsibility for ensuring a sustainable approach to the remuneration of our people.

It is important to the Committee that all our people are paid at a fair level reflecting the skills they bring. We use benchmarking information to ensure we pay competitively to attract and retain talent.

We engage regularly with employees on remuneration in general via various forums including the employee engagement survey and round tables with Executive Directors and Non-Executive Directors. Over the past year we have engaged directly with our employees on the introduction of the all employee RS YAY! Award and the transition of the UK defined contribution pension plan to a mastertrust. Also the Company has a regular communication cadence to highlight the range of benefits available, including our medical, wellbeing, employee discounts and fleet offerings. Additionally, the Company hosted a series of events to build financial awareness on topics ranging from an overview of UK capital gains tax to managing the cost of housing in the current high inflation climate.

Directors' Remuneration report continued

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 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

The 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 Group.

The annual bonus and LTIP award 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 award. Annual bonus deferral, LTIP award holding periods and our shareholding guidelines provide a clear link to the ongoing performance of the business and are therefore aligned with shareholder interests.

With regard to Provision 41, the Remuneration Policy operated as intended in terms of Company performance and quantum.

Q REMUNERATION IN ACTION:

THE RS YAY!

The RS YAY! Award is an all employee share award that gives our people the opportunity to share in the long-term success of the Company through receiving up to 100 performance shares in the Group, if the adjusted profit before tax CAGR performance target is met over a three-year period to March 2025.

This award of shares to all our eligible employees is our way of recognising the value of our people and what they do. In return they will feel a deeper connection to what we all need to achieve to help us become that purpose-led organisation. This is the RS YAY!



For the first time, all of our people have the opportunity to become shareholders in our business."

THE RS YAY!



ANNUAL REPORT ON REMUNERATION

This part of the remuneration report has been prepared in accordance with Part 3 of the revised Schedule 8 set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and Listing Rule 9.8.6R. The Annual Report on Remuneration will be put to an advisory shareholder vote at the forthcoming AGM.

Implementation of Chair and Non-Executive Directors 2022 Remuneration Policy for the year ended 31 March 2023

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 2023 and the prior year:

	Total fees		Taxable expenses	
	2023	2022	2023	2022
Rona Fairhead	£366,800	£350,000	£5,213	£3,821
Alex Baldock ¹	£64,662	£35,992	£1,756	£111
Louisa Burdett	£79,662	£76,700	£2,089	£14
Navneet Kapoor ²	£53,885	–	£1,275	–
Bessie Lee	£69,662	£65,867	£5,437	£16,671
Simon Pryce ³	£78,854	£76,700	£1,822	£27
David Sleath	£79,662	£76,700	£1,550	–
Joan Wainwright ⁴	£70,470	£65,867	£13,885	£28,993

1. Alex Baldock was appointed to the Board on 1 September 2021.

2. Navneet Kapoor was appointed to the Board on 1 June 2022.

3. Simon Pryce stepped down as a member and Chair of the Remuneration Committee on 14 March 2023, following confirmation of his appointment to CEO of the Group from 3 April 2023.

4. Joan Wainwright was appointed Chair of the Remuneration Committee on 14 March 2023.

The Non-Executive Directors received base fees of £64,662 per annum. Fees were paid on a pro rata basis reflecting length of time in the role. Additional fees of £15,000 per annum are paid in respect of the SID role and to the Chairs of the Audit and Remuneration Committees. The Chair of the Nomination Committee role is conducted by Rona Fairhead, Chair of the Board. Rona does not receive an additional fee for chairing the Nomination Committee. Bessie Lee and Joan Wainwright each received an additional fee of £5,000 per annum for their role as the Board's representatives on employee engagement.

Implementation of Executive Director 2022 Remuneration Policy for the year ended 31 March 2023

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 2023 and the prior year. The value of the annual bonus includes the element of bonus deferred under the DSBP, where relevant.

	Lindsley Ruth		David Egan	
	2023 ¹	2022	2023	2022
Base salary	£506,864	£663,920	£469,235	£433,699
Double hatting allowance ²	–	–	£82,051	–
Taxable benefits ³	£12,611	£17,667	£15,970	£16,161
Pension benefit ⁴	£70,678	£119,506	£60,673	£78,066
Total fixed	£590,153	£801,093	£627,929	£527,926
Annual bonus ⁵	£327,893	£801,844	£300,694	£523,796
LTIP ^{6,7}	£895,303	£1,232,662	£646,873	£676,379
SAYE award discount ⁸	–	–	–	£7,474
Total variable	£1,223,196	£2,034,506	£947,567	£1,207,649
Total	£1,813,349	£2,835,599	£1,575,496	£1,735,575

1. The total remuneration for Lindsley Ruth in 2022/23 details his actual earnings up to 16 December 2022, when he stepped down as CEO and Director of the Board.

2. David Egan was paid a double hatting allowance of £200,000 per annum, pro rata for the period 3 November 2022 to 2 April 2023 for acting in the role of CEO. The allowance earned during 2022/23 has been included in the above table.

3. Taxable benefits consist of medical insurance, car allowance and personal fuel allowance.

4. Each of the Executive Directors received the amounts shown above as a cash supplement in lieu of pension. The pension allowance was reduced from 18% to 10.5% of base salary from 14 July 2022 and the actual amount received included above. The figures above include an overpayment to Lindsley of £2,521 and David of £1,647, which will be recovered in full from their June 2023 payroll. No Executive Director has prospective benefits under a defined benefit pension relating to qualifying service.

5. Annual bonus shows the full value of the annual bonus in respect of each year. The bonus is subject to service conditions set out in the Remuneration Policy, which is available in the Corporate Governance section of our website at [rsgroup.com](https://www.rsgroup.com). For 2022/23, the formulaic outcome of the bonus was 63.2% of maximum, no discretion was applied. For 2022/23, Lindsley's bonus payment was time pro-rated to 16 December 2022 to reflect the period worked in the year. Both Lindsley and David's bonuses will be delivered without the share deferral element. For 2021/22 Lindsley and David received this value as one third shares and two thirds cash. Further detail can be found on page 124 for 2022/23 and page 125 for 2021/22.

6. The LTIP award value for 2022/23 shows the value of LTIP awards made on 19 November 2020. The plan will vest at 50% of maximum and has been time pro-rated to 16 December 2022 for Lindsley Ruth, to reflect the proportion of the performance period he held the role of CEO. The value on vesting of the LTIP award has been calculated using the share price of 948.83p, being the average Middle Market Quota (MMQ) share price over the three months to 31 March 2023 and will be updated in the 2023/24 Annual Remuneration Report based on the actual share price on the date of vesting. The figure includes a dividend equivalent payment of £56,822 for Lindsley and £41,055 for David in respect of the shares vesting which will be delivered in the form of shares. £169,193 of the total value for Lindsley and £122,245 of the total value for David is in respect of the share price growth and dividends over the period since grant, based on the assumed share price of 948.83p. Based on the increase in the share price from the date of grant to that used in the valuation above, the increase in the share price for each share vesting was 127.16p. The proportion of the value disclosed in the single figure attributable to share price appreciation is £112,371 for Lindsley Ruth and £81,190 for David Egan. The Committee did not exercise any discretion in respect of the share price appreciation. Further detail can be found on page 124.

7. The LTIP award value for 2021/22 shows the value of the awards which vested on 18 July 2022. The value of the 2019 LTIP Award has been restated based on the share price on the date of vesting of 939.35p. The figure includes dividend equivalent payments of £66,168 to Lindsley and £36,296 to David in respect of the shares vesting. £493,785 of the total value for Lindsley and £270,940 of the total value for David is in respect of the share price growth and dividends over the period between grant and vesting.

8. The SAYE Award discount for 2021/22 is the difference between grant date value per share and the exercise price of 824.00p.

Directors' Remuneration report continued

Incentive outcomes for the year ended 31 March 2023 (audited)**Annual bonus in respect of performance for the year ended 31 March 2023**

The performance measures, target ranges and performance against each of the measures for the 2022/23 annual bonus are outlined in the table below. Targeted performance was calibrated to deliver a bonus of 75% of salary for the Executive Directors (50% of the maximum opportunity), with bonus payments worth up to 150% of salary for achieving stretch performance targets.

Based on the Group's performance in 2022/23, a bonus outcome of 63.2% of maximum bonus was achieved. In line with good practice and the terms of our 2022 Remuneration Policy, the Committee considered the formulaic bonus outcome in the context of business performance for the year in its broadest sense. This review considered the resilience of delivery given the impact of ongoing external challenges, as well as the overall experience of all the Group's stakeholders and the intended purpose of the award. No discretion has been applied to the Executive Director bonuses. The Committee considered this to be appropriate. Further background on financial performance for the year ended 31 March 2023 is provided in the Strategic Report.

Full details of the target ranges and performance against each of the measures, are as follows:

Measure and weighting	Performance level	Payout (% of max bonus)	Target	Actual performance	Earned bonus (% of max)
Adjusted PBT (35% weighting)	Threshold	0.0%	£361.6m	£390.7m	28.2%
	Target	17.5%	£381.6m		
	Maximum	35.0%	£396.6m		
Like-for-like Group revenue growth (35% weighting)	Threshold	0.0%	8.2%	10.1%	11.0%
	Target	17.5%	11.2%		
	Maximum	35.0%	13.2%		
Adjusted free cash flow (10% weighting)	Threshold	0.0%	£166.6m	£263.6m	10.0%
	Target	5.0%	£186.6m		
	Maximum	10.0%	£196.6m		
Group NPS (10% weighting)	Threshold	0.0%	49.0	50.2	4.0%
	Target	5.0%	50.5		
	Maximum	10.0%	52.0		
CO ₂ e reduction (Scope 1 and 2 emissions) (10% weighting)	Threshold	0.0%	6.0%	21.0%	10.0%
	Target	5.0%	8.0%		
	Maximum	10.0%	16.0%		
Total					63.2%

The final bonus outcome of 63.2% of maximum will result in a payment for Lindsley Ruth of £327,893, reflecting that his bonus was time pro-rated to 16 December 2022 and will be paid without the share deferral element. For David Egan a payment of £300,694 will be paid without the share deferral element.

2020 LTIP Awards vesting

A grant of shares was made under the LTIP rules in November 2020 to Lindsley Ruth over 195,486 shares, the maximum number of shares capable of vesting is 176,740 as a result of being time pro-rated to 16 December 2022. David Egan was granted an award over 127,699 shares. Due to COVID-19 the grant of the 2020 LTIP Award was delayed from June 2020 to November 2020 to mitigate the risk of unexpected windfall gains following the decline of the share price at that time. Ultimately, this resulted in the LTIP awards being granted in November 2020 at a higher share price compared to if the awards had been granted in June 2020. The performance measures, target ranges and performance against each of the measures over the three years ended 31 March 2023 are summarised in the table below:

Measure	Weight	Threshold (25% of max)	Maximum (100% of max)	Performance achieved	Vesting (% of maximum)
Adjusted EPS (cumulative 2020/21, 2021/22, 2022/23) ¹	50%	105.0p	130.0p	146.2p	50.0%
TSR (vs industrial / electronic peer group) ¹²	50%	Median	Upper quartile	11 of 17	0%
ROCE (average over 2020/21, 2021/22, 2022/23)	Underpin 20%			26.3%	
Total 2020 LTIP Award vesting					50.0%

1. Straight-line vesting between measurement points. Vested awards will be subject to a two-year holding period post vesting.

2. TSR peer group comprises ABB, Arrow Electronics, Avnet, Bunzl, Datwyler, Essentra, Fastenal, Ferguson, MSC Industrial Direct, Rexel, Rockwell, Schneider, Siemens, TE Connectivity, WESCO International and WW Grainger.

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, the intended purpose of the award and considered whether any discretion should be applied. The Committee considered the level of vesting to be appropriate and no discretion was applied.

Payments to past Directors (audited)

There were no payments to past Directors during the year.

Directors' Remuneration report continued

Payments for loss of office (audited)

Lindsley Ruth	Outcome
Base salary	In line with his service contract, Lindsley will receive his base salary for the duration of his 12-months' notice period, which commenced on 16 December 2022. Full details on the payment in the year ending 31 March 2023 are set out on page 123.
2020, 2021 and 2022 LTIP Awards	Consistent with best practice, the LTIP awards will vest subject to the satisfaction of the performance conditions assessed over the normal three-year performance period and will be time pro-rated to 16 December 2022. These awards remain subject to a two-year post vesting holding period and recovery provisions (malus and clawback) after he leaves the Company.
J2G LTIP Award	The J2G LTIP Award granted in July 2022 has lapsed in full.
2021 and 2022 DSBP	The shares granted were taxed as of 16 December 2022 to comply with the short-term deferral exemption from section 409A of the US Internal Revenue Service. Shares were sold to settle tax liabilities, with the balance of shares being retained in a nominee account until the normal vesting date.
2023 Annual bonus	An annual bonus in respect of 2022/23, time pro-rated to 16 December 2022, will be paid, subject to the achievement of performance targets. The deferred element of the award will not be granted. No further bonuses will be paid to Lindsley.
Other payments	– £30,000 was made in support of his relocation from the UK to the US – Up to £50,000 for the option of outplacement support – Up to £10,000 tax advice contribution (in connection with termination of employment) and up to £10,000 per annum for each year in which there is trailing employment income – Up to £10,000 for legal fees – Benefits which include UK and US medical cover, pension allowance and car and fuel allowances will continue until 15 December 2023
David Egan	Outcome
Base salary	David will be on gardening leave for the first six months of his notice period. Thereafter he will be paid in lieu of notice for the final six months of his notice period ending on 2 May 2024. During both periods he will receive his base salary on a monthly basis. Full details on the payment in the year ending 31 March 2023 are set out on page 123.
2020 LTIP Award	Consistent with best practice, the LTIP awards will vest subject to the satisfaction of the performance conditions assessed over the normal three-year performance period. These awards remain subject to a two-year post vesting holding period and recovery provisions (malus and clawback) after he leaves the Company.
2021 and 2022 LTIP Awards	The 2021 and 2022 LTIP Awards granted June 2021 and July 2022 have lapsed in full.
J2G LTIP Award	The J2G LTIP Award granted in July 2022 has lapsed in full.
2021 and 2022 DSBP	The DSBP awards due to vest in June 2023 and 2024 will vest in full. The shares from the 2022 award will be taxed at David's termination date, 3 November 2023, but the after-tax shares will not be released until the normal vesting date. The shares from the 2021 award will vest and be taxed at the normal vesting date. All DSBP shares are subject to clawback, which remains in force after he leaves the Company.
2023 Annual bonus	An annual bonus in respect of 2022/23 will be paid, subject to the achievement of performance targets. The deferred element of the award will not be granted. No further bonuses will be paid to David.
Other payments	– Up to £50,000 for optional outplacement support and other professional support – Up to £10,000 for legal fees in connection with the termination of his employment – Benefits which include medical cover, pension allowance and car and fuel allowances will continue until 3 November 2023.

Scheme interests awarded during the year ended 31 March 2023 (audited)

DSBP

During the year under review the following DSBP awards were granted to Executive Directors, relating to annual bonus earned for performance over the year ended 31 March 2022. The shares have a two-year vesting period and are subject to two years' continuous employment.

	Lindsley Ruth	David Egan
Basis of award	One third of earned bonus	One third of earned bonus
Number of deferred shares awarded	27,721	18,108
Award date face value (964.17p per share) ¹	£267,278	£174,592
Performance conditions	None	None

1. The awards were made using the average of the share prices for the three dealing days immediately preceding 21 July 2022, the date the deferred shares were awarded. The shares will be delivered in the form of restricted shares to be held for a period of two years.

The treatment of both Lindsley and David's 2021 and 2022 deferred bonus awards are summarised to the left.

2022 LTIP Award

During the year under review the following LTIP Awards were granted to the Executive Directors:

	Lindsley Ruth	David Egan
Basis of award (% of base salary)	250%	250%
Number of performance shares awarded ¹	188,851	123,365
Award date face value (964.17p per share) ²	£1,820,845	£1,189,448
Performance period	1 April 2022 – 31 March 2025	
Threshold vesting outcome	25%	
Post-vesting holding period	Two years	

1. Lindsley Ruth's unvested 2022 LTIP Award was time pro-rated to 16 December 2022 and, therefore, the maximum number of shares capable of vesting is 44,800. David Egan's 2022 LTIP Award lapsed in full on 3 May 2023.
 2. The awards were made using the average of the share prices for the three dealing days immediately preceding 21 July 2022, the date performance shares were awarded. The shares were awarded as performance shares, the performance conditions are detailed below.

The performance conditions are as follows:

Measure	LTIP targets		
	Weight	Threshold (25% of max)	Maximum (100% of max)
Adjusted EPS CAGR (three-year CAGR of the 2024/25 adjusted EPS compared with the 2021/22 adjusted EPS)	50%	7%	15%
TSR (vs industrial / electronic peer group) ^{1,2}	50%	Median	Upper quartile
ROCE (average of 2022/23, 2023/24, 2024/25)	Underpin at 20% If the underpin is not met, the 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.
 2. TSR peer group is detailed on page 124.

Directors' Remuneration report continued

J2G LTIP Award

During the year under review the following one-off J2G LTIP Awards were granted to both Executive Directors:

	Lindsley Ruth	David Egan
Basis of award (% of base salary)	750%	750%
Number of performance shares awarded	535,282	349,668
Award date face value (1,020.50p per share) ¹	£5,462,553	£3,568,362
Performance period	1 April 2022 – 31 March 2025	
Threshold vesting outcome	0%	
Post-vesting holding period	Two years	

1. The awards were made using the average of the MMQ share prices for the dealing in the period 9 to 29 March 2022 (1,020.50p). The shares were awarded as performance shares, the performance conditions are detailed below.

Both Lindsley's and David's awards lapsed in full on 16 December 2022 and 3 May 2023 respectively.

As set out in last year's Annual Report on Remuneration, the performance targets were set at exceptional levels of stretch. The EPS target range is set such that the threshold level of vesting (at which nil vests) requires growth in excess of the top end of the base 2022 LTIP Award range. Maximum vesting of the EPS target would equate broadly to a 2024/25 adjusted EPS of above 90p, and assuming no change to multiples, would translate into shareholder value creation of around £3 billion, of which the total J2G LTIP Award cost would be c. 1%. The quantum of the awards reflects the potential value creation that could be delivered to the business and all its stakeholders.

The performance conditions are as follows:

Measure	Weight	Threshold (0% of max)	Maximum (100% of max)
Adjusted EPS CAGR (three-year CAGR of the 2024/25 adjusted EPS compared with the 2021/22 adjusted EPS)	70%	15%	21%
Key long term performance indicators (KPIs) scorecard (see to the right)	30%		
ROCE (average of 2022/23, 2023/24, 2024/25)		Underpin at 20% If the underpin is not met, the 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.	

The scorecard comprises the specific KPIs which will reflect execution of the strategy in each area best, with specific focus on cultural transformation, operational and growth acceleration (with financials already reflected in the EPS component). The scorecard measures each have a stretching target range, which have been calibrated robustly to represent upper quartile levels of performance for threshold and upper decile for maximum payment. The scorecard measures and weighting are:

	Weighting	Measure	Threshold	Maximum
Cultural transformation	7.5%	Employee engagement score To be measured based on the 2024/25 Group employee engagement survey outcome.	Upper quartile	Upper decile
Operational efficiency	7.5%	On Time To Promise (OTTP) Available product delivered when expected in a cost effective and efficient manner. Performance to be measured over the three-month period ending 31 March 2025.	95%	98%
Growth accelerators	5.0%	Web revenue Increased web traffic, increasing average order value and increasing average order frequency. Performance to be measured on web revenue CAGR over the three-year period ending 31 March 2025.	12.0%	14.5%
	5.0%	Service solutions revenue To be more solutions led, solve customers' challenges, drive value to stakeholders and drive greater customer loyalty and pull through products. Performance to be measured on service solutions revenue CAGR over the three-year period ending 31 March 2025.	12.5%	15.5%
	5.0%	New product introduction (NPI) revenue A wider product range, driven by data insights to ensure it is relevant, increases customer loyalty and helps the Group become their first choice. It also represents deeper supplier relationships. A product is included as an NPI for 12 months from its introduction into the Group's product range. Once it has been in the Group's product range for a year its future revenue is not included in NPI revenue. Performance to be measured on NPI revenue CAGR over the three-year period ending 31 March 2025.	14.5%	26.0%

Directors' Remuneration report continued

SAYE

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

Total pension entitlements (audited)

The pension rate for Executive Directors is 10.5%, which aligns with the prevailing rate for the majority of the wider UK employee population, having been reduced from 18% with effect from 14 July 2022. Executive Directors have no prospective entitlement to a defined benefit pension by reason of qualifying service.

External appointments

Lindsley Ruth was appointed non-executive director of Ashtead Group plc on 1 May 2019.

Percentage change in remuneration of the Directors and employees as 31 March 2023

The table below shows the percentage change in the annual cash remuneration of the Directors (comprising base salary / fees, the value of taxable benefits and earned annual bonus), as disclosed in the single figure for total remuneration (tables on page 123) from the prior year compared with the average percentage change for all UK employees of the Group. This group consists of UK based SMT and employees. If the Directors did not serve a full year their base salary / fee is annualised. This table will be built up over time to show the required five year history.

The upward change in bonus reflects the strong performance of 2022/23 bonus plans across the Group and increased employee participation levels. Benefits provided for broader employees include medical insurance and for some employees vehicle or vehicle allowance. The increase in benefits for broader employees is explained by high levels of medical inflation impacting the cost of our plans, an increase to vehicle allowances, and people changing vehicle selection and medical coverage levels or opting into of the medical plan. Additionally, the RS Safety Solutions employees benefit options increased in the year to align with options for other UK employees.

	Base salary / fees			Taxable benefits			Annual bonus		
	Change 2022/23	Change 2021/22	Change 2020/21	Change 2022/23	Change 2021/22	Change 2020/21	Change 2022/23	Change 2021/22	Change 2020/21
Lindsley Ruth ¹	8.2%	3.2%	0%	0.6%	0.1%	0%	(42.6)%	3.0%	272.9%
David Egan ²	8.2%	3.2%	0%	(1.2)%	0.1%	0%	(42.6)%	3.0%	272.9%
Rona Fairhead ³	4.8%	223.1%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Alex Baldock ⁴	4.8%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Louisa Burdett	3.9%	9.6%	0%	N/A	N/A	N/A	N/A	N/A	N/A
Bessie Lee ⁵	5.8%	9.8%	0%	N/A	N/A	N/A	N/A	N/A	N/A
Navneet Kapoor ⁶	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Simon Pryce ⁷	2.8%	9.6%	0%	N/A	N/A	N/A	N/A	N/A	N/A
David Sleath ⁸	3.9%	(2.1)%	0%	N/A	N/A	N/A	N/A	N/A	N/A
Joan Wainwright ⁹	7.0%	9.8%	0%	N/A	N/A	N/A	N/A	N/A	N/A
UK based SMT and employee population	8.1%	1.92%	1.3%	5.6%	(6.41)%	(1.5)%	20.3%	17.7%	114.5%

1. Lindsley Ruth stepped down from the Board on 16 December 2022. Lindsley's bonus will be delivered without the share deferral element. Further detail can be found on page 125. The change between 2021/22 and 2022/23 has been calculated on an annualised basis.
2. David Egan was paid a double hatting allowance of £200,000 pro-rated for the period 3 November 2022 to 2 April 2023 as compensation for covering the CEO role, which is excluded from the above table. David's bonus will be delivered without the share deferral element. Further detail can be found on page 125.
3. Rona Fairhead was appointed to the Board on 1 November 2020 as Non-Executive Director and received the Non-Executive Director base fee until she became Chair of the Board and Nomination Committee on 1 February 2021, at which point her fee was increased to the Chair's fee at that time of £350,000.
4. Alex Baldock was appointed to the Board on 1 September 2021.
5. Bessie Lee was appointed as Board employee engagement representative on 1 June 2021.
6. Navneet Kapoor was appointed to the Board on 1 June 2022.
7. Simon Pryce stepped down as Chair of the Remuneration Committee on 14 March 2023, following confirmation of his appointment as CEO of the Group effective 3 April 2023.
8. David Sleath stepped down as Chair of the Nomination Committee on 31 January 2021.
9. Joan Wainwright was appointed as Board employee engagement representative on 1 June 2021 and Chair of the Remuneration Committee on 14 March 2023.

Directors' Remuneration report continued

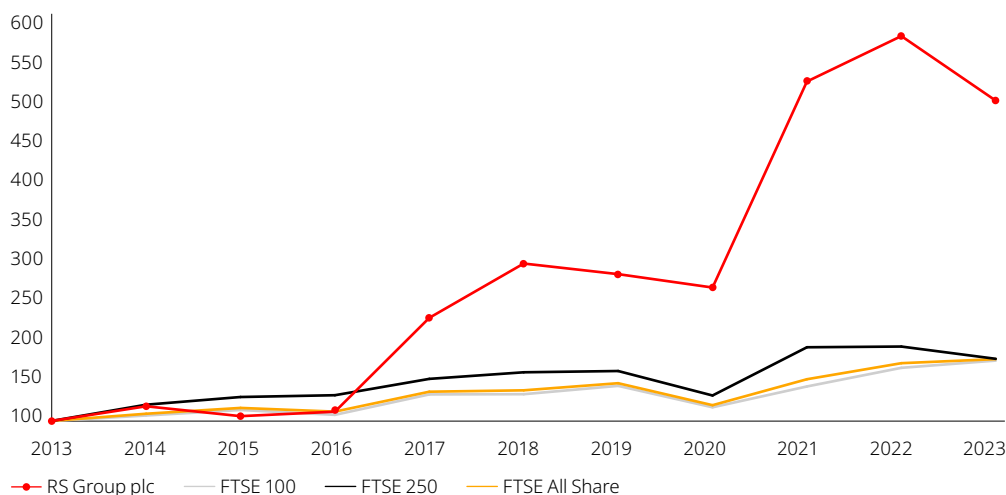
Performance graph and table

The following graph shows the 10-year TSR performance of the Company relative to the FTSE 250, FTSE 100 and All Share Indices. The FTSE All Share, FTSE 100 and FTSE 250 are broad equity market indices of which RS Group plc has been a member in this period.

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 2013).



Source: Datastream

	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	Year ended 31 March 2021	Year ended 31 March 2022	Year ended 31 March 2023	
	Ian Mason	Ian Mason	Lindsley Ruth	Lindsley Ruth	Lindsley Ruth	Lindsley Ruth	Lindsley Ruth	Lindsley Ruth	Lindsley Ruth	Lindsley Ruth ²	David Egan ³
CEO total remuneration	1,287	891	2,072	1,401	4,410	4,421	2,551	2,578	2,976	1,813	487
Annual bonus award (as a % of maximum opportunity)	89.1%	16.9%	23.8%	82.5%	90.1%	68.0%	21.7%	80.8%	80.0%	63.2%	63.2%
LTIP award vesting (as a % of maximum opportunity)	0%	0%	N/A ¹	N/A ¹	100%	100%	91.3%	74.7%	46.0%	50.0%	50.0%

1. Lindsley Ruth joined the Company in 2015 and therefore did not receive any vested LTIP Awards in 2016 and 2017.

2. Lindsley Ruth's remuneration for the year ended 31 March 2023 is pro-rated to reflect that he stepped down from the role of CEO on 16 December 2022.

3. David Egan's remuneration for the year ended 31 March 2023 has been adjusted to reflect the period he acted as CEO (17 December 2022 to 31 March 2023).

CEO Pay Ratio reporting

Year	Method	25th percentile pay ratio			Median pay ratio			75th percentile pay ratio		
		Salary	Total pay & benefits	Ratio	Salary	Total pay & benefits	Ratio	Salary	Total pay & benefits	Ratio
2023 ¹	A	£22,442	£25,349	104:1	£27,422	£32,845	80:1	£44,000	£55,134	48:1
2022	A	£21,048	£22,552	115:1	£25,000	£27,770	93:1	£40,137	£46,333	56:1
2021	A	£20,277	£25,813	99:1	£24,000	£31,404	88:1	£37,664	£51,858	49:1
2020	A	£18,050	£20,427	207:1	£22,000	£25,424	166:1	£33,721	£40,300	105:1

1. UK-based employee data was taken from 31 March 2023. CEO data was taken as at 31 March 2023; annual incentive and LTIP reflect the figures detailed for 2022 in the single figure for total remuneration table on page 123.

The Company adopted Method A in the regulations to calculate the pay ratios because this is considered to be the most statistically robust methodology. Under Method A the total pay and benefits has been calculated on a full-time equivalent basis to identify the 25th percentile, median and 75th percentile people. No elements of pay have been omitted from the calculation and there has been no deviation from the single figure methodology.

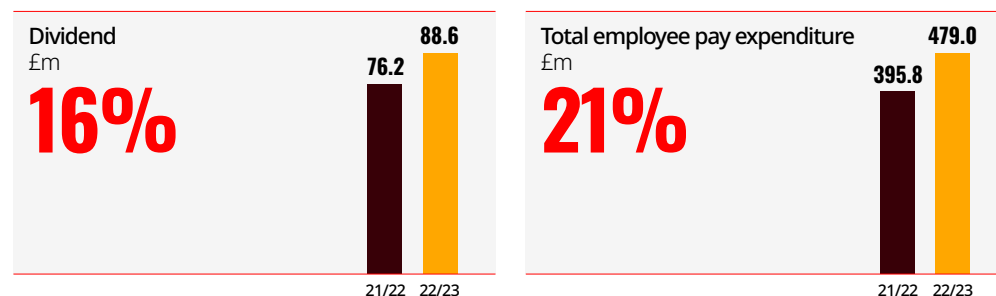
As a result of Lindsley Ruth stepping down from the role of CEO on 16 December 2022, the CEO pay ratio was calculated using his earnings to this date, and those of David Egan while acting as CEO for the balance of the year, including his double hatting allowance. This has resulted in a reduction to the ratios as result of David's remuneration being substantially below that of Lindsley's. Had Lindsley held the CEO position for the full year we would have expected the ratios to have been consistent with 2022.

In line with the Company's reward practices, the median pay ratio employee receives a base salary at market rates for their role and is eligible for the full range of benefits available to their peers of the same level within the organisation.

Directors' Remuneration report continued

Relative importance of spend on pay

The graphs below show total dividend paid by the Company to shareholders and expenditure on total employee pay for the year and the prior year, and the percentage change year on year.



The total employee pay expenditure figures above include labour exit costs set out in Note 7 on page 157.

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 on 31 March 2023. For 2022/23, Executive Directors were expected to build up a personal holding of 400% of salary in RS Group plc shares.

	Owned outright ¹	Shareholding guideline % base salary	Current holding % salary ¹	Guideline met?	Share awards held		Options held
					LTIP unvested, subject to performance (A) ²	DSBP unvested, not subject to performance (B) ³	SAYE, unvested but not subject to performance (C)
Lindsley Ruth	1,062,828	400%	1,385%	Yes	316,171	–	5,235
David Egan	418,282	400%	834%	Yes	709,134	34,565	3,640
Alex Baldock	2,239						
Louisa Burdett	–						
Rona Fairhead	49,976						
Navneet Kapoor	–						
Bessie Lee	–						
Simon Pryce	54,000						
David Sleath	10,590						
Joan Wainwright	–						

1. The number of shares and current holding percentage of salary is shown as at 16 December 2022 for Lindsley Ruth and 31 March 2023 for David Egan.

2. Including J2G LTIP Award, where applicable. As set out on page 125, on stepping down from the Board Lindsley Ruth's unvested LTIP awards were time pro-rated to 16 December 2022 and his J2G LTIP Award lapsed in full and the number shown is the time pro-rated maximum number of share awards capable of vesting.

3. In light of Lindsley Ruth stepping down as CEO, his 2021 and 2022 DSBP shares vested on 16 December 2022. Shares were sold to settle tax liabilities and the balance of shares are to be retained until the normal vesting date.

The value of the shares used to calculate whether the shareholding guideline is met is 948.83p, being the average MMQ share price over the three months ended 31 March 2023. Between the year end and the date of this Annual Report and Accounts, there has been no movement in current Directors' shareholdings. Details of the scheme interests contained in columns A–C are provided in the table to the left.

Post-employment shareholdings

For Lindsley, the two-year holding period continues to apply to the 2018 LTIP Award which vested in June 2021 and the 2019 LTIP Award which vested in July 2022. In addition to the LTIP holding periods and the DSBP deferral periods set out on the page 125, the 2022 DSBP shares retained cannot be sold until 15 December 2025.

For David, the two-year holding period continues to apply to the 2018 LTIP Award which vested in June 2021 and the 2019 LTIP Award which vested in July 2022. In addition the LTIP holding periods and DSBP deferral periods set out on page 125 continue to apply.

Advisors

Deloitte 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). There is no connection between Deloitte, the Company or its Directors.

During the year Deloitte provided advice in several areas, including:

- Independent advice to support the Committee in setting performance targets
- Support in drafting the Directors' Remuneration Reports for the years ended 31 March 2022 and 2023
- 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 of Conduct 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 £63,700.

Executive Directors' service contracts

Lindsley Ruth entered a service contract with the Company on 1 April 2015; as explained on page 114, he stepped down from his role as CEO on 16 December 2022 and his contract will terminate on 15 December 2023. Lindsley will remain on gardening leave for the remaining duration of his contract.

David Egan entered a service contract with the Company on 1 March 2016; as explained on page 114, he resigned from his role as CFO on 3 May 2023 and his contract will terminate on 3 November 2023. David will remain on gardening leave for the remaining duration of his contract.

Simon Pryce entered a service contract with the Company on 13 March 2023, with an effective date of 3 April 2023. This contract has no fixed term and will continue until terminated by either party providing 12 months' notice.

Directors' Remuneration report continued

Director's share scheme interests (audited)

Share awards

	Scheme	Notes	Date of award	Shares awarded on 1 April 2022	Awarded during the year	Vested during the year	Lapsed during the year	Shares awarded on 31 March 2023	Normal Vesting date
Lindsley Ruth	LTIP	1, 3	18 Jul 19	269,959	7,044	131,225	145,778	–	18 Jul 22
			19 Nov 20	195,486	–	–	18,746	176,740	4 Jun 23
			24 Jun 21	165,945	–	–	71,314	94,631	24 Jun 24
			21 Jul 22	–	188,851	–	144,051	44,800	21 Jul 25
	J2G LTIP	1,2	21 Jul 22	–	535,282	–	535,282	–	21 Jul 25
	DSBP	3	8 Jun 20	30,216	979	31,195	–	–	8 Jun 22
			9 Jun 21	25,193	650	25,843	–	–	9 Jun 23
			21 Jul 22	–	28,437	28,437	–	–	21 Jul 24
Total				686,799	761,243	216,700	915,171	316,171	
David Egan	LTIP	1, 3	18 Jul 19	148,133	3,864	72,005	79,992	–	18 Jul 22
			19 Nov 20	127,699	–	–	–	127,699	4 Jun 23
			24 Jun 21	108,402	–	–	–	108,402	24 Jun 24
			21 Jul 22	–	123,365	–	–	123,365	21 Jul 25
	J2G LTIP	1,2	21 Jul 22	–	349,668	–	–	349,668	21 Jul 25
	DSBP	3	8 Jun 20	19,738	640	20,378	–	–	8 Jun 22
			9 Jun 21	16,457	–	–	–	16,457	9 Jun 23
			21 Jul 22	–	18,108	–	–	18,108	21 Jul 24
Total				420,429	495,645	92,383	79,992	743,699	

1. All awards made to the Executive Directors under the LTIP and J2G LTIP awards are subject to performance conditions set out on pages 125 and 126 respectively. The normal vesting date for the LTIP award is the third anniversary of grant, the 2019 LTIP Award vested on 18 July 2022.

2. Lindsley Ruth's J2G LTIP Award lapsed in full on 16 December 2022 when he stepped down from his role as CEO. The lapse in full of David Egan's J2G Award, 2021 LTIP and 2022 LTIP Awards on 3 May 2023 will be reported in next year's report.

3. Shares in lieu of dividends were awarded upon vesting of the 2019 LTIP Award, the 2020 DSBP and Lindsley Ruth's 2021 and 2022 DSBP.

Share options

	Scheme	Date of grant	Vesting date	Expiration date	Exercise price	Shares under option 1 April 22	Granted during the year	Exercised during the year	Lapsed during the year	Shares under option 31 March 23
Lindsley Ruth	SAYE	7 Sep 20	1 Nov 25	30 Apr 26	573.00p	5,235	–	–	–	5,235
Total						5,235	–	–	–	5,235
David Egan	SAYE	10 Sep 21	1 Nov 26	30 Apr 27	824.00p	3,640	–	–	–	3,640
Total						3,640	–	–	–	3,640

Directors' Remuneration report continued

Summary of shareholder voting

Summarised below are the results at the 2022 AGM vote on the Remuneration Policy, the 2022 AGM vote on the Directors' Remuneration Report (excluding the part summarising the policy) and the 2022 AGM vote on the LTIP:

2022 vote on Directors' Remuneration Policy	Total number of votes	% of votes cast
For (including discretionary)	230,629,838	60.77%
Against	148,894,394	39.23%
Total votes cast (excluding withheld votes)	379,524,232	
Votes withheld	25,152,385	
Total votes (including withheld votes)	404,676,617	

2022 vote on Directors' Remuneration Report (excluding the part summarising the policy)	Total number of votes	% of votes cast
For (including discretionary)	391,422,951	98.42%
Against	6,292,878	1.58%
Total votes cast (excluding withheld votes)	397,715,829	
Votes withheld	6,960,788	
Total votes (including withheld votes)	404,676,617	

2022 vote on Long Term Incentive Plan Rules	Total number of votes	% of votes cast
For (including discretionary)	379,646,371	93.82%
Against	25,007,498	6.18%
Total votes cast (excluding withheld votes)	404,653,869	
Votes withheld	22,748	
Total votes (including withheld votes)	404,676,617	

Further detail on the 2022 Remuneration Policy engagement is set out on page 116.

Remuneration Policy implementation for the Chair and Non-Executive Directors for the year ending 31 March 2024

Following a review, the fees for the Chair and Non-Executive Directors will be increased by 3%. The pay increases for UK employees are expected to be 5% for managers and 5.9% for non-management employees. With effect from 1 April 2023, the Chair's fees increased from £366,800 to £377,804 and the Non-Executive Directors' fees were increased from £64,662 to £66,601. The additional fees for the Audit and Remuneration Committee Chairs and SID (£15,000) and roles in respect of employee engagement (£5,000) remain unchanged.

Remuneration Policy implementation of Executive Directors for the year ending 31 March 2024

Base salary

Base salary for the Executive Director effective from 1 June 2023 (with the prior year comparator and the change) are shown below:

	Base salary effective 1 June 2023	Base salary effective 1 June 2022	Change
Simon Pryce ¹	£750,191	–	–

1. Simon Pryce was appointed to the role of CEO on 3 April 2023 with a base salary of £750,191 which is a modest increase of 3% from his predecessor's. Simon's base salary will not be increased in 2023/24.

Benefits

Benefits will be provided in accordance with the Remuneration Policy. There are no changes in benefits compared to the prior year.

Pension

The pension rate for Executive Directors is 10.5%, which aligns with the prevailing rate for the majority of the wider UK employee population.

Performance-related annual bonus

The maximum annual bonus opportunity for Executive Directors will remain unchanged at 150% of base salary. Simon Pryce's annual bonus will be pro-rated from the date of his appointment.

The annual bonus will be based on a balanced set of key financial and strategic targets for the year, as set out below:

Performance measure	Weighting
Adjusted PBT	30%
Like-for-like Group revenue growth	30%
Adjusted free cash flow	15%
CO ₂ e reduction (scope 1 and 2 emissions)	15%
Individual strategic targets	10%

The specific targets are considered 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 be no longer sensitive, will be disclosed retrospectively in the annual report on remuneration for the relevant year.

The Committee retains the discretion within our Remuneration Policy to adjust the overall bonus outcome to ensure alignment of pay with performance and fairness to shareholders and participants.

Before any bonus may be paid, a threshold level of adjusted PBT must be achieved. One-third of any bonus earned by Executive Directors will be deferred into shares for a further two years under the DSBP.

Directors' Remuneration report continued

2023 LTIP Award

Simon Pryce will be granted a 2023 LTIP Award of 250% of salary in accordance with the Remuneration Policy.

The performance measures of adjusted EPS and TSR are consistent with the prior year. The bespoke TSR peer group of 16 of the Group's global peers (as set out on page 124) will remain unchanged.

Vesting of these awards will be determined in accordance with the following performance targets measured over the three years ending 31 March 2026.

Measure	Weight	Threshold (25% of max)	Maximum (100% of max)
Adjusted EPS CAGR (three-year CAGR of the 2025/26 adjusted EPS, compared with the 2022/23 adjusted EPS)	50%	5%	10%
TSR (vs industrial / electronic peer group) ^{1,2}	50%	Median	Upper quartile
ROCE (average of 2023/24, 2024/25, 2025/26)	Underpin 20% If the underpin is not met, the 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.

2. TSR peer group is detailed on page 124.

Taking account of internal forecasts of performance over the performance period, the challenging markets conditions in which the Group operates, our long-term growth ambitions and the expectations of the investment community of the Group's future potential performance, the adjusted EPS targets are considered to be appropriately stretching. Maximum pay-out requires the delivery of an ambitious upper target, which represent significant out-performance. The strong performance delivered in the 2023 financial year, which is the base year for the 2023 LTIP grant, also adds to the stretch.

The award will be subject to a post-vesting holding period of two years.

J2G LTIP Award

As noted in the Chair's letter, Simon Pryce will be granted a pro-rated J2G LTIP Award of 498% of basic salary of the Group's former CEO. The share price used to determine the number shares to be awarded will be the share price used to determine the grants of J2G LTIP Award in July 2022. The number of shares to be granted will be no higher than 355,427 (being the time pro-rated number of shares subject to the J2G LTIP Award granted to the former CEO of the Group which has now lapsed). Subject to the achievement of the exceptionally stretching performance conditions as set out on page 126, awards are due to vest in July 2025, and in line with best practice and shareholder expectations, an additional holding period will be applied to Simon's award such that the total vesting and holding period is five years.

As set out in last year's report, the J2G LTIP Award is a one-off incentive plan and as such no further grants will be made to Executive Directors after the above award has been made to Simon.

All employee share plans

Executive Directors can participate in any all employee share schemes offered to all employees on identical terms, with the exception that they are not able to participate in the all employee RS YAY! Award set out on page 122.

Directors' report

DIRECTORS' REPORT

This section (together with the information on pages 82 to 132 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 and fulfils the requirements of the corporate governance statement for the purposes of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR).

Information incorporated by reference

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:

Content	Page
Likely future developments	5, 14 to 17
Diversity and Inclusion Policy (including disability ¹)	79
Employee engagement	63, 67, 85, 88, 92, 95 and 121
Other stakeholder engagement	7 to 9, 91 to 94 and 116
Greenhouse gas emissions ¹	53
Names of Directors who served during the year	86 and 87
Details of employee share schemes	114, 120, 122, 132 and Note 8
Risk management (including hedging) and financial instruments	173 and 174, 176 to 180
Activity on Company culture	18, 21, 63 and 64
Interest capitalised by the Group	170
Long-term incentive schemes	119 and 120, 124 to 126 and Note 8

1. Information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and included in the Strategic Report.

Principal activities

RS Group is a global omni-channel provider of product and service solutions for designers, builders and maintainers of industrial equipment and operations. RS Group plc is a public company incorporated in England and Wales with company number 647788.

A list of the Company's investments and subsidiaries at 31 March 2023 can be found in Note 29 to the Group accounts on pages 183 to 186 of this Annual Report.

The principal activity of the Company is to act as the holding company of the Group.

The Directors are not aware, at the date of this report, of any major changes in the Group's activities in the coming year.

Results and dividends

The Group's results for the year ended 31 March 2023 are set out in the Group income statement on page 144.

The Board proposes, subject to approval of shareholders at the AGM to be held on 13 July 2023, that a final dividend of 13.7p per ordinary share be paid on 21 July 2023 to shareholders whose names are on the register of members at the close of business on 16 June 2023. The Directors have declared dividends as follows.

Dividends in 2022/23	Dividends in 2021/22
Interim dividend of 7.2p per ordinary share (paid on 6 January 2023)	6.4p per ordinary share
Proposed final dividend of 13.7p per ordinary share (to be paid on 21 July 2023)	11.6p per ordinary share
Total ordinary dividend of 20.9p per ordinary share for the year ended 31 March 2023	18.0p per ordinary share

During the year under review Computershare Trustees (Jersey) Limited, trustee of the RS Group Employee Trust (previously known as the Electrocomponents Employee Trust) has waived its right to receive dividends over its total holding of 336,084 shares as at 31 March 2023.

Appointment and retirement of Directors

The appointment and retirement of Directors is governed by the Company's Articles, the Code and the Companies Act. The Company's Articles may only be amended by a special resolution of the shareholders in a general meeting.

In the interest of good governance and in accordance with the provisions of the Code, all Directors will retire and will seek re-election at the forthcoming AGM.

Biographies of the current Directors can be found on pages 86 and 87. Details of the Directors seeking re-election at the AGM are set out in the Notice of AGM.

Directors' report continued

Board composition changes

Changes to the composition of the Board since 1 April 2022 up to the date of this Report are shown in the table below. In addition to these, Simon Pryce, having been a Non-Executive Director since 2016, was appointed as CEO with effect from 3 April 2023.

	Joined the Board	Left the Board
Navneet Kapoor	1 June 2022	
Lindsley Ruth		16 December 2022
David Egan		3 May 2023

Directors' interests

The Directors' interests in, and options over, ordinary shares in the Company are shown in the Directors' Remuneration Report. Since the year end, there have been no changes to such interests.

In line with the requirements of the Companies Act, Directors have a statutory duty to avoid situations in which they have, or may have, interests that conflict with those of the Company unless that conflict is first authorised by the Board.

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. The Company's Articles contain provisions to allow the Directors to authorise potential conflicts of interest, so that if approved, Directors will not be in breach of their duty under company law.

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 or other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

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 new deed in 2023 to indemnify the Directors and officers (from time to time) of the Company to the extent permitted by the law. The deed for existing Directors is available for inspection at the registered office of the Company.

The Company purchased and maintained Directors' and Officers' liability insurance throughout 2022/23, which was renewed for 2023/24. Neither the indemnity nor insurance provides cover in the event that a Director or Officer is proved to have acted fraudulently.

Substantial shareholders

The processes by which the Company seeks to understand the views of its major shareholders are described on page 8.

Information provided to the Company by substantial shareholders pursuant to the DTR is published via a Regulatory Information Service.

As at 31 March 2023 and 23 May 2023, being the last practicable date, the Company had been notified by its substantial shareholders under Rule 5 of the DTR of the following interests in the Company's shares:

Shareholder	Number of shares as at 31 March 2023	Percentage of issued share capital as at 31 March 2023	Number of shares as at 23 May 2023	Percentage of issued share capital as at 23 May 2023
Ameriprise Financial, Inc. ¹	61,286,939	12.965%	56,725,180	11.998%
BlackRock, Inc.	37,698,147	7.98%	37,698,147	7.98%
Mawer Investment Management	24,103,707	5.10%	24,103,707	5.10%
Jupiter Fund Management PLC	22,996,528	4.87%	22,996,528	4.87%

1. Ameriprise Financial, Inc. includes Threadneedle Asset Management Holdings Ltd.

Directors' report continued

Share capital

As at 31 March 2023, the Company's issued share capital comprised a single class of 472,784,409 ordinary shares of 10p each, totalling £47,278,441.

Full details of share options, awards and shares issued under the terms of the Company's share incentive plans can be found in Note 8 on pages 157 to 160.

The Company was authorised by shareholders at the AGM held on 14 July 2022 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, and in line with market practice, will be seeking to renew such authority at this year's AGM.

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.

Political donations

In the year ended 31 March 2023, the Group made no political donations or contributions. It remains the Company's policy not to make political donations. However, the application of the relevant provisions of the Companies Act is potentially very broad in nature and, as it did last year, the Board will be seeking shareholder authority to make political donations up to a defined limit to ensure that the Group does not inadvertently breach these provisions as a result of the breadth of its business activities, although the Board has no intention of using this authority.

AGM

The Notice of AGM is set out in a separate circular. The AGM will be held at 12.00pm on Thursday 13 July 2023 at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD. This year we will be offering shareholders the ability to attend in person. Shareholders can submit questions relating to the business of the meeting in advance to CompanySecretary@rsgroup.com. Further information is set out in the Notice of AGM.

Independent Auditors and audit information

Each Director who held office at the date of approval of this Directors' Report confirms that:

- So far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware
- That each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act.

Post balance sheet events

Post balance sheet events are detailed in Note 30 to the Group accounts.

Significant agreements: change of control

The Company has a number of contractual arrangements which it considers essential to the business of the Company. Specifically, these are committed loan facilities from a number of banks and arrangements with third-party providers of administrative services. A change of control of the Company may cause some agreements to which the Company is a party to alter or terminate. These include bank facility agreements and employee share plans, which would normally vest and become exercisable on a change of control subject to the satisfaction of any performance conditions at that time. The Group has committed facilities totalling £560.4 million as at 31 March 2023 which contain clauses which require lender consent for any change of control. Should consent not be given, a change of control would trigger mandatory repayment of the said facilities.

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 a special resolution of the Company's shareholders in a general meeting. The Articles were last approved by shareholders at the AGM in 2021/22.

Governance arrangements

Information regarding the Company's governance arrangements is set out in the Governance Report on pages 82 to 132. These pages are incorporated by reference into the Directors' Report.

On behalf of the Board:

Clare Underwood
Company Secretary
23 May 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 UK-adopted international accounting standards (UK IAS) and Company accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102), 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 UK IAS 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.

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, is fair, balanced and understandable and provides 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 86 and 87 confirm that, to the best of their knowledge:

- The Group accounts, which have been prepared in accordance with UK IAS, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- The Company accounts, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 102, give a true and fair view of the assets, liabilities and financial position of the Company; 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:

Simon Pryce
Chief Executive Officer

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RS GROUP PLC

Report on the audit of the accounts Opinion

In our opinion:

- RS Group plc's Group accounts and Company accounts (the accounts) give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2023 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group accounts have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company accounts have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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.

We have audited the accounts, included within the Annual Report and Accounts (the Annual Report), which comprise: the Group and the Company balance sheets as at 31 March 2023; the Group income statement and the Group statement of comprehensive income, the Group cash flow statement, the Group and the Company statements of changes in equity for the year then ended; and the notes to the accounts, 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 accounts 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 accounts 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.

Other than those disclosed in Note 5 to the Group accounts, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- We identified seven reporting components and used component teams in five countries which, in our view, required a full scope audit based on their size.
- In addition, we used component teams to perform audit procedures on specific account line items of three reporting components, with the Group engagement team performing audit procedures on specific account line items of one reporting component.
- The Group consolidation, accounts disclosures and a number of other items (including taxation, Group bonus accrual, goodwill, treasury, share-based payments and UK retirement benefit obligations) prepared by the head office finance function, were audited by the Group engagement team.
- The reporting components that are part of our audit scope as set out above account for 72% of Group revenue and 84% of Group profit before tax, substantial reorganisation costs, substantial asset write-downs and acquisition-related items.

Key audit matters

- Inventory obsolescence provisions (Group)
- Defined benefit pension scheme liabilities (Group)
- Fair value of acquired intangibles – Risoul (Group)
- Carrying value of investments (Company)

Materiality

- Overall Group materiality: £18.70 million (2021/22: £15.00 million) based on approximately 5% of Group profit before tax, substantial reorganisation costs, substantial asset write-downs and acquisition-related items.
- Overall Company materiality: £4.70 million (2021/22: £4.49 million) based on approximately 0.5% of net assets.
- Performance materiality: £14.00 million (2021/22: £11.25 million) (Group) and £3.53 million (2021/22: £3.36 million) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accounts.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the accounts 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 accounts 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.

'Fair value of acquired intangibles – Risoul' is a new key audit matter this year. 'Tax Provisioning', which was a key audit matter last year, is no longer included because of it has been reduced to normal risk as there is no history of material misstatements in this area and the fact that the magnitude of the current provision is significantly below our level of materiality. Otherwise, the key audit matters below are consistent with last year.

Independent auditors' report continued

Inventory obsolescence provisions (Group)

Refer to page 107 (Audit Committee Report), page 148 (Note 1 Basis of preparation) and page 172 (Note 17 Inventories).

Key audit matter	How our audit addressed the key audit matter
The balance of gross inventories at 31 March 2023 was £660.00 million (2021/22: £559.20 million), against which provisions of £43.70 million (2021/22: £29.70 million) were held. The Group's 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 products, being held for long periods of time which raises the risk of inventory obsolescence. The inventory provisions are calculated on an inventory cover basis with the underlying calculation based on appropriate product categorisation and assumptions over sales trends, provision rates and recoverable amounts. The inventory provisions are calculated within the Group's accounting systems using an automated process. Where necessary, manual overlays are applied to these provisions to account for unusual circumstances that may have arisen during the year or where there is a right of return in place in which case no provision may be required.	For the year-end inventory provisions, we assessed the completeness of the data used by the Group's accounting system to calculate the provisions by agreeing the sub-ledger to the general ledger. We recalculated the provisions to ensure mathematical accuracy and consistency of application with the methodology. We evaluated the reasonableness of management's estimates 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 challenged manual overlays to the automated calculation by validating the circumstances relating to the adjustments or whether there was a right of return under the contractual arrangements. In assessing management's consideration of the estimation uncertainty within the inventory obsolescence provisioning, we re-performed management's sensitivity assessment which considered an increase in inventory cover days and provisioning rates. Based on our audit procedures, including the review of disclosures given in Note 17, we agree with the figures presented and with management's conclusions that based on the information available at the time of the Board's approval of the accounts, such sensitivities would not result in a material change to the inventory provisions.

Defined benefit pension scheme liabilities (Group)

Refer to page 107 (Audit Committee Report), page 148 (Note 1 Basis of preparation) and pages 160 to 165 (Note 9 Retirement benefit obligations).

Key audit matter	How our audit addressed the key audit matter
The Group has net retirement benefit obligations of £36.40 million at 31 March 2023 (2021/22: £12.40 million), which are significant in the context of the overall balance sheet. The net retirement benefit obligations in respect of the UK scheme is £26.20 million (2021/22: nil). This is after the application of asset ceiling rules to the scheme surplus of £34.90 million whereby this is restricted to zero given that under the scheme rules there is no unconditional right to a refund of surplus that may arise on the scheme. An additional liability of £26.20 million has been recognised on the balance sheet, which represents the present value of deficit contributions agreed at the latest statutory funding valuation. The remaining £10.20 million net retirement benefit obligations are made up of immaterial amounts in respect of other European defined benefit pension and retirement indemnity schemes. The valuation of pension plan liabilities requires estimation in determining appropriate assumptions such as salary increases, mortality rates, discount rates and inflation levels. Movement in these assumptions can have a material impact on the determination of the liabilities. Management uses external actuaries to assist in determining these assumptions.	We used our actuarial experts to assess whether the assumptions used in calculating the defined benefit liabilities for the UK scheme were reasonable. We challenged whether salary increases and mortality rates assumptions were consistent with the specifics of each plan and, where applicable, with relevant national benchmarks. We also assessed whether the discount rate and inflation rates were consistent with our internally developed benchmarks and in line with other companies. We evaluated the calculations prepared by the external actuaries to assess the consistency of the assumptions and methodologies applied. Based on our procedures, we noted that the assumptions in respect of future improvements in mortality, discount rate and commutation assumptions are at the optimistic end of an acceptable range. Overall, we consider valuation of the UK defined benefit scheme liabilities to be reasonable. We reviewed the related disclosures in Note 9 to the Group accounts which also included the sensitivity analysis in respect of changes in significant assumptions and consider these disclosures to be appropriate.

Independent auditors' report continued

Fair value of acquired intangibles – Risoul (Group)

Refer to page 108 (Audit Committee Report), page 148 (Note 1 Basis of preparation) and pages 182 to 183 (Note 28 Acquisitions).

Key audit matter	How our audit addressed the key audit matter
On 3 January 2023, the Group completed the acquisition of 100% of the share capital of Risoul y Cia. S.A. de C.V. and its subsidiaries (Risoul) for purchase consideration of £233.40 million. The acquisition resulted in the recognition of £214.30 million of intangible assets at the acquisition date, primarily made up of goodwill of £108.40 million and customer contracts and relationships and distribution agreements of £105.90 million. Management determined the acquisition date fair values of intangible assets with the help of external valuation experts. The calculation of these fair values involves judgements and estimates regarding forecasts and other assumptions used in the valuation models.	We reviewed the share purchase agreement and noted no unusual terms. We agreed the consideration to the share purchase agreement and reconciled the amount to bank statements for the element paid by year end and to receivables for any consideration refundable. We audited the assumptions and bases of the valuations utilising the assistance of our specialist valuation team and performed work to test the bases and mechanical accuracy of the models, the application of the valuation methodology, appropriateness of the key assumptions and inputs applied, including discount rates, long-term growth rates, tax amortisation benefits and contributory asset charges. Based on this work we did not identify any issues. We have performed an independent recalculation of the overall weighted average cost of capital (WACC) used in the valuation models and found management's WACC to be within a reasonable range. We have reviewed the cash flow forecasts and agreed these back to financial forecasts used in the due diligence. We also challenged management in relation to the forecasts and evidence for related key inputs such as the proportion of revenue attributable to the key supplier relationship with Rockwell and consider these to be reasonable. We examined the disclosures in respect of the acquisition and found them to be appropriate, providing a fair reflection of the accounting. Overall, based on our work performed, we consider the fair values of acquired intangibles and the related disclosures in the Group accounts to be appropriate.

Carrying value of investments (Company)

Refer to page 109 (Audit Committee Report) and page 189 (Note 8 Investments in subsidiaries in the Company accounts).

Key audit matter	How our audit addressed the key audit matter
The Company holds investments in subsidiaries of £491.20 million at 31 March 2023 (2021/22: £343.00 million). Investments in subsidiaries are accounted for at cost less provision for impairment in the Company balance sheet. Investments are tested for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of investments in subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognised in the profit and loss account. The impairment assessment was identified as a key audit matter given the size of the underlying investment carrying values in the Company accounts at 31 March 2023. The assessment requires the application of management judgement, particularly in determining whether any impairment indicators have arisen that trigger the need for an impairment assessment and in assessing whether the carrying value of each investment can be supported by its recoverable amount.	We evaluated management's assessment of whether any indicators of impairment existed by comparing the carrying values of investments in subsidiaries to the net assets of the underlying subsidiaries at 31 March 2023 and no impairment indicators were noted. Based on the procedures performed, we concur with management that there are no indicators of impairment in respect of investment in subsidiaries.

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 accounts 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 components. These functions maintain their own accounting records and controls (although transactional processing and certain controls for many reporting components are performed at the Group's EMEA, Americas 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, RS Germany, RS France, RS Italy, RS Shanghai, RS Americas (including RS Americas Canada), and RS Group plc. In each country we used PwC component auditors to audit and report on the aggregated financial information of that reporting component. This work is supplemented by audit procedures over specific balances performed on RS Integrated Supply UK, RS Integrated Supply US, Risoul, Bodenfeld, and procedures performed centrally on the Group consolidation, accounts disclosures, taxation, Group bonus accrual, goodwill, treasury, share-based payments, UK retirement benefit obligations, acquisition accounting and certain reporting 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 components 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 and material reporting components.

The reporting components that are part of our audit scope as set out to the left account for 72% of Group revenue and 84% of Group profit before tax, substantial reorganisation costs, substantial asset write-downs and acquisition-related items.

The impact of climate risk on our audit

As part of our audit procedures, we have considered the potential impact of climate change on the Group's business and its accounts.

The Group continues to develop its assessment of the potential impacts of climate change as explained throughout the Strategic Report and in more detail on pages 50 to 57 and pages 72 to 76.

As part of our audit, we have obtained management's climate-related risk assessment and held discussions with management, together with our own climate change experts, to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's accounts.

Management has assessed that the most likely impacted accounts line items and estimates are those associated with future cash flows since the impact of climate change is expected to become more notable in the medium to long term.

While auditing these forecast cash flows, we have challenged management on reflecting the impact of climate change and any climate change related commitments in the forecasts.

We have not identified any matters as part of this work which are inconsistent with the disclosures in the Annual Report or would lead to any material adjustments to the accounts.

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 accounts as a whole.

Based on our professional judgement, we determined materiality for the accounts as a whole as follows:

	Accounts – Group	Accounts – Company
Overall materiality	£18.70 million (2021/22: £15.00 million).	£4.70 million (2021/22: £4.49 million).
How we determined it	Approximately 5% of Group profit before tax, substantial reorganisation costs, substantial asset write-downs and acquisition-related items.	Approximately 0.5% of net assets.
Rationale for benchmark applied	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, substantial asset write-downs and acquisition-related items 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.	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.

Independent auditors' report continued

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 £1.00 million and £7.30 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021/22: 75%) of overall materiality, amounting to £14.00 million (2021/22: £11.25 million) for the Group accounts and £3.53 million (2021/22: £3.36 million) for the Company accounts.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.935 million (Group audit) (2021/22: £0.75 million) and £0.244 million (Company audit) (2021/22: £0.224 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- understanding of the mechanics and key inputs into the going concern model and holding discussions with Group management and regional finance to obtain an understanding of the trading performance and future outlook for their respective markets;
- evaluating the key assumptions within the forecasts;
- reviewing the terms of the existing debt and facilities;
- considering the potential downside sensitivities that management had applied and their likelihood and whether more severe scenarios could apply and the associated impact on available liquidity;
- assessing management's stress testing and whether this appropriately considered the principal risks facing the business and the likelihood of events arising that could erode liquidity and breach covenants within the forecast period;
- assessing the performance of the Group since year end and comparing it with the Board approved cash flow forecasts; and
- reviewing the disclosures within the Annual Report and validating that it accurately described management's going concern considerations.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the accounts are authorised for issue.

In auditing the accounts, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the accounts is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the accounts about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the accounts and our auditors' report thereon. The Directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the accounts 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 accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts 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 accounts 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 our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 2023 is consistent with the accounts and has been prepared in accordance with applicable legal requirements.

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.

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.

Independent auditors' report continued

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the accounts and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the accounts about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the accounts;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the accounts and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the accounts and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when 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.

Responsibilities for the accounts and the audit**Responsibilities of the Directors for the accounts**

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the accounts 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 accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, 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 accounts

Our objectives are to obtain reasonable assurance about whether the accounts 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 accounts.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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) and pensions legislations, and we considered the extent to which non-compliance might have a material effect on the accounts. We also considered those laws and regulations that have a direct impact on the accounts such as the Companies Act 2006 and the UK and other relevant tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the accounts (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 and other key accounting estimates in particular in relation to defined benefit pension scheme liabilities and inventory obsolescence provisions;
- identifying and testing higher risk journal entries, in particular any journal entries posted with unusual account combinations, journals posted by senior management, or unauthorised users or super-user access and consolidation journals;
- reviewing internal audit reports and minutes of meetings with those charged with governance; and

Independent auditors' report continued

- reviewing accounts disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the accounts. 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the accounts 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 obtained 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 accounts for the year ended 31 March 2015 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 31 March 2015 to 31 March 2023.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these accounts form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Sandeep Dhillon (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London
23 May 2023

Group accounts

GROUP INCOME STATEMENT

For the year ended 31 March 2023

	Notes	2023 £m	2022 £m
Revenue	2,3,4	2,982.3	2,553.7
Cost of sales	5	(1,630.1)	(1,425.8)
Gross profit		1,352.2	1,127.9
Distribution and marketing expenses		(889.5)	(755.6)
Administrative expenses		(79.7)	(63.5)
Operating profit	2,3,5	383.0	308.8
Finance income	6	2.0	1.0
Finance costs	6	(14.2)	(8.1)
Share of profit of joint venture	16	0.7	0.5
Profit before tax		371.5	302.2
Income tax expense	10	(86.7)	(72.2)
Profit for the year attributable to owners of the Company		284.8	230.0
Earnings per share attributable to owners of the Company			
Basic	11	60.4p	48.9p
Diluted	11	60.2p	48.6p

The Notes on pages 148 to 186 form part of these Group accounts.

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 £m	2022 £m
Profit for the year		284.8	230.0
Other comprehensive income			
Items that will not be reclassified subsequently to the income statement			
Remeasurement of retirement benefit obligations	9	(34.2)	21.8
Related income tax	10	7.9	(0.9)
		(26.3)	20.9
Items that may be reclassified subsequently to the income statement			
Foreign exchange translation differences of joint venture		(0.1)	0.1
Foreign exchange translation differences		43.1	21.9
Fair value gain / (loss) on net investment hedges		5.4	(0.1)
Movement in cash flow hedges		3.9	1.4
Related income tax	10	(0.7)	(0.3)
		51.6	23.0
Other comprehensive income for the year		25.3	43.9
Total comprehensive income for the year attributable to owners of the Company		310.1	273.9

The Notes on pages 148 to 186 form part of these Group accounts.

Group accounts continued

GROUP BALANCE SHEET

As at 31 March 2023

Company number: 647788

	Notes	2023 £m	2022 £m
Non-current assets			
Intangible assets	13	704.8	473.3
Property, plant and equipment	14	186.3	177.3
Right-of-use assets	15	46.9	45.8
Investment in joint venture	16	1.5	1.5
Other receivables	18	6.5	3.0
Retirement benefit net assets	9	0.8	0.3
Deferred tax assets	10	6.9	4.9
Total non-current assets		953.7	706.1
Current assets			
Inventories	17	616.3	529.5
Trade and other receivables	18	692.0	594.3
Cash and cash equivalents – cash and short-term deposits	21	260.3	257.9
Interest rate swaps	21	–	0.1
Other derivative assets	20	1.8	1.4
Current income tax receivables		19.9	11.9
Total current assets		1,590.3	1,395.1
Total assets		2,544.0	2,101.2
Current liabilities			
Trade and other payables	19	(658.9)	(584.1)
Cash and cash equivalents – bank overdrafts	21	(139.8)	(99.5)
Lease liabilities	15,21	(14.6)	(16.7)
Interest rate swaps	21	–	(0.2)
Other derivative liabilities	20	(1.7)	(3.2)
Provisions	23	(1.8)	(2.6)
Current income tax liabilities		(22.1)	(19.9)
Total current liabilities		(838.9)	(726.2)

	Notes	2023 £m	2022 £m
Non-current liabilities			
Other payables	19	(9.3)	(6.9)
Retirement benefit obligations	9	(37.2)	(12.7)
Borrowings	21	(184.6)	(151.7)
Lease liabilities	15,21	(34.3)	(32.0)
Provisions	23	(4.7)	(2.8)
Deferred tax liabilities	10	(90.1)	(60.4)
Total non-current liabilities		(360.2)	(266.5)
Total liabilities		(1,199.1)	(992.7)
Net assets		1,344.9	1,108.5
Equity			
Share capital and share premium	25	283.3	278.5
Own shares held by Employee Benefit Trust (EBT)	25	(2.2)	(3.0)
Other reserves	26	108.8	60.2
Retained earnings		954.3	772.8
Equity attributable to owners of the Company		1,344.2	1,108.5
Non-controlling interests		0.7	–
Total equity		1,344.9	1,108.5

The Notes on pages 148 to 186 form part of these Group accounts.

These Group accounts were approved by the Board of Directors on 23 May 2023 and signed on its behalf by:

Rona Fairhead
Chair

Simon Pryce
Chief Executive Officer

GROUP CASH FLOW STATEMENT

For the year ended 31 March 2023

	Notes	2023 £m	2022 £m
Cash flows from operating activities			
Profit before tax		371.5	302.2
Depreciation and amortisation	2	64.6	63.7
Impairment of intangible assets	13	7.1	–
Loss on disposal of non-current assets		4.4	2.4
Equity-settled share-based payments	7,8	14.2	9.9
Net finance costs		12.2	7.1
Share of profit of and dividends received from joint venture	16	(0.1)	(0.3)
Increase in inventories		(44.3)	(102.1)
Increase in trade and other receivables		(37.8)	(96.5)
Increase in trade and other payables		33.2	103.8
Decrease in provisions		(1.4)	(1.7)
Defined benefit retirement contributions in excess of charge		(10.6)	(21.4)
Cash generated from operations		413.0	267.1
Interest received		2.0	1.0
Interest paid		(14.6)	(8.0)
Income tax paid		(93.9)	(57.1)
Net cash from operating activities		306.5	203.0
Cash flows from investing activities			
Acquisition of businesses	28	(237.2)	2.2
Cash and cash equivalents acquired with businesses	28	12.7	–
Total cash impact on acquisition of businesses		(224.5)	2.2
Purchase of intangible assets		(27.5)	(24.8)
Purchase of property, plant and equipment		(18.6)	(17.7)
Proceeds on sale of property, plant and equipment		0.1	–
Net cash used in investing activities		(270.5)	(40.3)

	Notes	2023 £m	2022 £m
Cash flows from financing activities			
Proceeds from the issue of share capital	25	4.8	3.0
Purchase of own shares by EBT		(2.1)	(2.9)
Loans drawn down		83.2	–
Loans repaid		(58.1)	(0.7)
Payment of lease liabilities		(18.8)	(17.8)
Dividends paid	12	(88.6)	(76.2)
Net cash used in financing activities		(79.6)	(94.6)
Net (decrease) / increase in cash and cash equivalents		(43.6)	68.1
Cash and cash equivalents at the beginning of the year		158.4	86.4
Effect of exchange rate changes		5.7	3.9
Cash and cash equivalents at the end of the year	21	120.5	158.4

The Notes on pages 148 to 186 form part of these Group accounts.

Group accounts continued

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital and share premium (Note 25)	Own shares held by EBT	Other reserves (Note 26)	Retained earnings		
	£m	£m	£m	£m	£m	£m
At 1 April 2021	275.5	(1.5)	37.6	587.8	899.4	899.4
Profit for the year	–	–	–	230.0	230.0	230.0
Remeasurement of retirement benefit obligations	–	–	–	21.8	21.8	21.8
Foreign exchange translation differences	–	–	21.9	–	21.9	21.9
Movement in cash flow hedges	–	–	1.4	–	1.4	1.4
Tax on other comprehensive income (Note 10)	–	–	(0.3)	(0.9)	(1.2)	(1.2)
Total comprehensive income	–	–	23.0	250.9	273.9	273.9
Cash flow hedging gains transferred to inventories	–	–	(0.5)	–	(0.5)	(0.5)
Tax on cash flow hedging gains transferred to inventories	–	–	0.1	–	0.1	0.1
Dividends (Note 12)	–	–	–	(76.2)	(76.2)	(76.2)
Equity-settled share-based payments (Notes 7 and 8)	–	–	–	9.9	9.9	9.9
Settlement of share awards	3.0	1.4	–	(1.4)	3.0	3.0
Purchase of own shares by EBT	–	(2.9)	–	–	(2.9)	(2.9)
Tax on equity-settled share-based payments	–	–	–	1.8	1.8	1.8
At 31 March 2022	278.5	(3.0)	60.2	772.8	1,108.5	1,108.5
Profit for the year	–	–	–	284.8	284.8	284.8
Remeasurement of retirement benefit obligations	–	–	–	(34.2)	(34.2)	(34.2)
Foreign exchange translation differences	–	–	48.4	–	48.4	48.4
Movement in cash flow hedges	–	–	3.9	–	3.9	3.9
Tax on other comprehensive income (Note 10)	–	–	(0.7)	7.9	7.2	7.2
Total comprehensive income	–	–	51.6	258.5	310.1	310.1
Cash flow hedging gains transferred to inventories	–	–	(3.7)	–	(3.7)	(3.7)
Tax on cash flow hedging gains transferred to inventories	–	–	0.7	–	0.7	0.7
Dividends (Note 12)	–	–	–	(88.6)	(88.6)	(88.6)
Equity-settled share-based payments (Notes 7 and 8)	–	–	–	14.2	14.2	14.2
Settlement of share awards	4.8	2.9	–	(2.9)	4.8	4.8
Purchase of own shares by EBT	–	(2.1)	–	–	(2.1)	(2.1)
Tax on equity-settled share-based payments	–	–	–	1.0	1.0	1.0
Sale of subsidiary's shares to non-controlling interests (Note 28)	–	–	–	(0.7)	(0.7)	0.7
At 31 March 2023	283.3	(2.2)	108.8	954.3	1,344.2	1,344.9

The Notes on pages 148 to 186 form part of these Group accounts.

NOTES TO THE GROUP ACCOUNTS

For the year ended 31 March 2023

1 Basis of preparation

RS Group 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 2023 are presented in sterling and rounded to £0.1 million. They are prepared in accordance with UK-adopted international accounting standards (UK IAS) and the requirements of the Companies Act 2006.

The Group accounts have been prepared on a going concern basis (see the going concern statement on page 47) 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 applied consistently 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 accordance with UK IAS 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 take account of the longer-term impacts of climate change and environmental regulations and the current global economic and geopolitical uncertainties.

Significant estimates are those that have a significant risk of resulting in a material adjustment to the carrying amounts of the Group's assets and liabilities within the next year. The significant estimates made in preparing the accounts were in relation to retirement benefit obligations and further details on the application of these estimates can be found in Note 9. While not significant estimates, the Group also focuses on estimates made in relation to inventories (Note 17), the fair values on acquisition of businesses (Note 28) and the review of intangibles and other assets for impairment (Notes 13 and 22). Further details are provided in the relevant notes.

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.

Standards and interpretations adopted in the year

No accounting standards, amendments or revisions to existing standards or interpretations have become effective which have a 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 but not yet applicable will have a significant impact on the accounts.

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

2 Segmental reporting

The Group's operating segments comprise three regions: EMEA, Americas and Asia Pacific. Their principal activities are described on pages 37 to 39. 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. Inter-segment 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 2023	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Revenue from external customers	1,768.5	945.5	268.3	2,982.3
Segmental operating profit	275.8	148.5	38.4	462.7
Central costs				(60.5)
Adjusted operating profit				402.2
Amortisation and impairment of acquired intangibles				(16.6)
Acquisition-related items (Note 3)				(2.6)
Operating profit				383.0
Net finance costs				(12.2)
Share of profit of joint venture				0.7
Profit before tax				371.5
Segmental capital expenditure	34.9	7.1	0.4	42.4
Central costs				-
Capital expenditure				42.4
Segmental depreciation and amortisation	34.7	11.9	3.2	49.8
Central costs				1.5
Amortisation of acquired intangibles				13.3
Depreciation and amortisation				64.6

Year ended 31 March 2022	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Revenue from external customers	1,579.5	718.7	255.5	2,553.7
Segmental operating profit	243.7	99.3	29.3	372.3
Central costs				(51.9)
Adjusted operating profit				320.4
Amortisation of acquired intangibles				(11.6)
Operating profit				308.8
Net finance costs				(7.1)
Share of profit of joint venture				0.5
Profit before tax				302.2
Segmental capital expenditure	36.6	8.8	0.1	45.5
Central costs				-
Capital expenditure				45.5
Segmental depreciation and amortisation	38.0	9.6	3.0	50.6
Central costs				1.5
Amortisation of acquired intangibles				11.6
Depreciation and amortisation				63.7

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

2 Segmental reporting continued

Disaggregation of revenue

In the table below, revenue is disaggregated by sales channels and also by own-brand products or other product and service solutions. The Group's largest own-brand is RS PRO. With the growing focus on value-creating service solutions, a new differentiating economic characteristic is now whether it is a service solution or not and so this has been added to the table. £2,901.2 million of revenue is recognised at a point in time (2021/22: £2,483.9 million) and £81.1 million over time (2021/22: £69.8 million).

Sales channel

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Year ended 31 March 2023				
Web	893.8	304.3	121.2	1,319.3
eProcurement and other digital	417.3	100.5	39.6	557.4
Digital	1,311.1	404.8	160.8	1,876.7
Offline	457.4	540.7	107.5	1,105.6
Group	1,768.5	945.5	268.3	2,982.3
Year ended 31 March 2022				
Web	781.7	241.8	121.8	1,145.3
eProcurement and other digital	344.6	69.8	33.9	448.3
Digital	1,126.3	311.6	155.7	1,593.6
Offline	453.2	407.1	99.8	960.1
Group	1,579.5	718.7	255.5	2,553.7

Own-brand / other products and service solutions

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Year ended 31 March 2023				
Own-brand product and service solutions	360.2	7.1	37.2	404.5
Other product and service solutions	1,408.3	938.4	231.1	2,577.8
Group	1,768.5	945.5	268.3	2,982.3
Year ended 31 March 2022				
Own-brand product and service solutions	300.2	4.8	34.0	339.0
Other product and service solutions	1,279.3	713.9	221.5	2,214.7
Group	1,579.5	718.7	255.5	2,553.7

Service solutions / other

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Year ended 31 March 2023				
Service solutions	519.3	166.0	48.7	734.0
Other	1,249.2	779.5	219.6	2,248.3
Group	1,768.5	945.5	268.3	2,982.3

Year ended 31 March 2022

Service solutions	430.3	123.8	33.9	588.0
Other	1,149.2	594.9	221.6	1,965.7
Group	1,579.5	718.7	255.5	2,553.7

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	
	2023 £m	2022 £m	2023 £m	2022 £m
UK (country of domicile)	713.2	646.7	216.8	232.9
US	852.8	672.7	394.3	378.5
France	323.1	285.5	11.6	9.1
Germany	208.2	190.5	61.3	59.5
Italy	128.6	116.9	4.3	5.0
Mexico	46.5	–	231.5	–
Rest of world	709.9	641.4	20.0	14.8
Group	2,982.3	2,553.7	939.8	699.8

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

3 Alternative Performance Measures (APMs)

The Group uses a number of APMs in addition to those measures reported in accordance with UK IAS. Such APMs are not defined terms under UK IAS and are not intended to be a substitute for any UK IAS 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.

Adjusted profit measures

These are the equivalent UK IAS measures adjusted to exclude amortisation and impairment of intangible assets arising on acquisition of businesses, acquisition-related items, substantial reorganisation costs, substantial asset write-downs, one-off pension credits or costs, significant tax rate changes and, where relevant, associated tax effects. Adjusted profit before tax is a performance measure for the annual bonus and the all employee Long Term Incentive Plan (LTIP) called the RS YAY! Award. Adjusted earnings per share is a performance measure for the LTIP and Journey to Greatness (J2G) LTIP Award. Adjusted operating profit conversion, adjusted operating profit margin and adjusted earnings per share are financial key performance indicators (KPIs) which are used to measure the Group's progress in delivering the successful implementation of its strategy and monitor and drive its performance.

	Operating costs ¹ £m	Operating profit £m	Operating profit margin ² %	Operating profit conversion ³ %	Profit before tax £m	Profit for the year £m	Basic earnings per share p	Diluted earnings per share p
Year ended 31 March 2023								
Reported	(969.2)	383.0	12.8%	28.3%	371.5	284.8	60.4p	60.2p
Amortisation and impairment of acquired intangibles	16.6	16.6			16.6	13.3	2.8p	2.8p
Acquisition-related items	2.6	2.6			2.6	2.1	0.4p	0.4p
Adjusted	(950.0)	402.2	13.5%	29.7%	390.7	300.2	63.6p	63.4p
Year ended 31 March 2022								
Reported	(819.1)	308.8	12.1%	27.4%	302.2	230.0	48.9p	48.6p
Amortisation of acquired intangibles	11.6	11.6			11.6	11.5	2.4p	2.4p
Adjusted	(807.5)	320.4	12.5%	28.4%	313.8	241.5	51.3p	51.0p

1. Operating costs are distribution and marketing expenses plus administrative expenses.

2. Operating profit margin is operating profit expressed as a percentage of revenue.

3. Operating profit conversion is operating profit expressed as a percentage of gross profit.

Acquisition-related items comprise transaction costs directly attributable to the acquisition of businesses and any deferred consideration payments relating to the retention of former owners of acquired businesses.

Group accounts continued

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

3 Alternative Performance Measures (APMs) continued

Like-for-like revenue and profit measures

Like-for-like revenue and profit measures are adjusted to exclude the effects of changes in exchange rates on translation of overseas profits. They exclude 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. These measures enable management and investors to track more easily, and consistently, the underlying performance of the business.

The principal exchange rates applied in preparing the Group accounts and in calculating the following like-for-like measures are:

	2023 Average	2023 Closing	2022 Average	2022 Closing
US dollar	1.206	1.239	1.366	1.313
Euro	1.158	1.137	1.176	1.183

Like-for-like revenue change

Like-for-like revenue change is also adjusted to eliminate the impact of 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. It is a performance measure for the annual bonus and a financial KPI.

	£m
Revenue for 2022	2,553.7
Effect of exchange rates	116.6
Effect of trading days	(10.6)
Revenue for 2022 at 2023 rates and trading days	2,659.7

	2023 Group £m	Less: acquisitions owned <1 year £m	2023 base business £m	2022 £m	2022 at 2023 rates and trading days £m	Like-for-like change %
EMEA	1,768.5	–	1,768.5	1,579.5	1,581.3	12%
Americas	945.5	46.9	898.6	718.7	813.2	11%
Asia Pacific	268.3	7.1	261.2	255.5	265.2	(2)%
Revenue	2,982.3	54.0	2,928.3	2,553.7	2,659.7	10%

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.

	2023 Group £m	Less: acquisitions owned <1 year £m	2023 base business £m	2022 £m	2022 at 2023 rates £m	Like-for-like change %
Revenue	2,982.3	54.0	2,928.3	2,553.7	2,670.3	
Gross profit	1,352.2	15.1	1,337.1	1,127.9	1,172.8	
Gross margin	45.3%	28.0%	45.7%	44.2%	43.9%	1.8 pts

Like-for-like profit change

Like-for-like change in profit is calculated by comparing the base business for the current year with the prior year converted at the current year's average exchange rates.

	2023 Group £m	Less: acquisitions owned <1 year £m	2023 base business £m	2022 £m	2022 at 2023 rates £m	Like-for-like change %
Segmental operating profit						
EMEA	275.8	–	275.8	243.7	246.8	12%
Americas	148.5	3.3	145.2	99.3	113.3	28%
Asia Pacific	38.4	0.6	37.8	29.3	30.9	22%
Segmental operating profit	462.7	3.9	458.8	372.3	391.0	17%
Central costs	(60.5)	–	(60.5)	(51.9)	(52.5)	15%
Adjusted operating profit	402.2	3.9	398.3	320.4	338.5	18%
Adjusted profit before tax	390.7	3.5	387.2	313.8	331.2	17%
Adjusted earnings per share	63.6p	0.4p	63.2p	51.3p	54.4p	16%
Adjusted diluted earnings per share	63.4p	0.4p	63.0p	51.0p		

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

3 Alternative Performance Measures (APMs) continued

Adjusted free cash flow and adjusted operating cash flow conversion

Adjusted free cash flow is net cash from operating activities less purchases of intangible assets, property, plant and equipment plus any proceeds on sale of intangible assets, property, plant and equipment, adjusted for the impact of substantial reorganisation and acquisition-related items cash flows and is a performance measure for the annual bonus.

Adjusted operating cash flow is adjusted free cash flow before income tax and net interest paid.

Adjusted operating cash flow conversion is adjusted operating cash flow expressed as a percentage of adjusted operating profit and is a financial KPI.

	2023 £m	2022 £m
Net cash from operating activities	306.5	203.0
Purchase of intangible assets	(27.5)	(24.8)
Purchase of property, plant and equipment	(18.6)	(17.7)
Proceeds on sale of property, plant and equipment	0.1	–
Add back: impact of substantial reorganisation cash flows	0.5	2.4
Add back: impact of acquisition-related items cash flows	2.6	–
Adjusted free cash flow	263.6	162.9
Add back: income tax paid	93.9	57.1
Add back: net interest paid	12.6	7.0
Adjusted operating cash flow	370.1	227.0
Adjusted operating profit	402.2	320.4
Adjusted operating cash flow conversion	92.0%	70.8%

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 (one of the Group's debt covenants) is the ratio of net debt to EBITDA excluding impairment of intangible assets arising on acquisition of businesses, acquisition-related items, substantial reorganisation costs, substantial asset write-downs and one-off pension credits or costs.

	2023 £m	2022 £m
Operating profit	383.0	308.8
Add back: depreciation and amortisation	64.6	63.7
EBITDA	447.6	372.5
Add back: impairment of acquired intangibles	3.3	–
Add back: acquisition-related items	2.6	–
Adjusted EBITDA	453.5	372.5
Net debt (Note 21)	113.0	42.1
Net debt to adjusted EBITDA	0.2x	0.1x

Earnings before interest, tax and amortisation (EBITA) and EBITA to interest

EBITA is adjusted EBITDA after depreciation. EBITA to interest (one of the Group's debt covenants) is the ratio of EBITA to finance costs including capitalised interest less finance income.

	2023 £m	2022 £m
Adjusted EBITDA	453.5	372.5
Less: depreciation	(36.2)	(33.5)
EBITA	417.3	339.0
Finance costs	14.2	8.1
Less: finance income	(2.0)	(1.0)
Add back: capitalised interest	–	0.5
Interest (per debt covenants)	12.2	7.6
EBITA to interest	34.2x	44.6x

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

3 Alternative Performance Measures (APMs) continued

Return on capital employed (ROCE)

ROCE is adjusted operating profit expressed as a percentage of monthly average net assets excluding net debt and retirement benefit obligations and is an underpin for the LTIP and J2G LTIP Award and a financial KPI.

	2023 £m	2022 £m
Average net assets	1,258.0	982.8
Add back: average net debt	25.6	82.7
Add back: average retirement benefit net (assets) / obligations	24.1	49.3
Average capital employed	1,307.7	1,114.8
Adjusted operating profit	402.2	320.4
ROCE	30.8%	28.7%

Working capital as a percentage of revenue

Working capital is inventories, current trade and other receivables and current trade and other payables.

	2023 £m	2022 £m
Inventories	616.3	529.5
Current trade and other receivables	692.0	594.3
Current trade and other payables	(658.9)	(584.1)
Working capital	649.4	539.7
Revenue	2,982.3	2,553.7
Working capital as a percentage of revenue	21.8%	21.1%

Inventory turn

Inventory turn is cost of sales divided by inventories.

	2023 £m	2022 £m
Cost of sales	1,630.1	1,425.8
Inventories	616.3	529.5
Inventory turn	2.6	2.7

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.

	2023 £m	2022 £m
Depreciation and amortisation	64.6	63.7
Less: amortisation of acquired intangibles	(13.3)	(11.6)
Less: depreciation of right-of-use assets	(18.3)	(17.7)
Adjusted depreciation and amortisation	33.0	34.4
Capital expenditure	42.4	45.5
Ratio of capital expenditure to depreciation	1.3 times	1.3 times

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

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 countries is contractually on delivery to the customer but in a few countries is contractually on collection from the Group's distribution centre 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. Obligations for retrospective customer volume discounts are calculated by estimating the expected discount percentage that will be achieved for the contractual period using historical data adjusted for current experience and applying that percentage to actual qualifying sales. When a customer has a right to return goods purchased, the Group estimates the obligation for the expected value of the refunds using recent experience. Obligations for both retrospective customer volume discounts and the expected value of refunds for returns are deducted from the revenue recognised when the goods are sold and included in other payables on the balance sheet and at 31 March 2023 were £18.1 million (2021/22: £15.0 million).

Revenue from the fees charged to customers 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. Invoices are raised monthly for monthly management charges or when the invoices for the related products are invoiced for other management charges, normally on a weekly or monthly basis. The Group acts as an agent in relation to the products sourced for its customers under these outsourcing arrangements and so does not recognise the value of these products in revenue or cost of sales. Revenue is measured with reference to the amount invoiced to the customer for management charges. Income earned from suppliers for access to the Group's online procurement portals is recognised either over time based on time elapsed for subscription fees or as their products are delivered to the Group's customers for licence fees. Invoices are raised monthly, quarterly or annually in advance for subscription fees depending on contractual terms. Credit notes for licence fee income are received from suppliers depending on contractual terms with the least frequent being annual.

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. Revenue is measured with reference to the amount invoiced to the customer.

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 International Financial Reporting Standard (IFRS) 15 'Revenue from Contracts with Customers', the transaction price allocated to these remaining performance obligations is not disclosed.

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 in other receivables 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 assumptions about the likely volume of eligible purchases to be made over the remaining rebate period. As at 31 March 2023, the Group has £4.2 million (2021/22: £4.5 million) of supplier rebates recognised within trade and other receivables.

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

5 Cost of sales and operating profit continued

Operating profit is stated after charging / (crediting):

	2023 £m	2022 £m
Fees payable to the Company's Auditors for the audit of the Company and Group accounts	0.9	0.7
Fees payable to the Company's Auditors and their associates for other services:		
Audit of the Company's subsidiaries	2.0	1.3
Audit-related assurance services	0.1	0.1
Total fees payable to the Company's Auditors and their associates	3.0	2.1
Depreciation of property, plant and equipment	17.9	15.8
Amortisation of intangible assets included in:		
Distribution and marketing expenses	15.1	18.6
Administrative expenses	13.3	11.6
Amortisation of government grants	(0.1)	(0.1)
Loss on foreign exchange	5.7	5.9
Net losses / (gains) on forward foreign exchange contracts classified as fair value through profit or loss	5.2	(1.0)
Loss on disposal of intangible assets	4.4	2.1
Loss on disposal of property, plant and equipment	-	0.3

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. Interest on financial assets and liabilities measured at amortised cost and on lease liabilities is calculated using the effective interest method and recognised in the income statement as incurred.

Invoice finance charges relate to costs incurred when the Group makes use of its customers' supplier invoice financing options where this is commercially and administratively attractive. These options are used for some outsourced services customers, including where they give the Group access to the customers' invoice portals to simplify the invoice query reconciliation process and so speed up the receipt of payments.

	2023 £m	2022 £m
Finance income		
Interest income on financial assets measured at amortised cost	1.8	0.4
Interest income on interest rate swaps	0.2	0.6
Finance income	2.0	1.0
Finance costs		
Interest expense on financial liabilities measured at amortised cost	(9.5)	(6.6)
Interest expense on lease liabilities	(1.1)	(0.9)
Interest expense on interest rate swaps	(0.7)	-
Interest on uncertain income tax positions	(0.2)	(0.2)
Invoice finance charges	(2.7)	(0.4)
Finance costs	(14.2)	(8.1)

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

7 Employees

Average number of employees	2023	2022
Management and administration	1,351	1,430
Distribution and marketing	6,467	5,953
	7,818	7,383

Employment costs	2023 £m	2022 £m
Wages and salaries	385.9	317.3
Social security costs	50.7	40.3
Share-based payments – equity-settled (Note 8)	14.2	9.9
Share-based payments – cash-settled (Note 8)	1.3	3.7
Defined contribution retirement benefit costs (Note 9)	19.5	17.1
Defined benefit retirement benefit costs (Note 9)	3.5	4.3
	475.1	392.6
Termination benefits	3.9	3.2
Total	479.0	395.8

Information on the Directors' remuneration is given in the Directors' Remuneration Report on pages 112 to 132.

8 Share-based payments

The Group operates share-based payment schemes which are the LTIPs, the Deferred Share Bonus Plan (DSBP) and the Savings-Related Share Option Scheme (SAYE).

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.

LTIPs – equity settled and cash settled

The Group's active LTIPs are granted under the 2019 LTIP, the 2022 LTIP, the J2G LTIP Award and the RS YAY! Award. Under these LTIPs, awards are made to plan participants subject to service conditions and performance conditions. Some of the awards are equity settled and some are cash settled. At the vesting date the award will either vest, in full or in part, or expire depending on the outcome of the performance conditions. All awards have £nil exercise price and receive accrued dividends on settlement.

Those awards made under the 2019 LTIP in 2019/20 (vested in June 2022), 2020/21 and 2021/22 are normally 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 a non-market performance condition based on cumulative growth in adjusted earnings per share (EPS) over the vesting period with a ROCE underpin.

Awards under the 2022 LTIP are normally 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 the adjusted EPS compound annual growth rate (CAGR) over the vesting period with a ROCE underpin.

Awards under the J2G LTIP Award to senior management are subject to non-market performance conditions based on the adjusted EPS CAGR over the vesting period and a scorecard of key performance indicators directly linked to The RS Way scorecard, with a ROCE underpin.

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

8 Share-based payments continued

Awards under the RS YAY! Award to all other employees are subject to a non-market performance condition based on adjusted profit before tax CAGR over the vesting period.

The fair values of equity-settled LTIP awards were calculated at the grant date using the assumptions below, with the fair value of those subject to market performance conditions calculated using a Monte Carlo model.

Grant date	2023		2022	
	December 2022	July 2022	December 2021	June 2021
Market performance conditions				
Awards granted	77,792	777,686	35,159	568,179
Fair value at grant date	471p	626p	608p	586p
Assumptions used:				
Share price	921p	979p	1,168p	1,017p
Expected volatility	32.8%	32.4%	30.4%	31.5%
Expected life	2 years 7 months	3 years	2 years 5 months	3 years
Risk-free interest rate	3.36%	1.75%	0.51%	0.19%
Other conditions				
Awards granted	243,911	4,009,281	54,117	568,179
Fair value at grant date	921p	979p	1,168p	1,017p

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 values of cash-settled LTIP awards at 31 March 2023 were:

	Awards granted	Fair value
November 2020 – Other conditions	1,147	914p
November 2020 – Market performance conditions	1,147	-p
June 2021 – Other conditions	4,393	914p
June 2021 – Market performance conditions	4,393	-p
July 2022 – Other conditions	12,000	-p
December 2022 – Other conditions	1,300	-p

The movements in the LTIP awards (equity and cash settled) were:

	2023 Number of awards	2022 Number of awards
Outstanding at 1 April	3,940,677	3,888,385
Forfeited during the year	(1,293,879)	(116,794)
Expired during the year	(789,203)	(463,084)
Exercised during the year	(676,822)	(602,250)
Granted during the year	5,121,970	1,234,420
Outstanding at 31 March	6,302,743	3,940,677

DSBP – equity settled

Under the DSBP, one-third of the total bonus earned by plan participants is awarded as shares and vests after 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 2023 are expected to be awarded in June 2023. The fair value of the shares awarded during the year was 1,005p (2021/22: 1,011p) per share award which was the share price at the date of award.

The movements in the DSBP awards were:

	2023 Number of awards	2022 Number of awards
Outstanding at 1 April	259,570	247,103
Forfeited during the year	(17,766)	-
Exercised during the year	(189,422)	(110,595)
Granted during the year	171,803	123,062
Outstanding at 31 March	224,185	259,570

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

8 Share-based payments continued

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 savings period. Under the UK element, at the end of the savings 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. Under the overseas element, at the end of the savings period, the employee has six months to either exercise their options to receive cash equal to the difference between the market price and the option 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.

Grant date	2023	2022	
	3 year December 2022	3 year September 2021	5 year September 2021
Options granted	1,300,316	544,216	83,697
Fair value at grant date	325p	349p	372p
Assumptions used:			
Share price	944p	1,108p	1,108p
Exercise price	715p	824p	824p
Expected volatility	32.6%	31.5%	30.3%
Expected option life	3 years	3 years	5 years
Expected dividend yield	1.71%	1.44%	1.44%
Risk-free interest rate	3.16%	0.30%	0.42%

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 at 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.

The fair values of cash-settled SAYE options at 31 March 2023 are shown below and were calculated using a Black-Scholes model, using a share price of 914p, expected dividend yield of 1.86% and additional assumptions below.

	Options granted	Fair value	Exercise price	Expected volatility	Expected remaining option life	Risk-free interest rate
5 year June 2018	35,052	354p	563p	29.5%	0.5 years	3.99%
5 year September 2019	99,256	475p	439p	32.5%	1.5 years	3.42%
3 year September 2020	389,066	345p	573p	29.5%	0.5 years	3.99%
5 year September 2020	19,798	369p	573p	28.8%	2.5 years	3.52%
3 year September 2021	222,284	195p	824p	32.5%	1.5 years	3.42%
5 year September 2021	11,939	259p	824p	32.4%	3.5 years	3.37%
3 year December 2022	518,735	308p	715p	29.7%	2.8 years	3.52%

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 at 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:

	2023		2022	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at 1 April	564p	3,850,612	496p	4,255,490
Forfeited during the year	594p	(154,098)	513p	(254,408)
Expired during the year	729p	(147,083)	538p	(272,929)
Exercised during the year	442p	(1,312,146)	497p	(739,677)
Granted during the year	715p	1,819,051	824p	862,136
Outstanding at 31 March	662p	4,056,336	564p	3,850,612
Exercisable at 31 March	438p	171,214	497p	6,669

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

8 Share-based payments continued

SAYE options outstanding at the year end were:

	2023	2022
Option prices:		
£2.00-£2.99	1,310	1,310
£4.00-£4.99	488,139	1,817,577
£5.00-£5.99	1,090,103	1,203,013
£7.00-£7.99	1,778,421	-
£8.00-£8.99	698,363	828,712
	4,056,336	3,850,612
Weighted average remaining contractual life (in years)	1.91	1.63
Weighted average share price during period of exercise	954p	1,097p

9 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 calculated by independent actuaries using the projected unit credit method. It is determined by discounting estimated future cash outflows using a discount rate reflecting yields on high-quality corporate bonds with terms approximating the terms of the related obligation. The operating profit charge comprises the current service cost, net interest cost, past service costs, administrative expenses, 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.

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 RS Group Pension Scheme (formerly 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, RS Group Pension Trustees Limited (formerly Electrocomponents Pension Trustees Limited) (the Trustee). The Trustee includes representatives appointed by both the Company and members. 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 RS 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 was in deficit on a statutory funding basis at 31 March 2022, the Trustee and the Company agreed a plan to eliminate the deficit over time and the Trustee has confirmed that it has no current intention to exercise 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 2022 and showed a deficit of £36.4 million on a statutory technical provisions basis. Under the associated recovery plan, the Group agreed to make deficit contributions of £11.1 million per annum with the aim that the scheme will be fully funded on a statutory technical provisions basis by 30 September 2025.

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

9 Retirement benefit obligations continued

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 2023, the defined benefit net asset has been restricted to £nil (2021/22: £nil) and an additional liability of £26.2 million (2021/22: £nil) has been recognised which is equal to the present value of the agreed future deficit contributions under the recovery plan.

Based on the funding position as at 31 March 2023, in the year ending 31 March 2024 the Group expects to pay £13.2 million of contributions to the UK scheme, including £11.1 million of deficit contribution payments, and £0.5 million to the other defined benefit schemes.

Investment strategy and risk exposure

The defined benefit schemes expose the Group to actuarial risks such as longevity, interest rate, inflation and investment risks. 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.

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:

	2023		2022	
	UK	Other	UK	Other
Discount rate	4.90%	3.66%	2.80%	1.79%
Rate of increase in pensionable salaries	Nil	1.04%	Nil	3.10%
Rate of RPI inflation	3.30%	2.34%	3.80%	2.03%
Rate of CPI inflation	2.80%	2.34%	3.20%	2.03%
Rate of pension increases				
RPI inflation capped at 5.0% p.a.	3.05%	n/a	3.35%	n/a
RPI inflation capped at 2.5% p.a.	2.05%	n/a	2.15%	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:

	2023 Years	2022 Years
Member aged 65 (current life expectancy) – male	21.9	22.4
Member aged 65 (current life expectancy) – female	23.3	23.8
Member aged 45 (life expectancy at aged 65) – male	23.3	22.9
Member aged 45 (life expectancy at aged 65) – female	25.8	25.1

At 31 March 2023, the weighted average duration of the UK defined benefit obligation was 14 years (2021/22: 18 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 2023:

	Increase in assumption £m	Decrease in assumption £m
Effect on obligation of a 0.5 pts change to the assumed discount rate	(25.9)	28.9
Effect on obligation of a 0.1 pts change in the assumed inflation rate	4.9	(4.8)
Effect on obligation of a change of one year in assumed life expectancy	11.1	(11.1)

Group accounts continued

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

9 Retirement benefit obligations continued

Income statement

The net charge / (credit) recognised in operating profit for retirement benefit obligations was:

	2023			2022		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
Current service cost	2.0	0.3	2.3	2.5	0.3	2.8
Past service cost	-	-	-	-	(0.1)	(0.1)
Interest expense on obligation	15.4	0.3	15.7	12.7	0.2	12.9
Interest income on scheme assets	(16.3)	(0.1)	(16.4)	(12.0)	(0.1)	(12.1)
Interest expense on asset ceiling / onerous liability	0.7	-	0.7	-	-	-
Administrative expenses	1.2	-	1.2	0.8	-	0.8
Total charge for defined benefit schemes	3.0	0.5	3.5	4.0	0.3	4.3
Total charge for defined contribution schemes and personal pensions	8.9	10.6	19.5	8.4	8.7	17.1

Balance sheet

The amounts included in the balance sheet arising from the Group's assets / (obligations) in respect of its defined benefit schemes was:

	2023			2022		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
Fair value of scheme assets	425.4	6.6	432.0	585.7	7.6	593.3
Present value of defined benefit obligations	(390.5)	(16.8)	(407.3)	(560.8)	(20.0)	(580.8)
Effect of asset ceiling / onerous liability	(61.1)	-	(61.1)	(24.9)	-	(24.9)
Retirement benefit obligations	(26.2)	(10.2)	(36.4)	-	(12.4)	(12.4)
Amount recognised on the balance sheet – liability	(26.2)	(11.0)	(37.2)	-	(12.7)	(12.7)
Amount recognised on the balance sheet – asset	-	0.8	0.8	-	0.3	0.3

Group accounts continued

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

9 Retirement benefit obligations continued

The other defined benefit schemes were:

	2023			2022		
	Fair value of scheme assets	Present value of defined benefit obligations	Retirement benefit obligations	Fair value of scheme assets	Present value of defined benefit obligations	Retirement benefit obligations
	£m	£m	£m	£m	£m	£m
Germany's defined benefit pension scheme	-	(7.1)	(7.1)	-	(8.5)	(8.5)
Republic of Ireland's defined benefit pension scheme	6.6	(5.8)	0.8	7.6	(7.3)	0.3
France's defined benefit retirement indemnity scheme	-	(3.0)	(3.0)	-	(3.2)	(3.2)
Italy's defined benefit retirement indemnity scheme	-	(0.9)	(0.9)	-	(1.0)	(1.0)
Other	6.6	(16.8)	(10.2)	7.6	(20.0)	(12.4)

Movements in the present value of the defined benefit obligations in the year were:

	2023			2022		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
At 1 April	560.8	20.0	580.8	614.0	22.6	636.6
Current service cost	2.0	0.3	2.3	2.5	0.3	2.8
Past service cost	-	-	-	-	(0.1)	(0.1)
Interest expense	15.4	0.3	15.7	12.7	0.2	12.9
Insurance premiums for risk benefits	-	-	-	(0.1)	-	(0.1)
Effect of changes in demographic assumptions	(17.8)	0.3	(17.5)	-	-	-
Effect of changes in financial assumptions	(176.1)	(4.9)	(181.0)	(54.0)	(1.7)	(55.7)
Effect of experience adjustments	24.3	0.7	25.0	3.1	(0.6)	2.5
Benefits paid	(18.1)	(0.6)	(18.7)	(17.4)	(0.5)	(17.9)
Exchange differences	-	0.7	0.7	-	(0.2)	(0.2)
At 31 March	390.5	16.8	407.3	560.8	20.0	580.8

Of the UK scheme's present value of the defined benefit obligations, £33.8 million (2021/22: £66.0 million) relates to active members, £153.3 million (2021/22: £240.0 million) to vested deferred members and £203.3 million (2021/22: £254.8 million) to retirees.

Group accounts continued

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

9 Retirement benefit obligations continued

Movements in the fair value of the schemes' assets in the year were:

	2023			2022		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
At 1 April	585.7	7.6	593.3	572.8	8.1	580.9
Interest income	16.3	0.1	16.4	12.0	0.1	12.1
Return on scheme assets (excluding interest income)	(170.7)	(1.5)	(172.2)	(6.1)	(0.4)	(6.5)
Contributions by company	13.4	0.7	14.1	25.3	0.4	25.7
Benefits paid	(18.1)	(0.6)	(18.7)	(17.4)	(0.5)	(17.9)
Administrative expenses	(1.2)	-	(1.2)	(0.8)	-	(0.8)
Insurance premiums for risk benefits	-	-	-	(0.1)	-	(0.1)
Exchange differences	-	0.3	0.3	-	(0.1)	(0.1)
At 31 March	425.4	6.6	432.0	585.7	7.6	593.3

The fair values of the schemes' assets were:

	2023			2022		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
QIAIF (liability driven investment and credit portfolio of quoted assets)	281.4	-	281.4	400.0	-	400.0
Quoted equities	-	2.4	2.4	-	2.5	2.5
Quoted debt instruments	63.1	4.1	67.2	94.0	5.1	99.1
Unquoted debt instruments	80.1	-	80.1	91.5	-	91.5
Cash	0.8	0.1	0.9	0.2	-	0.2
Total market value of scheme assets	425.4	6.6	432.0	585.7	7.6	593.3

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 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.

Group accounts continued

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

9 Retirement benefit obligations continued

Movements in the effect of asset ceiling / onerous liability were:

	2023			2022		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
At 1 April	24.9	–	24.9	–	–	–
Interest expense	0.7	–	0.7	–	–	–
Change in asset ceiling / onerous liability (excluding interest expense)	35.5	–	35.5	24.9	–	24.9
At 31 March	61.1	–	61.1	24.9	–	24.9

10 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.

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 reflect the resolution of that uncertainty better.

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 2023, the total value of these tax provisions was £10.6 million (2021/22: £8.3 million). It is possible that the amounts paid will be different from the amounts provided but this is not expected to be material.

Tax expense / (income) recognised in the income statement

	2023 £m	2022 £m
Current tax		
Current tax on profits for the year	89.5	72.4
Adjustments for prior years	(0.6)	(0.6)
Total current tax	88.9	71.8
Deferred tax		
Origination and reversal of temporary differences	(2.4)	(4.5)
Changes in tax rates and laws	(0.5)	4.9
Adjustments for prior years	0.7	–
Total deferred tax	(2.2)	0.4
Income tax expense	86.7	72.2

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

10 Taxation continued

The income tax expense for the year can be reconciled to the profit per the income statement as follows:

	2023 £m	2022 £m
Profit before tax	371.5	302.2
Expected tax charge at UK corporation tax rate of 19% (2022: 19%)	70.6	57.4
Recurring items		
Differences in overseas corporation tax rates	12.3	8.7
Impact of tax losses	(0.2)	(0.6)
Items not taxable for tax purposes	(1.2)	(0.8)
Items not deductible for tax purposes	4.1	1.9
Other local taxes suffered overseas	1.0	0.9
Non-recurring items		
Changes in tax rates and laws	(0.5)	4.9
Movement in uncertain tax provisions in current year	1.7	1.6
Movement in uncertain tax provisions for prior years	(1.2)	(1.2)
Prior year adjustments	0.1	(0.6)
	86.7	72.2

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 May 2021, the UK government enacted a change in the UK corporation tax rate from 19% to 25% effective from 1 April 2023 and so the UK deferred tax balances have been calculated at the new rate.

In December 2021, the Organisation for Economic Co-operation and Development (OECD) issued model rules for a new global minimum tax framework (Pillar Two) and various governments around the world have issued, or are in the process of issuing, legislation on this. In the UK, the government released draft legislation on Pillar Two in July 2022 and updated it in March 2023. The Group is in the process of assessing the full impact of this, however it is not expected to have a material impact.

Tax expense / (income) recognised directly in other comprehensive income

	2023 £m	2022 £m
Relating to remeasurement of retirement benefit obligations	(7.9)	0.9
Relating to movement in cash flow hedges	0.7	0.3
	(7.2)	1.2

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 2021	(25.0)	(45.8)	10.7	6.0	3.7	2.4	(48.0)
Credit / (charge) to income	0.7	(0.1)	(3.3)	2.9	(0.7)	0.1	(0.4)
Recognised directly in equity	–	–	(5.2)	0.8	–	(0.2)	(4.6)
Translation differences	(0.6)	(2.3)	–	0.2	–	0.2	(2.5)
At 31 March 2022	(24.9)	(48.2)	2.2	9.9	3.0	2.5	(55.5)
Acquisitions (Note 28)	(32.2)	–	–	–	–	1.6	(30.6)
Credit / (charge) to income	0.4	(0.1)	0.6	2.5	(0.2)	(1.0)	2.2
Recognised directly in equity	–	–	5.8	(0.5)	–	–	5.3
Translation differences	(2.1)	(2.9)	0.1	0.1	–	0.2	(4.6)
At 31 March 2023	(58.8)	(51.2)	8.7	12.0	2.8	3.3	(83.2)

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

10 Taxation continued

Analysed in the balance sheet as:

	2023 £m	2022 £m
Deferred tax assets	6.9	4.9
Deferred tax liabilities	(90.1)	(60.4)
	(83.2)	(55.5)

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 £0.7 million (2021/22: £1.6 million) which carries no expiry date.

11 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.

	2023 Number	2022 Number
Weighted average number of shares	471,717,928	470,552,792
Dilutive effect of share-based payments	1,194,205	2,669,271
Diluted weighted average number of shares	472,912,133	473,222,063
Basic earnings per share	60.4p	48.9p
Diluted earnings per share	60.2p	48.6p

12 Dividends

	2023 £m	2022 £m
Final dividend for the year ended 31 March 2022 – 11.6p (2021: 9.8p)	54.6	46.1
Interim dividend for the year ended 31 March 2023 – 7.2p (2022: 6.4p)	34.0	30.1
	88.6	76.2

The trustees of the EBT have waived their right to receive dividends and this rounds to £nil (2021/22: £nil).

A proposed final dividend for the year ended 31 March 2023 of 13.7p is subject to approval by shareholders at the Annual General Meeting on 13 July 2023 and the estimated amount to be paid of £64.7 million has not been included as a liability in these accounts.

13 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 over the following useful lives (and the corresponding annual rates) from the date the assets are first available for use: software 2 – 11 years (9% – 50%); development expenditure 3 years (33%); brand 10 years (10%); customer contracts, relationships and distribution agreements 4 – 15.5 years (6% – 25%); and acquired research 3 years (33%).

Group accounts continued

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

13 Intangible assets continued

	Goodwill £m	Software £m	Development expenditure £m	Brand £m	Customer contracts, relationships and distribution agreements £m	Acquired research £m	Total £m
Cost							
At 1 April 2021	317.6	322.0	1.8	4.0	85.1	1.1	731.6
Additions – internally generated	–	7.0	–	–	–	–	7.0
Additions – other	–	17.7	–	–	–	–	17.7
Disposals	–	(22.2)	–	–	–	–	(22.2)
Translation differences	12.9	1.7	–	–	1.2	–	15.8
At 31 March 2022	330.5	326.2	1.8	4.0	86.3	1.1	749.9
Acquisitions (Note 28)	111.8	–	–	–	107.8	–	219.6
Additions – internally generated	–	10.8	–	–	–	–	10.8
Additions – other	–	14.6	–	–	–	–	14.6
Disposals	–	(10.2)	–	(4.0)	–	–	(14.2)
Reclassifications	–	(0.6)	–	–	–	–	(0.6)
Translation differences	21.0	2.7	–	–	5.7	–	29.4
At 31 March 2023	463.3	343.5	1.8	–	199.8	1.1	1,009.5
Amortisation							
At 1 April 2021	–	250.8	0.1	0.1	14.1	0.1	265.2
Charge for the year	–	18.8	0.6	0.4	10.0	0.4	30.2
Disposals	–	(20.1)	–	–	–	–	(20.1)
Translation differences	–	1.2	–	–	0.1	–	1.3
At 31 March 2022	–	250.7	0.7	0.5	24.2	0.5	276.6
Charge for the year	–	14.5	0.7	0.2	12.7	0.3	28.4
Impairment losses	–	3.8	–	3.3	–	–	7.1
Disposals	–	(5.8)	–	(4.0)	–	–	(9.8)
Translation differences	–	2.1	–	–	0.3	–	2.4
At 31 March 2023	–	265.3	1.4	–	37.2	0.8	304.7
Net book value							
At 31 March 2023	463.3	78.2	0.4	–	162.6	0.3	704.8
At 31 March 2022	330.5	75.5	1.1	3.5	62.1	0.6	473.3

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

13 Intangible assets continued

As at 31 March 2023, the cost and accumulated amortisation of internally generated intangible assets included in software were £68.5 million and £41.9 million (2021/22 restated: £57.2 million and £35.4 million) respectively. All development expenditure is internally generated.

At 31 March 2023, there were no material individual software assets (2021/22: none). Material individual customer contracts, relationships and distribution agreements are from the acquisitions of IESA, Synovos and Risoul with net book values of £19.8 million, £18.6 million and £108.0 million respectively (2021/22: £24.2 million, £21.2 million and £nil) and remaining useful lives of 2 to 5 years, 5 years and 2 to 15 years respectively.

Goodwill is allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from the synergies arising as a result of the acquisition, with £410.2 million (2021/22: £280.7 million) relating to the Americas CGU, £49.7 million (2021/22: £49.8 million) relating to the EMEA CGU and £3.4 million (2021/22: £nil) relating to the Asia Pacific CGU.

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 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.

As a result of the rebranding of Needlers to RS Safety Solutions effective from 1 November 2022, the net book value of the Needlers brand acquired in December 2020 was impaired by £3.3 million and then written off. This impairment is included in amortisation and impairment of acquired intangibles.

The software impairments relate to software that is not being used and are included in distribution and marketing expenses in EMEA.

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. When the strategic plan was prepared it took into account expected increases in costs of products and overheads including those related to climate change as well as expected benefits from the introduction of the Group's more sustainable product range and ESG solutions business. The strategic plan is also used as the basis for the viability statement. Judgements made are for the main assumptions used in determining the revenue and gross margin growth rates. These are determined using internal forecasts based upon historical growth rates and future medium-term plans which consider and are consistent with relevant macroeconomic indicators.

The cash flows from the strategic plan are extrapolated using the relevant long-term growth rate for the CGU and discounted at the Group's externally sourced pre-tax weighted average cost of capital (including lease liabilities) adjusted for the estimated tax cash flows and risk applicable for the CGU to estimate cash flow projections. These cash flow projections are adjusted to take account of the likely future capital expenditure costs of meeting our climate change commitments consistent with the Group's climate scenario analysis of physical and transition risk impacts conducted for the Task Force on Climate-related Financial Disclosures (TCFD).

For the Americas CGU, the long-term growth rate is 1.8% (2021/22: 1.7%) which is consistent with the market estimate of long-term average growth rates for the product and service solutions providers industries and does not exceed expected long-term GDP growth for Americas. The nominal pre-tax discount rate is 11.6% (2021/22: 6.4%).

For the EMEA CGU, the long-term growth rate is 1.7% (2021/22: 1.5%) which is consistent with the market estimate of long-term average growth rates for the product and service solutions providers industries and does not exceed expected long-term GDP growth for EMEA. The nominal pre-tax discount rate is 11.6% (2021/22: 8.3%).

For the Asia Pacific CGU, the long-term growth rate is 2.0% which is consistent with the market estimate of long-term average growth rates for the product and service solutions providers industries and does not exceed expected long-term GDP growth for Asia Pacific. The nominal pre-tax discount rate is 16.3%.

There is 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.

14 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provisions for impairment after taking account of any impact of the Group's strategy related to climate change. 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 over the following useful lives (and the corresponding annual rates): freehold buildings and improvements to leasehold buildings 50 years (2%) (or the lease term if shorter); plant and machinery 5 – 20 years (5% – 20%); and computer equipment 3 – 5 years (20% – 33%). This reassessment includes consideration of the Group's climate scenario analysis of physical and transition risk impacts conducted for the TCFD.

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

14 Property, plant and equipment continued

	Land and buildings £m	Plant and machinery £m	Computer equipment £m	Total £m
Cost				
At 1 April 2021	150.7	208.8	82.0	441.5
Additions	3.7	16.1	1.0	20.8
Disposals	(0.5)	(0.5)	(21.2)	(22.2)
Translation differences	1.7	1.7	0.6	4.0
At 31 March 2022	155.6	226.1	62.4	444.1
Acquisitions	1.5	1.0	0.4	2.9
Additions	1.8	10.9	4.3	17.0
Disposals	–	(0.7)	(2.3)	(3.0)
Reclassifications	–	(0.1)	0.7	0.6
Translation differences	4.8	4.6	1.5	10.9
At 31 March 2023	163.7	241.8	67.0	472.5
Depreciation				
At 1 April 2021	53.0	144.5	73.8	271.3
Charge for the year	3.2	8.2	4.4	15.8
Disposals	(0.5)	(0.5)	(20.9)	(21.9)
Translation differences	0.3	0.7	0.6	1.6
At 31 March 2022	56.0	152.9	57.9	266.8
Charge for the year	3.6	10.3	4.0	17.9
Disposals	–	(0.6)	(2.3)	(2.9)
Translation differences	1.2	1.9	1.3	4.4
At 31 March 2023	60.8	164.5	60.9	286.2
Net book value				
At 31 March 2023	102.9	77.3	6.1	186.3
At 31 March 2022	99.6	73.2	4.5	177.3

Included above are £2.2 million of property, plant and equipment under construction at 31 March 2023 (2021/22: £8.8 million).

Finance costs capitalised were £nil (2021/22: £0.5 million calculated using a capitalisation rate of 2.2%).

15 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 20 years. Where a contract includes a vehicle lease, the Group has elected to account for the non-lease components as part of the lease. 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, as rates implicit in the Group's leases cannot be readily determined, and is charged to finance costs in the income statement as it unwinds. The Group's incremental borrowing rate is adjusted to take account of the country risk, lease term and start date for each lease. 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.

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

15 Leases continued

The amounts recognised relating to leases were:

	2023 £m	2022 £m
Right-of-use assets		
Buildings	39.5	33.8
Plant and machinery	0.2	0.3
Computer equipment	1.3	6.4
Vehicles	5.9	5.3
Right-of-use assets	46.9	45.8
Lease liabilities		
Current	14.6	16.7
Non-current	34.3	32.0
Lease liabilities	48.9	48.7
Depreciation charge for right-of-use assets		
Buildings	10.1	9.2
Plant and machinery	0.3	0.4
Computer equipment	5.2	5.4
Vehicles	2.7	2.7
Depreciation charge for right-of-use assets	18.3	17.7
Additions to right-of-use assets		
Right-of-use assets acquired with businesses	10.0	–
Other additions to right-of-use assets	6.3	2.8
Additions to right-of-use assets	16.3	2.8

	2023 £m	2022 £m
Total cash outflow for leases		
Included in cash flows from operating activities:		
Interest expense	1.1	0.9
Expense relating to short-term leases	1.0	0.8
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	0.5	0.5
Expense relating to variable lease payments not included in measurement of lease liabilities	0.6	0.6
Included in cash flows from financing activities:		
Payment of lease liabilities	18.8	17.8
Total cash outflow for leases	22.0	20.6

The contractual maturity analysis of lease liabilities is included in liquidity risk in Note 22.

16 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.

	2023 £m	2022 £m
At 1 April	1.5	1.1
Group's share of profit for the year	0.7	0.5
Group's share of other comprehensive (expense) / income	(0.1)	0.1
Group's share of total comprehensive income	0.6	0.6
Dividends	(0.6)	(0.2)
At 31 March	1.5	1.5

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

17 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, including any impact of obsolescence including that related to regulatory changes due to amongst other things climate change, are made in relation to the number of years of sales there are in inventories of each product and the value recoverable from those inventories. The Group bases its estimates on recent historical experience and knowledge of the products on hand.

	2023 £m	2022 £m
Raw materials and consumables	96.6	66.4
Finished goods and goods for resale	563.4	492.8
Gross inventories	660.0	559.2
Inventory provisions	(43.7)	(29.7)
Net inventories	616.3	529.5

£33.0 million was recognised as an expense relating to the write-down of inventories to net realisable value (2021/22: £7.7 million).

If the numbers of each product sold in a year decreased leading to an increase of one year in the number of years of sales there are in inventory, inventory provisions would increase by £3.0 million (2021/22: £1.5 million). A reduction in the value recoverable leading to an increase in provision rates of 10 percentage points per product, up to a maximum of 100% provision per product, would increase the inventory provisions by £2.0 million (2021/22: £1.2 million). Therefore, currently the Group does not expect any reasonably likely changes, including regulatory changes and the current global economic and geopolitical uncertainties, to have a material impact on the net realisable value of inventories.

18 Trade and other receivables

	2023 £m	2022 £m
Current		
Gross trade receivables	621.0	535.8
Impairment allowance (Note 22)	(12.6)	(9.1)
Net trade receivables	608.4	526.7
Amounts owed by joint venture	2.8	2.1
Prepayments	36.1	27.3
Other taxation and social security	6.3	1.8
Contract assets	1.8	2.9
Other receivables	36.6	33.5
Current trade and other receivables	692.0	594.3
Non-current		
Prepayments	0.3	0.7
Other taxation and social security	-	1.2
Other receivables	6.2	1.1
Non-current other receivables	6.5	3.0

Contract assets relate mainly to licence fee income and are where the Group has performed its part of the contract but is yet to receive the credit note for licence fee income from suppliers or raise the invoice for other contracts with customers.

Other receivables include £20.7 million (2021/22: £19.8 million) for amounts yet to be invoiced to customers related to product sales where the Group acts as an agent (Note 4).

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

19 Trade and other payables

	2023 £m	2022 £m
Current		
Trade payables	398.5	377.3
Other taxation and social security	42.4	19.7
Government grants	0.1	0.1
Cash-settled share-based payment liability	2.0	3.2
Accruals	180.6	150.4
Contract liabilities	7.6	8.2
Other payables (including estimated obligations for customer volume discounts and refunds – Note 4)	27.7	25.2
Current trade and other payables	658.9	584.1
Non-current		
Government grants	2.3	2.5
Cash-settled share-based payment liability	2.8	2.6
Other employee benefits	3.5	1.8
Accruals	0.7	–
Non-current other payables	9.3	6.9

Contract liabilities are where the Group has received payment but is yet to perform its part of the contract.

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 grant relates.

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 does not differ to the terms under the supplier contracts and there are no changes to the invoice terms and therefore the amount owed to the bank of £13.5 million (2021/22: £10.7 million) is included in trade payables. Related cash flows are included in cash generated from operations.

20 Financial instruments

The Group uses derivative financial instruments, principally forward foreign exchange contracts and occasionally currency swaps and interest rate swaps, to cover its exposure to foreign exchange and interest rate risks arising from operational and financing activities.

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, while 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 as it no longer meets the Group's risk management objective 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.

Fair value hedge accounting

The Group used derivative financial instruments, namely interest rate swaps, to hedge exposure to interest rate risks arising from financing activities. The fair value of the swaps was the market value of the swaps at the balance sheet date, taking into account prevailing interest rates. Changes in fair values of derivatives designated as fair value hedges and changes in fair value of the related hedged items were recognised directly in the income statement. These interest rate swaps matured during the year.

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

20 Financial instruments continued

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

	2023		2022	
	Current assets £m	Current liabilities £m	Current assets £m	Current liabilities £m
Forward foreign exchange contracts designated as cash flow hedges (principal amount £112.4 million (2021/22: £148.9 million))	1.1	(1.4)	1.2	(1.9)
Forward foreign exchange contracts classified as fair value through profit or loss	0.7	(0.3)	0.2	(1.3)
Other derivatives	1.8	(1.7)	1.4	(3.2)

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:

	2023		2022	
	Carrying amounts £m	Fair value £m	Carrying amounts £m	Fair value £m
Non-current private placement loan notes	(160.4)	(147.7)	(151.7)	(144.8)

The fair values are calculated using Level 2 inputs by discounting future cash flows to net present values using prevailing interest rate curves and the Group's credit margin.

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 2023			
Cash and cash equivalents – cash and short-term deposits	260.3	(135.2)	125.1
Other derivative assets	1.8	(1.0)	0.8
Cash and cash equivalents – bank overdrafts	(139.8)	135.2	(4.6)
Other derivative liabilities	(1.7)	1.0	(0.7)
At 31 March 2022			
Interest rate swap assets	0.1	(0.1)	–
Cash and cash equivalents – cash and short-term deposits	257.9	(95.5)	162.4
Other derivative assets	1.4	(1.4)	–
Interest rate swaps liabilities	(0.2)	–	(0.2)
Cash and cash equivalents – bank overdrafts	(99.5)	95.5	(4.0)
Other derivative liabilities	(3.2)	1.5	(1.7)

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

21 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. Borrowings represent loans from qualifying financial institutions.

	2023 £m	2022 £m
Cash and short-term deposits	260.3	257.9
Bank overdrafts	(139.8)	(99.5)
Cash and cash equivalents	120.5	158.4
	2023 £m	2022 £m
Non-current borrowings		
Unsecured private placement loan notes repayable after more than five years	(80.0)	(75.5)
Unsecured private placement loan notes repayable from four to five years	-	(76.2)
Unsecured private placement loan notes repayable from three to four years	(80.4)	-
Unsecured sustainability-linked loan repayable from four to five years	(24.2)	-
Non-current borrowings	(184.6)	(151.7)
Total borrowings	(184.6)	(151.7)
Current interest rate swaps designated as fair value hedges – assets	-	0.1
Current interest rate swaps designated as fair value hedges – liabilities	-	(0.2)
Cash and cash equivalents	120.5	158.4
Non-current lease liabilities	(34.3)	(32.0)
Current lease liabilities	(14.6)	(16.7)
Net debt	(113.0)	(42.1)

The amount borrowed under the sustainability-linked loan facility was repaid in April 2023.

The interest rate swaps were designated as fair value hedges and swapped 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 to December 2022 and 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 to March 2023. Further details of these swaps and the hedged items are:

	2023		2022	
	Interest rate swaps £m	Private placement loan notes hedged £m	Interest rate swaps £m	Private placement loan notes hedged £m
Carrying amount of liability	-	-	(0.1)	(64.6)
Accumulated fair value adjustments (loss) / gain	-	-	(0.1)	0.1
Gain / (loss) in fair value in year	0.1	(0.1)	(1.2)	1.2

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 2021	(148.0)	(61.5)	(209.5)	1.1	86.4	(122.0)
Cash flows	0.7	17.8	18.5	-	68.1	86.6
New leases	-	(2.8)	(2.8)	-	-	(2.8)
Lease modifications	-	(2.1)	(2.1)	-	-	(2.1)
Disposal of leases	-	0.2	0.2	-	-	0.2
Gain / (loss) in fair value in year	1.2	-	1.2	(1.2)	-	-
Translation differences	(5.6)	(0.3)	(5.9)	-	3.9	(2.0)
Net debt at 31 March 2022	(151.7)	(48.7)	(200.4)	(0.1)	158.4	(42.1)
Cash flows	(25.1)	18.8	(6.3)	-	(43.6)	(49.9)
Acquired with businesses	-	(9.8)	(9.8)	-	-	(9.8)
New leases	-	(6.3)	(6.3)	-	-	(6.3)
Lease modifications	-	(2.4)	(2.4)	-	-	(2.4)
Disposal of leases	-	0.3	0.3	-	-	0.3
(Loss) / gain in fair value in year	(0.1)	-	(0.1)	0.1	-	-
Translation differences	(7.7)	(0.8)	(8.5)	-	5.7	(2.8)
Net debt at 31 March 2023	(184.6)	(48.9)	(233.5)	-	120.5	(113.0)

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

22 Financial risk management

The principal financial risks to which the Group is exposed are those of credit, liquidity and market. Market risk includes foreign currency transaction risk and interest rate risk. Each of these is managed in accordance with Board-approved policies.

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 again carefully this year due to the current global economic and geopolitical uncertainties and 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 contract assets, amounts owed by joint venture 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 2019 and the corresponding historical credit losses experienced within this period calculated as the trade receivables from this period that have not been paid by the year end. 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.

On that basis, the impairment allowance for trade receivables was determined as follows:

	2023			2022		
	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	0.9%	366.0	3.4	0.6%	358.3	2.2
31-60 days from date of invoice	1.3%	162.4	2.1	0.9%	117.4	1.1
61-90 days from date of invoice	2.1%	42.6	0.9	2.1%	28.6	0.6
91-120 days from date of invoice	2.9%	17.5	0.5	3.3%	12.0	0.4
Over 120 days from date of invoice	17.5%	32.5	5.7	24.6%	19.5	4.8
Total		621.0	12.6		535.8	9.1

The ageing of net trade receivables at the reporting date was:

	2023 £m	2022 £m
Not past due	483.7	437.9
Past due 0-30 days	73.5	59.9
Past due 31-60 days	17.4	10.1
Past due 61-120 days	13.0	8.2
Past due over 120 days	20.8	10.6
Total	608.4	526.7

The movement in the impairment allowance for trade receivables was as follows:

	2023 £m	2022 £m
At 1 April	(9.1)	(7.4)
Acquisitions	(2.1)	–
Net remeasurement of impairment allowance	(1.4)	(1.7)
At 31 March	(12.6)	(9.1)

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

22 Financial risk management continued

Trade receivables are written off when there is no reasonable expectation of recovery, for example when a customer enters liquidation or the Group agrees with the customer to write off an outstanding invoice. The Group continues to limit its exposure by maintaining tight 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. Historically, the Group has generally experienced very low levels of trade receivables not being recovered, including those significantly past due, and this was also the case during 2022/23. However, with the continued global economic and geopolitical uncertainties, the Group remains cautious about its exposure and so has reviewed carefully, and maintained at a higher level, its expected loss rates for those markets and industries that are most affected.

At 31 March 2023, the largest trade receivable balance was £12.0 million (2021/22: £8.7 million), of which £10.1 million has been received since the year end. The maximum exposure with a single bank for deposits was £26.0 million (2021/22: £51.3 million) and the largest mark to market exposure for derivative financial instruments to a single bank was £0.7 million (2021/22: £0.1 million). The Group also occasionally uses money market funds to invest surplus cash thereby diversifying credit risk and at 31 March 2023 its exposure to these funds was £nil (2021/22: £nil).

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.

During the year, the Group refinanced its £300.0 million sustainability-linked loan facility to a five-year £400.0 million sustainability-linked loan facility on broadly unchanged rates. Therefore, as at 31 March 2023, 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 £400.0 million sustainability-linked loan facility, with a lender option accordion of up to a further £100.0 million, which has a maturity of October 2027 with an option for the Group to extend for up to two further one-year terms subject to individual lender approval. It is linked to the Group's most material ESG actions of the reduction of direct Scope 1 and 2 CO₂e emissions, packaging intensity and percentage of management that are women. Meeting these annual ESG actions means a margin benefit of up to 2.5 basis points, while missing these ESG actions would mean paying a margin premium of up to 2.5 basis points. Amounts borrowed under this facility are borrowed for fixed amounts of time after which they can be repaid or rolled up to a maximum of the facility maturity.

As at 31 March 2023, the Group had £375.8 million (2021/22: £300.0 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.

Group accounts continued

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

22 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	86.1	87.0	87.0	-	-	-	-
Outflows for forward foreign exchange contracts	(87.8)	(87.8)	(87.8)	-	-	-	-
Forward foreign exchange contracts	(1.7)	(0.8)	(0.8)	-	-	-	-
Non-derivative financial liabilities							
Sustainability-linked loan	(24.2)	(24.3)	(24.3)	-	-	-	-
Private placement loan notes	(160.4)	(191.3)	(5.0)	(5.0)	(5.0)	(85.4)	(90.9)
Lease liabilities	(48.9)	(57.4)	(16.1)	(11.7)	(8.7)	(6.6)	(14.3)
Bank overdrafts	(139.8)	(139.8)	(139.8)	-	-	-	-
Trade payables, other payables and accruals	(533.0)	(533.0)	(532.3)	(0.7)	-	-	-
At 31 March 2023	(908.0)	(946.6)	(718.3)	(17.4)	(13.7)	(92.0)	(105.2)

	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	133.9	133.6	133.6	-	-	-	-
Outflows for forward foreign exchange contracts	(137.1)	(137.1)	(137.1)	-	-	-	-
Forward foreign exchange contracts	(3.2)	(3.5)	(3.5)	-	-	-	-
Non-derivative financial liabilities							
Private placement loan notes	(151.7)	(185.6)	(4.7)	(4.7)	(4.7)	(4.7)	(166.8)
Lease liabilities	(48.7)	(50.7)	(17.7)	(11.4)	(7.3)	(5.7)	(8.6)
Bank overdrafts	(99.5)	(99.5)	(99.5)	-	-	-	-
Trade payables, other payables and accruals	(500.2)	(500.2)	(500.2)	-	-	-	-
At 31 March 2022	(803.3)	(839.5)	(625.6)	(16.1)	(12.0)	(10.4)	(175.4)

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

22 Financial risk management continued

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 entered into by Group Treasury in appropriate currencies with fixed terms of between three and seven months 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.

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 €1.13:£1 and US\$1.21:£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 altered materially during the year. Ineffectiveness may arise if actual foreign currency transactions are lower than the trading projections.

The Group has designated the US\$165.0 million private placement loan notes (2021/22: US\$3.6 million of those maturing in December 2026), with a carrying amount of £133.2 million (2021/22: £2.8 million), as hedges of US\$165.0 million (2021/22: US\$3.6 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 altered

materially during the year. The balance in the cumulative translation reserve relating to the US\$165.0 million net investment hedge is a gain of £3.7 million with a further loss of £36.7 million relating to previous net investment hedging relationships.

Borrowings are analysed by currency as:

	Unsecured bank overdrafts £m	Sustainability- linked loan £m	Unsecured private placement loan notes £m	Total £m
At 31 March 2023				
Sterling	(125.0)	-	-	(125.0)
US dollar	(3.4)	(24.2)	(133.2)	(160.8)
Euro	-	-	(27.2)	(27.2)
Canadian dollar	(9.7)	-	-	(9.7)
Other	(1.7)	-	-	(1.7)
Total borrowings	(139.8)	(24.2)	(160.4)	(324.4)
At 31 March 2022				
Sterling	(78.8)	-	-	(78.8)
US dollar	(3.0)	-	(125.5)	(128.5)
Euro	(8.4)	-	(26.2)	(34.6)
Canadian dollar	(8.3)	-	-	(8.3)
Other	(1.0)	-	-	(1.0)
Total borrowings	(99.5)	-	(151.7)	(251.2)

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

22 Financial risk management continued

Market risk – interest rate risk

The Group has relatively high interest cover. The Group does not have any outstanding interest rate swaps currently, as those that swapped certain of the US dollar private placement loan notes from fixed to floating rates matured during the year (Note 21). The Group's policy dictates regular monitoring of interest rate exposure 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 2023 (and 31 March 2022), the Group had US\$165 million and €31 million of private placement loan notes at fixed interest rates (2021/22: US\$85 million swapped into floating interest rates). All other borrowings were at variable rates. At 31 March 2023, 49% (2021/22: 35%) of the Group's gross borrowings excluding lease liabilities (total borrowings plus bank overdrafts) was at fixed rates, with surplus cash deposited at variable 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.
- 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.

	2023		2022	
	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	1.0	–	0.7	–
5% weakening of the euro	1.6	0.5	2.3	0.6
5% weakening of the US dollar	(6.3)	4.3	(0.1)	(2.3)

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 maintain a strong capital base always, 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 ROCE, which the Group defines as adjusted operating profit as a percentage of monthly average 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 2023, the Group had a £400 million sustainability-linked loan, with an accordion of up to a further £100 million, which has a maturity of October 2027 with an option for the Group to extend for up to two further one-year terms subject to individual lender approval; 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.

The Group's debt covenants are net debt to adjusted EBITDA to be less than 3.25 times and EBITA to interest to be greater than 3 times. At the year end the Group comfortably met these covenants with net debt to adjusted EBITDA of 0.2x (2021/22: 0.1x) and EBITA to interest of 34.2x (2021/22: 44.6x).

There were no significant changes in the Group's approach to capital management during the year.

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

23 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	Penalties and interest on uncertain income tax provision £m	Dilapidation provision £m	Total £m
At 1 April 2022	3.4	1.6	0.4	5.4
Acquisitions (Note 28)	–	2.1	–	2.1
Additions	0.4	0.2	–	0.6
Utilised	(1.5)	–	–	(1.5)
Released	(0.3)	–	–	(0.3)
Translation differences	0.1	0.1	–	0.2
At 31 March 2023	2.1	4.0	0.4	6.5

Analysed in the balance sheet as:

	2023 £m	2022 £m
Current	1.8	2.6
Non-current	4.7	2.8
	6.5	5.4

The reorganisation provision is expected to be fully spent by March 2027 and the dilapidation provision is expected to be fully utilised by March 2028.

At 31 March 2023, there were no material contingent liabilities (2021/22: none).

24 Capital commitments

As at 31 March 2023, the Group is contractually committed to, but has not provided for, future capital expenditure of £3.5 million (2021/22: £1.1 million) for property, plant and equipment and £2.1 million (2021/22: £5.5 million) for intangible assets.

25 Share capital and share premium

	Number of shares	Share capital £m	Share premium £m	Total £m
Issued and fully paid ordinary shares of 10p each:				
At 1 April 2021	469,943,362	47.0	228.5	275.5
Issues to settle employee share awards	1,078,660	0.1	2.9	3.0
At 31 March 2022	471,022,022	47.1	231.4	278.5
Issues to settle employee share awards	1,762,387	0.2	4.6	4.8
At 31 March 2023	472,784,409	47.3	236.0	283.3

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 2023, the EBT held 336,084 shares (2021/22: 315,768 shares) which had not yet vested unconditionally with employees.

26 Other reserves

	Hedging reserve £m	Cumulative translation reserve £m	Total £m
At 1 April 2021	(1.4)	39.0	37.6
Foreign exchange translation differences	–	22.0	22.0
Fair value loss on net investment hedges	–	(0.1)	(0.1)
Cash flow hedging losses taken to equity	(1.2)	–	(1.2)
Cash flow hedging losses transferred to income statement	2.6	–	2.6
Tax on other comprehensive income (Note 10)	(0.3)	–	(0.3)
Total comprehensive income	1.1	21.9	23.0
Cash flow hedging gains transferred to inventories	(0.5)	–	(0.5)
Tax on cash flow hedging gains transferred to inventories	0.1	–	0.1
At 31 March 2022	(0.7)	60.9	60.2
Foreign exchange translation differences	–	43.0	43.0
Fair value gain on net investment hedges	–	5.4	5.4
Cash flow hedging gains taken to equity	3.9	–	3.9
Tax on other comprehensive income (Note 10)	(0.7)	–	(0.7)
Total comprehensive income	3.2	48.4	51.6
Cash flow hedging gains transferred to inventories	(3.7)	–	(3.7)
Tax on cash flow hedging gains transferred to inventories	0.7	–	0.7
At 31 March 2023	(0.5)	109.3	108.8

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

27 Related parties

The Group's joint venture (Note 16) is a related party and during the year, the Group made sales of £4.5 million (2021/22: £3.3 million) to the joint venture, and a balance of £2.8 million (2021/22: £2.1 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 9. Transactions and balances between the Company and its subsidiaries have been eliminated on consolidation.

The key management personnel of the Group are the Directors and the Senior Management Team, whose compensation was:

	2023 £m	2022 £m
Short-term employee benefits	12.0	12.0
Post-employment benefits	0.2	0.2
Termination benefits	1.8	0.2
Share-based payments	8.1	5.9
	22.1	18.3

28 Acquisitions

On 30 June 2022 the Group acquired 100% of the issued share capital of domnick hunter-RL (Thailand) Co., Ltd. (DH), a leading distributor and service provider of major air compression, purification and filtration products in Thailand. DH accelerates development of the Group's service solutions offer in Asia Pacific. The goodwill is attributable to the synergies which are expected to arise from opportunities to cross-sell product and service solution ranges. As part of the transaction, immediately following the acquisition, the Group sold 51% of its shares in Electrocomponents Holdings (Thailand) Limited, an intermediate holding company of DH, for £nil (THB 1.5 million). This resulted in a 13.26% non-controlling interest in DH as the Group still controls Electrocomponents Holdings (Thailand) Limited and DH. DH is included in Asia Pacific.

On 3 January 2023 the Group acquired 100% of the issued share capital of Risoul y Cia, S.A. de C.V. and its subsidiaries (Risoul), a leading distributor of industrial and automation product and service solutions in Mexico. Risoul expands the Group's geographic reach, extends targeted product adjacencies and accelerates development of the Group's offer in Mexico. The goodwill is attributable to the synergies which are expected to arise from combining Risoul's established presence in Mexico with the Group's range of complementary and ancillary products, including the Group's own-brand RS PRO. We will develop Risoul's digital presence by leveraging the Group's digital expertise. Risoul is included in Americas.

The fair value of the net assets acquired, consideration paid and goodwill arising, plus transaction costs and contribution to the Group's results since acquisition were:

	DH £m	Risoul £m	Total £m
Intangible assets – customer contracts and relationships and distribution agreements	1.9	105.9	107.8
Property, plant and equipment	1.1	1.8	2.9
Right-of-use assets	0.6	9.4	10.0
Inventories	2.6	27.1	29.7
Current trade and other receivables	3.3	36.4	39.7
Cash and cash equivalents – cash and short-term deposits	1.2	11.5	12.7
Current trade and other payables	(8.3)	(27.3)	(35.6)
Current lease liabilities	(0.1)	(0.9)	(1.0)
Non-current lease liabilities	(0.3)	(8.5)	(8.8)
Non-current other payables	(0.8)	–	(0.8)
Non-current other provisions	(0.4)	(1.7)	(2.1)
Current income tax liabilities	(0.4)	(2.5)	(2.9)
Deferred tax liabilities	(0.4)	(30.2)	(30.6)
Net assets acquired	–	121.0	121.0
Indemnification assets (included in non-current other receivables)	0.7	4.0	4.7
Goodwill	3.4	108.4	111.8
Consideration paid – cash	3.6	233.6	237.2
Consideration refundable – accrued, due on agreement of completion accounts	–	(0.2)	(0.2)
Contingent consideration payable – accrued	0.5	–	0.5
Acquisition-related costs charged to administrative expenses:			
In 2022/23	–	2.6	2.6
In 2021/22	0.2	1.1	1.3
Revenue since acquisition	7.1	46.9	54.0
Profit after tax since acquisition	–	0.8	0.8
Trade and other receivables:			
Gross contractual amounts receivable	3.8	38.0	41.8
Estimate of amounts not expected to be collected	0.5	1.6	2.1

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

28 Acquisitions continued

The contingent consideration payable on acquisition of DH is due 12 months after the completion date with a range of outcomes from £nil to £0.5 million and is based on revenue growth.

The indemnification assets relate to uncertain tax provisions for which the Group has contractual indemnifications from the sellers and have been measured on the same basis, with a range of outcomes from £nil to the amount recognised for each acquisition.

The goodwill arising on all acquisitions completed during the year will not be deductible for tax purposes. The fair values of tax balances and other related assets / liabilities for Risoul are provisional while the Group continues to assess the liabilities acquired.

If the acquisitions had occurred on 1 April 2022, the Group's revenue and profit for the year ended 31 March 2023 would have been £3,118.1 million and £306.0 million respectively.

29 Related undertakings

A full list of related undertakings (comprising subsidiaries and a joint venture) is set out below. All subsidiaries are wholly owned except where indicated below 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
Provider of product and service solutions for designers, builders and maintainers of industrial equipment and operations		
RS Components Pty Limited* 25, Pavesi Street, Smithfield, Sydney NSW 2164, Australia	Australia	Ordinary
RS Components Handelsgesellschaft m.b.H.* Albrechtser Straße 11, 3950, Gmünd, Austria	Austria	Share of equity
RS Integrated Supply Belgium* Louizalaan 65/11, 1050 Elsene	Belgium	Ordinary
RS Americas (Canada), Inc.* 1155 Lola Street, Unit 6, Ottawa, ON, K1K 4C1	Canada	Common
RS Integrated Supply Canada Corp.* 600-1741 Lower Waters Street, Halifax NS B3J 0J2, Canada	Canada	Common
RS Group Limitada (DBA - RS Limitada)* Av. Eduardo Frei Montalva, 6001-71 Conchalí, Santiago, Chile	Chile	Ordinary
RS Components Limited* Suite 1601, Level 16, Tower 1, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, Hong Kong	China	Ordinary
RS Components (Shanghai) Company Limited* Unit 501, Floor 5, Building C, The New Bund World Trade Center Phase II, No.3, Lane 227, Dong Yu Road, Pudong Shanghai, China	China	Ordinary

Name and registered address of undertaking	Country of incorporation	Class of share held
RS Components A/S* Nattergalevej 6, 2400, København NV, Denmark	Denmark	Ordinary
Risoul Dominicana S.R.L.* Autopista Duarte KM 17, Calle Los Almejos, Palma Enana No 13, Nave 1, Villa Linda, Palmarejito, Santo Domingo Oeste, Dominican Republic	Dominican Republic	Ordinary
RS Components SAS* Rue Norman King, 60000, Beauvais, France	France	Ordinary
RS Integrated Supply France* Rue Norman King BF 453, F-60031 Beauvais Cedex, France	France	Ordinary
RS Integrated Supply Deutschland GmbH* Bleibtreustr. 21, 10623, Berlin, Germany	Germany	Ordinary
RS Components GmbH* Mainzer Landstraße 180, 60327, Frankfurt, Germany	Germany	Ordinary
RS Integrated Supply Hungary Korlátolt Felelősségű Társaság* 1062, 1-3. Tower A, 6th floor, Budapest	Hungary	Ordinary
RS Components & Controls (India) Limited** 222 Okhla Industrial Estate, New Delhi, India	India	Ordinary
RS Components S.r.l.* Sesto san Giovanni, Viale Thomas Alva Edison, 110, 20099, MI, Italy	Italy	Ordinary
RS Integrated Supply Italy S.r.l.* Sesto san Giovanni, Viale Thomas Alva Edison, 110, 20099, MI, Italy	Italy	Ordinary
RS Components KK* West Tower 12F, Yokohama Business Park, 134 Godocho, Hodogaya, Yokohama, Kanagawa, 240-0005, Japan	Japan	Ordinary
RS Components Sdn. Bhd.* Suite 9D, Level 9, Menara Ansar, 65 Jalan Trus, Johor Bahru, 80000, Johor, Malaysia	Malaysia	Ordinary
Allied Electronics & Automation S. de R.L. de C.V.* Avenida Circunvalación Agustín Yález N° 2613 Int. 1A 105, Colonia Arcos Vallarta Sur, Guadalajara Jalisco, 44500 Mexico	Mexico	Ordinary
Risoul y Cia, S.A. de C.V.* Avenida Sendero Divisorio 400, Residencia Casa Bella, San Nicolas de los Garza, Nuevo Leon, 66428, Mexico	Mexico	Ordinary
Storeroom Solutions Mexico, S. de R.L. de C.V.* Floresca 57 P, 3 Juarez Distrito Federal, 06600, Mexico	Mexico	Ordinary
Liscombe B.V.* Jarmuiden 56 a, 1046 AE, Amsterdam, Netherlands	Netherlands	Ordinary
RS Components B.V.* Bingerweg 19, 2031 AZ Haarlem, Netherlands	Netherlands	Ordinary

Group accounts continued

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

29 Related undertakings continued

Name and registered address of undertaking	Country of incorporation	Class of share held
RS Integrated Supply Netherlands B.V.* Bingerweg 19, 2031 AZ Haarlem, Netherlands	Netherlands	Ordinary
RS Components Limited* KPMG, 18 Viaduct Harbour Avenue, Auckland, 1010, New Zealand	New Zealand	Ordinary
RS Components AS* 10. etg., Fredrik Selmers vei 6, Oslo, 0663, Norway	Norway	Ordinary
RS Components Corporation* 21st Floor Multinational Bancorporation Centre, 6805 Ayala Avenue, Makati City, Philippines	Philippines	Common and preference
RS Components sp. z.o.o.* Ul. Domaniewska 48, 02-672, Warszawa, Poland	Poland	Ordinary
RS Integrated Supply Poland Sp. z.o.o.* Ul. Domaniewska 48, 02-672, Warszawa, Poland	Poland	Ordinary
Radionics Limited* Glenview Industrial Estate, Herberton Road, Rialto, Dublin 12, Ireland	Republic of Ireland	Ordinary
RS Integrated Supply Ireland Limited* Glenview Industrial Estate, Herberton Road, Rialto, Dublin 12, Ireland	Republic of Ireland	Ordinary
Synovos Ireland Limited* 70 Sir John Rogerson's Quay, Dublin 2, Ireland	Republic of Ireland	Ordinary
RS Components Pte Ltd* 112 Robinson Road, #05-01, 068902, Singapore	Singapore	Ordinary
RS Integrated Supply Singapore Pte. Ltd.* 10 Ubi Crescent, #06-18 Ubi Techpark, 408564, Singapore	Singapore	Ordinary
Synovos Singapore Pte. Ltd.* 1 Marina Boulevard, #28-00, One Marina Boulevard, 018989, Singapore	Singapore	Ordinary
RS Integrated Supply Slovakia s.r.o.* Lazaretská 8, Bratislava- mestská časť Staré Mesto, 811 09, Slovakia	Slovakia	Ordinary
Amidata S.A.U.* Avenida de Bruselas 6, Alcobendas, 28108, Madrid, Spain	Spain	Ordinary
Risoul Iberica SA* 08402 – Granollers, calle Girona, numero 85, Barcelona, Spain	Spain	Ordinary
RS Components AB* Fabriksgatan 7, 3v, 412 50 Gotborg, Sweden	Sweden	Ordinary
RS Integrated Supply Sweden AB* Drottninggatan 96, 113 60, Stockholm, Sweden	Sweden	Ordinary
domnick hunter-RL (Thailand) Co., Ltd.* (86.74%) No. 99/1-3, Naradhiwas Rajanagarindra Road, Chong Nonsi, Yan Nawa, Bangkok	Thailand	Ordinary

Name and registered address of undertaking	Country of incorporation	Class of share held
RS Components Co., Ltd* GMM Grammy 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
John Liscombe Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary and preference
Needlers Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary and preference
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
RS Integrated Supply UK Limited* IESA Works Daten Park, Birchwood, Warrington, Cheshire, WA3 6UT, UK	UK	Ordinary
MRO Distribution, Inc.* Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States	United States of America	Common
New DEAM, LLC* Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States	United States of America	Common
RS Americas, Inc* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Common
RS Integrated Supply Puerto Rico LLC* Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States	United States of America	Common
RS Integrated Supply US Inc.* Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, 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

Group accounts continued

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

29 Related undertakings continued

Name and registered address of undertaking	Country of incorporation	Class of share held
Bodenfeld Immobilien GmbH* Mainzer Landstraße 180, 60327, Frankfurt, Germany	Germany	Ordinary
Electrocomponents Jersey Finance Unlimited* 44 Esplanade, St Helier, JE4 9WG Jersey	Jersey	Common
Synovos Netherlands C.V.* Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, United States	Netherlands	Partnership
Electrocomponents Holdings (Thailand) Limited* (49.00%) GMM Grammy Place, Room No. 1901-1904, Floor 19, No. 50, Sukhumvit 21 (Asoke), Klongtoey Nua, Wattana, Bangkok, 10110, Thailand	Thailand	Ordinary
Electrocomponents Newco (Thailand) Limited* (86.73%) GMM Grammy Place, Room No. 1901-1904, Floor 19, No. 50, Sukhumvit 21 (Asoke), Klongtoey Nua, Wattana, Bangkok, 10110, Thailand	Thailand	Ordinary
Electrocomponents (Thailand) Limited* (73.99%) GMM Grammy Place, Room No. 1901-1904, Floor 19, No. 50, Sukhumvit 21 (Asoke), Klongtoey Nua, Wattana, Bangkok, 10110, Thailand	Thailand	Ordinary
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 US Finance Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, 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
Needlers Holdings Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary and preference
RS Components Holdings Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
RS Group International Holdings Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
RS Group Pension Trustees Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electrocomponents, Inc.* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Common and preference

Name and registered address of undertaking	Country of incorporation	Class of share held
Electrocomponents North America, Inc.* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Common
Electrocomponents North America LLC* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Common
Electrocomponents (US), Inc.* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Common
Electrocomponents US LLC* 7151 Jack Newell Blvd S., Fort Worth, TX 76118, United States	United States of America	Common
Synovos International, Inc.* Two Radnor Corporate Center, Suite 400, Radnor, PA 19087, 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
Risoul (Trinidad and Tobago) Limited* Nunez & Co, Level 2, Invaders Bay Tower, Invaders Bay, Off Audrey Jeffers Highway, Port of Spain, Trinidad and Tobago	Trinidad and Tobago	Ordinary
B & W (Hygiene Services) Company Limited* Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Electrocomponents 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
Electro Lighting Group 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
IESA Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary
Monition 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
RS Components International Limited Fifth Floor, Two Pancras Square, London N1C 4AG, UK	UK	Ordinary

NOTES TO THE GROUP ACCOUNTS CONTINUED

For the year ended 31 March 2023

29 Related undertakings continued

Name and registered address of undertaking	Country of incorporation	Class of share held
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 16 provides details about the Company's interest in the joint venture.

RS Components Limited (UK), 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).

30 Post balance sheet events

On 27 April 2023 the Group announced that it had reached agreement to acquire Distrelec B.V. (Distrelec), a high-service, digital-led distributor of industrial and MRO products for a consideration of €365 million on a cash-free and debt-free basis. Completion is expected to be by the end of July 2023 as it is subject to regulatory clearances in Germany, Austria and Italy. The acquisition will be financed from the Group's existing resources and the addition of an approved new three-year acquisition term loan facility of €150 million.

Company Accounts

COMPANY BALANCE SHEET

As at 31 March 2023

	Notes	2023 £m	2022 £m
Fixed assets			
Tangible assets	7	15.7	16.4
Investments in subsidiaries	8	491.2	343.0
Total fixed assets		506.9	359.4
Current assets			
Debtors: amounts falling due after more than one year	10	2.2	1.8
Debtors: amounts falling due within one year	10	995.7	837.2
Cash at bank and in hand		171.3	170.8
Total current assets		1,169.2	1,009.8
Creditors: amounts falling due within one year	11	(512.0)	(308.6)
Net current assets		657.2	701.2
Total assets less current liabilities		1,164.1	1,060.6
Creditors: amounts falling due after more than one year	12	(185.6)	(153.0)
Net assets		978.5	907.6
Capital and reserves			
Share capital	16	47.3	47.1
Share premium account	16	236.0	231.4
Own shares held by Employee Benefit Trust (EBT)	16	(2.2)	(3.0)
Profit and loss account (including profit for the year of £142.5 million (2021/22: £59.2 million))	16	697.4	632.1
Total equity		978.5	907.6

The Company accounts on pages 187 to 191 were approved by the Board of Directors on 23 May 2023 and were signed on its behalf by:

Rona Fairhead
Chair

Simon Pryce
Chief Executive Officer

RS Group plc
Company number: 647788

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Share capital £m	Share premium account £m	Own shares held by EBT £m	Profit and loss account £m	Total £m
At 1 April 2021	47.0	228.5	(1.5)	640.2	914.2
Profit and total comprehensive income for the year	–	–	–	59.2	59.2
Dividends (Note 16)	–	–	–	(76.2)	(76.2)
Equity-settled share-based payments (Note 5)	–	–	–	9.9	9.9
Settlement of share awards (Note 16)	0.1	2.9	1.4	(1.4)	3.0
Purchase of own shares by EBT (Note 16)	–	–	(2.9)	–	(2.9)
Tax on equity-settled share-based payments	–	–	–	0.4	0.4
At 31 March 2022	47.1	231.4	(3.0)	632.1	907.6
Profit and total comprehensive income for the year	–	–	–	142.5	142.5
Dividends (Note 16)	–	–	–	(88.6)	(88.6)
Equity-settled share-based payments (Note 5)	–	–	–	14.2	14.2
Settlement of share awards (Note 16)	0.2	4.6	2.9	(2.9)	4.8
Purchase of own shares by EBT (Note 16)	–	–	(2.1)	–	(2.1)
Tax on equity-settled share-based payments	–	–	–	0.1	0.1
At 31 March 2023	47.3	236.0	(2.2)	697.4	978.5

NOTES TO THE COMPANY ACCOUNTS

For the year ended 31 March 2023

1 General information

RS Group plc (the Company) is the parent company of the RS Group and is included in the consolidated accounts of RS Group plc (the Group accounts). The Company is a public limited company and is incorporated, registered 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. They are presented in sterling and rounded to the nearest £0.1 million. The principal accounting policies have been applied consistently 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	2023	2022
Management and administration	63	57
	2023 £m	2022 £m
Aggregate employment costs		
Wages and salaries	8.0	8.2
Social security costs	1.9	0.9
Share-based payments – equity-settled (Note 5)	3.8	2.8
Share-based payments – cash-settled	(0.2)	0.7
Defined contribution retirement benefit costs (Note 6)	0.3	0.3
	13.8	12.9
Termination benefits	1.4	–
Total	15.2	12.9

Information on the Directors' remuneration is in the Directors' Remuneration Report on pages 112 to 132.

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 and perform no services directly for the Company. These employees are not included above.

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 8 of the Group accounts. Certain of the Company's employees participate in the equity-settled LTIPs, DSBP and equity-settled SAYE which grant rights to the Company's own equity instruments and hence are accounted for as equity-settled share-based payments.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

For the year ended 31 March 2023

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.

Details of the UK defined benefit scheme is in Note 9 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 over the following useful lives: investment property (freehold warehouse facility occupied by wholly-owned subsidiary) 50 years; leasehold improvements 10 years; plant and machinery 10 years; and computer equipment 5 years.

	Investment property £m	Leasehold improvements £m	Plant and machinery £m	Computer equipment £m	Total £m
Cost					
At 1 April 2022 and 31 March 2023	18.2	1.2	9.2	0.8	29.4
Depreciation					
At 1 April 2022	2.5	0.5	9.2	0.8	13.0
Charged in the year	0.5	0.2			0.7
At 31 March 2023	3.0	0.7	9.2	0.8	13.7
Net book value					
At 31 March 2023	15.2	0.5	-	-	15.7
At 31 March 2022	15.7	0.7	-	-	16.4

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 the year ended 31 March 2023, this amounted to £10.4 million (2021/22: £7.2 million).

	Shares £m	Loans £m	Total £m
Cost			
At 1 April 2022	217.5	141.3	358.8
Additions	10.4	135.7	146.1
Loans repaid	-	(3.0)	(3.0)
Translation differences	-	5.1	5.1
At 31 March 2023	227.9	279.1	507.0
Impairments			
At 1 April 2022 and 31 March 2023	0.4	15.4	15.8
Net book value			
At 31 March 2023	227.5	263.7	491.2
At 31 March 2022	217.1	125.9	343.0

A list of the Company's related undertakings is in Note 29 to the Group accounts.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

For the year ended 31 March 2023

9 Financial instruments

Basic financial instruments

Basic financial assets, including cash and bank balances and amounts owed by subsidiary undertakings, are initially recognised at transaction price and then subsequently at amortised cost less any provision for impairment.

Basic financial liabilities, including accruals, other creditors, bank overdrafts and loans, private placement loan notes and amounts owed to subsidiary undertakings, 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 in the UK) and the disclosure provisions of FRS 102 in respect of financial instruments.

The Company 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 to hedge against changes in exchange rates on behalf of its operating subsidiaries and these subsidiaries apply cash flow hedging where appropriate. In addition, the Company used interest rate swaps to hedge exposure to interest rate risks arising from financing activities. 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.

The interest rate swaps which swapped US dollar fixed rate private placement loan notes into floating US dollars matured during the year and, in line with the Company's risk management policies, had been designated as fair value hedges. The fair value of the swaps was the market value of the swaps at the balance sheet date, taking into account prevailing interest rates. Changes in the fair values of the swaps and changes in fair value of the related hedged items were recognised directly in profit or loss.

10 Debtors

	2023 £m	2022 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	988.1	829.7
Interest rate swaps (Note 9)	–	0.1
Other derivative assets	3.4	4.7
Prepayments	4.2	2.7
Debtors: amounts falling due within one year	995.7	837.2
Amounts falling due after more than one year:		
Deferred tax asset (Note 13)	2.2	1.8
Debtors: amounts falling due after more than one year	2.2	1.8

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

	2023 £m	2022 £m
Amounts owed to subsidiary undertakings	363.8	209.0
Bank overdrafts	134.0	85.9
Interest rate swaps (Note 9)	–	0.2
Other derivative liabilities	3.4	4.7
Accruals	10.3	8.2
Other creditors	0.2	0.2
Cash-settled share-based payment liability	0.3	0.4
	512.0	308.6

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.

NOTES TO THE COMPANY ACCOUNTS CONTINUED

For the year ended 31 March 2023

12 Creditors: amounts falling due after more than one year

	2023 £m	2022 £m
Unsecured private placement loan notes repayable after more than five years	80.0	75.5
Unsecured private placement loan notes repayable from four to five years	–	76.2
Unsecured private placement loan notes repayable from three to four years	80.4	–
Unsecured sustainability-linked loan repayable from four to five years	24.2	–
Other creditors	0.7	0.9
Cash-settled share-based payment liability	0.3	0.4
	185.6	153.0

Details of the US dollar private placement loan notes and sustainability-linked loan are in Notes 20 to 22 of the Group accounts.

13 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:

	2023 £m	2022 £m
Equity-settled share-based payments	2.1	1.7
Other	0.1	0.1
Deferred tax asset (Note 10)	2.2	1.8

There are no unused tax losses or unused tax credits.

14 Operating lease commitments

Future minimum amounts payable under non-cancellable operating leases are:

	2023 £m	2022 £m
Within one year	1.2	1.2
From one to five years	4.0	4.9
After five years	–	0.3
	5.2	6.4

15 Contingent liabilities

The Company enters into financial guarantee contracts to guarantee the indebtedness of certain other companies within the Group. 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 £81.4 million (2021/22: £77.5 million), of which £9.3 million (2021/22: £9.5 million) had been drawn down at the end of the year.

16 Capital and reserves and dividends

Details of the Company's share capital, share premium account, 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

FIVE YEAR RECORD

Year ended 31 March

Summary income statements and related metrics

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Revenue	2,982.3	2,553.7	2,002.7	1,953.8	1,884.4
Operating profit	383.0	308.8	167.2	205.3	201.0
Add back: amortisation and impairment of acquired intangibles	16.6	11.6	7.0	5.4	4.4
Add back: acquisition-related items	2.6	–	2.9	–	–
Add back: substantial reorganisation costs, substantial asset write-downs and one-off pension cost	–	–	11.2	10.0	14.9
Adjusted operating profit	402.2	320.4	188.3	220.7	220.3
Net finance costs	(12.2)	(7.1)	(6.8)	(5.9)	(6.1)
Share of profit of joint venture	0.7	0.5	0.2	0.2	0.3
Adjusted profit before tax	390.7	313.8	181.7	215.0	214.5
Amortisation and impairment of acquired intangibles	(16.6)	(11.6)	(7.0)	(5.4)	(4.4)
Acquisition-related items	(2.6)	–	(2.9)	–	–
Substantial reorganisation costs, substantial asset write-downs and one-off pension cost	–	–	(11.2)	(10.0)	(14.9)
Profit before tax	371.5	302.2	160.6	199.6	195.2
Income tax expense	(86.7)	(72.2)	(35.1)	(44.9)	(47.1)
Profit for the year attributable to owners of the Company	284.8	230.0	125.5	154.7	148.1
Earnings per share	60.4p	48.9p	27.7p	34.7p	33.4p
Adjusted earnings per share	63.6p	51.3p	31.3p	37.7p	37.0p
Dividend per share¹	20.9p	18.0p	15.9p	15.4p	14.8p

Summary balance sheets and other metrics

	2023 £m	2022 £m	2021 restated ³ £m	2020 £m	2019 £m
Non-current assets	953.7	706.1	711.0	573.4	463.4
Current assets	1,590.3	1,395.1	1,134.8	1,044.3	935.9
Current liabilities	(838.9)	(726.2)	(631.8)	(570.4)	(487.5)
Non-current liabilities	(360.2)	(266.5)	(314.6)	(327.4)	(322.5)
Net assets	1,344.9	1,108.5	899.4	719.9	589.3
Add back: net debt	113.0	42.1	122.0	189.8	122.4
Add back: retirement benefit net assets / obligations	36.4	12.4	55.7	55.8	83.6
Capital employed	1,494.3	1,163.0	1,077.1	965.5	795.3
Return on capital employed (ROCE)²	30.8%	28.7%	19.4%	24.0%	29.5%
Adjusted free cash flow	263.6	162.9	145.4	80.9	84.5
Average number of employees	7,818	7,383	6,806	7,044	6,603
Share price at 31 March	914.0p	1,084.0p	993.0p	516.2p	561.8p

1. An additional interim dividend for the year ended 31 March 2020 of 9.5p, to replace the deferred final dividend, was paid on 18 December 2020. This is included in the 2019/20 dividend per share amount.

2. ROCE for the years ended 31 March 2020 and before were updated in 2020/21 to be based on monthly average capital employed.

3. Restated in 2021/22 for measurement period adjustments for prior year acquisitions.

REGISTERED OFFICE, FINANCIAL CALENDAR AND ADVISORS

Registered office

RS Group plc
Fifth Floor
Two Pancras Square
London N1C 4AG
United Kingdom
Tel: +44 (0)20 7239 8400
rsgroup.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 RS Group 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 the RS Group plc share price is available on our corporate website: **rsgroup.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-us**. 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
- 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

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Financial public relation advisors

Teneo
85 Fleet Street
London EC4Y 1AE

Financial advisors

Citigroup
Citigroup Centre
33 Canada Square
London E14 5LB

Rothschild & Co
New Court
St Swithin's Lane
London EC4N 8AL

Registrar and transfer office

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Solicitors

Allen & Overy LLP
One Bishops Square
London E1 6AD

Stockbrokers

HSBC Bank Plc
Level 2, 8 Canada Square
London E14 5HQ

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

For more information and the latest news visit: rsgroup.com

Archive information

- Financial results
- Annual Reports
- Company news
- Video library

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

Republic of 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
rs-integratedsupply.com
okdo.com

Americas

Canada

ca.rs-online.com

Chile

cl-en.rs-online.com

Mexico

risoul.com.mx
mx-en.rs-online.com

US

us.rs-online.com
rs-integratedsupply.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

GLOSSARY OF TERMS

AGM	Annual general meeting	FRC	Financial Reporting Council
B2B	Business to business	FRS	Financial Reporting Standard
B2C	Business to customer	GSBS	Global Shared Business Services
BEIS	Department of Business, Energy & Industrial Strategy (from February 2023, the Department for Business and Trade)	GHG	Greenhouse gas
		IAS	International accounting standards
CAGR	Compound annual growth rate	ICFR	Internal controls over financial reporting
CEO	Chief Executive Officer	IFRS	International Financial Reporting Standard
CFO	Chief Financial Officer	IoT	Internet of things
CISO	Chief Information Security and Compliance Officer	ISSB	International Sustainability Standards Board
CO ₂ e	Carbon dioxide equivalent	J2G	Journey to Greatness
CoE	Centre of Expertise	KPIs	Key performance indicators
CSRD	Corporate Sustainability Reporting Directive	LGBTQ+	Lesbian, gay, bisexual, transgender, queer and others
D&I	Diversity and inclusion	LTIP	Long term incentive plan
DC	Distribution centre	M&A	Mergers and acquisitions
DJSI	Dow Jones Sustainability Indices	MRO	Maintenance, repair and operations
DSBP	Deferred share bonus plan	NPI	New product introduction
DTAM	Distributor total addressable market	NPS	Net Promoter Score
EMD	Environmental management dashboard	OEM	Original equipment manufacturer
EPS	Earnings per share	ORE	Offshore Renewable Energy
ERG	Employee resource groups	OTTP	On time to promise
ESG	Environmental, social and governance	PBT	Profit before tax
EU	European Union	PPE	Personal protective equipment
EV	Electric vehicles	PwC	PricewaterhouseCoopers LLP
EWB	Engineers Without Borders-International	ROCE	Return on capital employed
FCA	Financial Conduct Authority	RS YAY!	RS YAY! all employee share award
		SAYE	Save as you earn
		SBC	Single-board computing
		SBT	Science-based targets
		SBTi	Science Based Targets initiative
		SEO	Search engine optimisation
		SID	Senior Independent Director
		SLL	Sustainability-linked loan
		SMT	Senior Management Team
		STEM	Science, technology, engineering and maths
		TCFD	Task Force on Climate-related Financial Disclosures
		The Code	UK Corporate Governance Code
		TPT	UK Transition Plan Taskforce
		TSR	Total shareholder return
		TWMP	The Washing Machine Project
		UK IAS	UK-adopted international accounting standards
		UNGC	United Nations Global Compact
		UN SDGs	United Nations sustainable development goals



RS Group plc

Fifth Floor
Two Pancras Square
London N1C 4AG
United Kingdom
Tel: +44 (0)20 7239 8400
rsgroup.com

Designed and produced by

CONRAN
DESIGN GROUP