

## PEEL PORTS GROUP LIMITED

### SECTION 172 STATEMENT

#### EXTRACT FROM THE GROUP ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024

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

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

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

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

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

As the Board of Directors includes representatives of the Group's three shareholders<sup>13</sup>, Australian Super, Lemon 2021 Ltd (a joint venture between APG Infrastructure and Global Infrastructure Partners) and Peel Group, they are more directly able to engage on matters relevant to them. In so doing, the Board is also cognisant of the importance of considering the needs of other stakeholders when making decisions.

The Board will sometimes engage directly with stakeholders on certain issues, but the size and distribution of our stakeholders, and of the Group, means that stakeholder engagement often takes place at an operational level. To support directors and assist them in complying with their duties, management provides feedback on their engagement with relevant stakeholders when matters are put forward for Board consideration.

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

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<sup>13</sup> The shareholder investments in the Group's immediate parent company (Peel Ports Holdings (CI) Limited) are through immediate investor companies that are referenced in these financial statements, being AS Infra PP Pty Ltd (Australian Super), Lemon 2021 Ltd, an entity jointly owned by Lepiri Investments Holding B.V. (APG Infrastructure) and GIP IV Morse Holdco Ltd (Global Infrastructure Partners) and Peel Ports Investments (IOM) Limited (Peel Group).

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

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

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

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

Principal decisions taken by the Board during the year ended 31 March 2024, and how they have had regard to the interests of stakeholders, include:

##### *Approval of the five year business plan*

The Board has approved a new five year business plan, covering the period from 1 April 2024 to 31 March 2029. In addition to setting challenging growth targets, the business plan also incorporates initiatives designed to support other business priorities, including the objective of becoming a Net Zero company by 2040.

##### *Approval of related party transactions*

Transactions that involve related parties are reserved for approval by the Board. This includes transactions with companies that are related by virtue of being connected to a shareholder. In February 2024, the Board approved two land transactions involving a wholly owned subsidiary of the Group and companies within the Peel Holdings (IOM) Limited group of companies. The transactions, which involved the termination of an option over certain land owned by the Group and the sale of certain land including some that was leased to related parties, were supported by independent third party valuations and the transactions were approved as being in the best interests of the Group. The option agreement had been entered into in the year ended 31 March 2007, when it was considered that the land would subsequently cease to be used for port operational purposes. As the asset is now considered integral to port operations, the option agreement has been terminated and the asset is now held by MDHC free of any option arrangement. The termination of the option was considered to support the growth aspirations of the business while the land disposed of was non-core and did not provide any strategic value to the Group. A profit on disposal of fixed assets of £22.5m has been recorded in the profit and loss account. See note 26 for further information.

### *Approval of the annual pay award*

The Board annually approves the annual pay award for the Group's employees. Like many companies during the period of high inflation, the Board had to balance a number of competing considerations in reaching its conclusion. A three-year pay deal agreement with the Unite union members at the Port of Liverpool container terminals was reached in July 2023, following which, the Group and Unite the union committed to work in partnership to support key customers and to continue building confidence in operations at the Liverpool container terminals. The Board recognised that the high inflationary environment was challenging for many people and businesses. Growing the business allows the Group to both retain existing and recruit new employees and to create greater opportunities for pay increases, with the Group's commitment to annual pay increases over the last decade being reflective of the strong growth that the Group has delivered.

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

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

As set out in section 2.1, the Group invested a total of £208.5m (2023: £135.2m) in net capital expenditure in the year ended 31 March 2024<sup>14</sup>.

During the year ended 31 March 2024, the Board approved a number of proposals to invest in port assets that directly and indirectly support customers who use those ports. This included investment in a new RoRo berth at the Port of Sheerness, new warehouses in Liverpool, enabling works for the new ship-to-shore cranes for Clydeport and the enhancement of core infrastructure assets across the Group's ports.

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

### **Stakeholders**

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

#### *Employees*

Our employees are key to our success and we want them to be safe, well trained and successful, individually and as a team. We engage with our employees in a number of ways, including face-to-face briefings, newsletters, an intranet, social media and through engagement with unions. If an employee is not comfortable raising an issue with the Group directly, they can engage indirectly (and anonymously) via an Ethics Hotline, details of which are set out in the Group's Code of Conduct. The Group undertakes periodic environment, health and safety "climate surveys" amongst its employees. This feedback from our employees allows the Group to continuously improve and develop, particularly in relation to its health and safety processes and practices. In March 2022, the Unite National Officer joined the Group's Environment, Health and Safety Committee in order to further enhance engagement with employees on health and safety priorities.

Key areas of focus include health and well-being, development opportunities, job security, pay and benefits. Pages 7 and 8 set out steps that the Group have taken with respect to ensuring the health and well-being of our employees.

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<sup>14</sup> Net capital expenditure of £208.5m (2023: £135.2m) is the sum of payments to acquire tangible fixed assets of £211.2m (2023: £136.0m) less cash receipts from the sale of tangible fixed assets of £2.7m (2023: £0.8m).

### *Employees (continued)*

Examples of ways in which the Group has responded to the expectations of employees include having continuous improvement of health and safety practices at the core of everything we do, publication of gender pay reports and development opportunities such as apprenticeship programmes. In February 2023, aligned with celebrating the National Apprenticeship Week, the Group announced that it had become a member of The 5% Club. This is a committed group of employer members that exists to increase the number, quality and range of “earn & learn” opportunities across the UK. In November 2023, the Group was awarded Silver accredited membership via The 5% Club’s Employer Audit Scheme.

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

### *Defined benefit pension schemes*

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

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

### *Customers*

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

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

### *Suppliers*

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

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

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

The Group’s procurement function is accredited to the Chartered Institute of Procurement and Supply’s (CIPS) Corporate Ethics Mark, which reflects that team members are trained in ethical sourcing and supplier management and that the team adopts ethical values in how it sources and manages suppliers.

In September 2023, the Group became the world’s first port operator to join Sedex, a supply chain sustainability data, insights and services company. The Sedex platform connects buyers, suppliers and auditors and is aimed at sharing critical data to enhance working conditions across global supply chains.

### *Communities*

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

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

We also support local charities and community projects.

### *Environment*

The environment has been considered to be strongly related to communities and they are often considered together, although we are ever more conscious that the environment also impacts our customers and suppliers and is of increasing importance to our employees as well. The Group is committed to developing its business to meet the needs of its customers in a sustainable way, with initiatives such as reducing our carbon footprint through better energy management and recycling schemes. Further information on the Group's response to climate change can be found in Section 5.

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

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

### *Government, local authorities and regulators*

We engage with the government, local authorities and regulators through a range of industry consultations and meetings to communicate our views to policy makers relevant to our business. When planning development projects, we work closely with local authorities to ensure that an appropriate solution is delivered for our customers within planning requirements. Key areas of focus are compliance with laws and regulations and health and safety. The Board is updated on legal and regulatory developments and takes these into account when considering future actions.

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

### *Financial investors*

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

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

### *Shareholders*

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