Corporate Governance Report

For the year ended 31 March 2024, under The Companies (Miscellaneous Reporting) Regulations 2018, the group has applied the Wates Corporate Governance Principles for Large Private Companies ("the Principles") published by the Financial Reporting Council ("FRC") in December 2018 and available on the FRC website at www.frc.org.uk/library/standards-codes-policy/corporate-governance/the-wates-corporate-governance-principles-for-large-private-companies/.

Companies are able to adopt the Principles as an appropriate framework when making disclosures regarding corporate governance arrangements. Set out below is how the board has applied the Principles during the year.

Principle 1 – Purpose and Leadership

The consistent focus of the board and executive management is the continued implementation of The Listers Way which defines our purpose, goals and behaviours.

The Listers Way reflects the fact that the fundamental basics of our business are simple; we put the customer first in everything we do, we respect them and aim to exceed their expectations every time. This ethos has served Listers for over forty years and has consistently guided the actions of the board and executive management during the year. We see no reason to change.

The focus of the board and executive management during the year included:

- concluding the process of acquiring three additional motor vehicle dealerships;
- transitioning from the franchise model to the agency model for certain manufacturer partners.

The composition of the board, as set out below, ensures that there is a balance between short-term targets and needs, and long-term aspirations.

Principle 2 – Board Composition

The board comprises a separate Non-Executive Chairman and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making across the group are effectively maintained.

The board constitutes the Non-Executive Chairman, the Chief Executive, the Managing Director, the Chief Operating Officer, four other family members representing the interests of all shareholders, and the Finance Director who is independent of the family members representing the shareholders.

This size and composition of the board is appropriate to our large yet focused business and ensures that the views of all shareholders are considered and that there is an appropriate combination of skills, backgrounds, experience and knowledge that promotes accountability and incorporates objective thought. Notably, the board composition ensures that there is a balance of automotive industry knowledge and broad business acumen.

The board acknowledges that the unique nature of the group and ownership structure results in relative lack of diversity on the board. The board is committed to developing a more diverse workforce, including at the most senior levels.

Principle 3 – Director Responsibilities

The board and individual Directors have a clear understanding of their accountability and responsibilities.

A Shareholders' agreement sets out the activities and responsibilities of the board and, in particular, the roles of the Chief Executive and Chief Operating Officer.

A quorum of the board aims to meet for a programme of four principal meetings each year and there is a clearly defined list of matters reserved for the board, which includes approval of dividends, business acquisitions, financing arrangements, property acquisitions and disposals and approval of budgets and business plans.

As part of every group board meeting, the governance of the group is discussed. The board's key areas of focus during the year are set out in the Section 172 Companies Act 2006 statement in the Strategic report on pages 2 to 3 *[see extract below]*.

The board receives regular and timely information on all key aspects of the business including risks and opportunities, the financial performance of the business, strategy, operational matters, market conditions and sustainability, all supported by key performance indicators (KPIs).

Principle 4 – Opportunity and Risk

The board seeks out opportunity whilst managing risk. The group's key operational risks and mitigations are outlined in the Strategic report on pages 1 to 5 *[see extracts below]*.

Corporate Governance Report *(continued)*

Principle 5 – Remuneration

The remuneration of the Executive Directors, notably the Chief Executive and Chief Operating Officer is formally documented and approved by the board and is directly linked to the financial performance of the business.

The board considers that the performance related remuneration of the Executive Directors, combined with the fact that the Executive Directors are also significant shareholders, results in an incentive structure that is aligned to both the short-term performance and long-term sustainable success of the business. Such a structure, in turn, aligns with the interests of broader stakeholders including the wider employee base.

Principle 6 – Stakeholder Relationships and Engagement

The board is clear that good governance and effective communication are essential on a day-to-day basis to uphold The Listers Way and to protect the group's brand, reputation and relationships with all of its stakeholder community including shareholders, customers, employees, suppliers and the local communities in which the group operates.

The board recognises that the success of the business is a product of the great people that work for the group and the many well-recognised and prestigious brands that trust it to represent them.

As a result, the group places considerable value on engagement with employees and maintains an active dialogue. The group communicates to its employees and seeks their views through presentations, internal group-wide emails and Listers' intranet. The interests of employees in the group's performance are augmented by performance related remuneration, where appropriate, as well as by reward schemes that are open to a particular category of employee or to all employees.

As franchised dealers and authorised agents, the relationship and communication with our suppliers is comprehensive and well documented. There is regular and fluid communication at every level of the group with every level of our manufacturer partners. We actively encourage our employees to join advisory groups where franchisee opinion is sought.

The group seeks customer feedback through an extensive array of communication channels at varying points throughout the customer experience.

Extracts from Strategic report

Principal risks and uncertainties

The board is ultimately responsible for risk management and continues to develop policies and procedures that reflect the nature and scale of the group's business. The board has identified the following areas of risk to the business and has developed strategies to manage and mitigate the risks.

Loan covenants

The group has borrowings which are secured against certain group properties. These borrowings are subject to covenants which are regularly monitored by management. The group continues to consistently meet all covenants.

Franchise and agency agreements

The group operates under franchise and agency agreements with motor vehicle manufacturers or importers and relies on these manufacturers or importers for the regular supply of motor vehicles and parts. The Directors are of the opinion that a lack of supply from one or more manufacturer or importer, whilst potentially detrimental to profits, would not materially affect the group overall, given the significant number of brands which the group represents and the global spread of those brands' manufacturing operations.

Certain motor vehicle manufacturers or importers with which companies within the group had, or currently has, franchise agreements have moved, or are considering moving, to agency agreements for the sale of new vehicles, which will reduce the group's turnover and potentially impact profitability. The potential impact is expected to vary between the agency sales models of different manufacturers and importers, depending on the levels of commission and the potential cost savings that can be achieved.

New vehicle supply

Disruptions to global supply chains, for example caused by shortages of semiconductor chips used in the vehicle manufacturing supply chain, can impact the production of different brands of vehicles to varying degrees. The reduced supply of new vehicles has previously been mitigated by strong margins from both new and used vehicle sales.

Valuation of freehold properties

The group owns freehold properties which are maintained through a scheduled programme of refurbishment, in consultation with its motor vehicle manufacturer and importer partners, which is expected to achieve a certain internal rate of return. If the expected rate of return is not achieved there is a risk that these freehold properties may be impaired. This is assessed by the group annually.

Valuation of used vehicles

The group's stocks include used vehicle stocks, which generally reduce in value over a period of time. There is a risk that certain used vehicles may be sold below cost or valuation. The group manages this risk through the timely preparation of used vehicles for sale, together with the marketing and physical presentation of vehicles, underpinned by attractive third-party finance offers available to potential customers. Management regularly reviews the value of used vehicles in stock, based on market data, and adjusts the balance sheet valuations when appropriate.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

The board of Listers Group Limited, individually and collectively, consider the interests of their stakeholders as an ongoing priority. We are committed to, and actively encourage, long-term relationships and communication with our stakeholders to maximise the value of our company and its continuing success.

During the year we have updated and implemented policies, systems and procedures in line with our responsibilities to our stakeholders.

Employees

We recognise our dedicated workforce as our biggest asset and key to our success.

The board recognises that the success of the business is a product of the great people that work for the group and the many well-recognised and prestigious brands that trust it to represent them.

As a result, the group places considerable value on the welfare and engagement of its employees. Maintaining an active dialogue among all employees, the group communicates with them and seeks their views. This is achieved through presentations, internal group-wide emails, and Listers' intranet.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006 *(continued)*

Employees *(continued)*

The interests of employees in the group's performance are augmented by performance related remuneration, where appropriate. Additionally, other reward schemes are open to selected categories of employees or to all employees.

In addition, the group further promoted its employee assistance programme, to ensure that all employees were aware of how to access the multiple support this offers them, from financial support to physical and mental health guidance.

The Listers Way, our code of conduct, continues to reinforce our commitment to the Financial Conduct Authority ("FCA") rules and regulations. This is an important resource that outlines the values and behaviours that all employees must demonstrate to uphold the Listers ethical standards and make our company a great place to work and with which to conduct business.

Customers

We recognise customer loyalty as invaluable and strive to build solid long-term relationships. We strive to deliver excellent customer service every time by delivering good customer outcomes, and seek innovative solutions to support this. We take pride in learning from our customer feedback. We regularly review our customer service process and support single point of contact visits for customers to improve relationships and communications.

Suppliers and Partners

We recognise and value the huge role our suppliers and business partners play in our success. We therefore take time to build rapport, working closely with them to maximise value where possible, and in turn supporting the needs of our customers.

Communities

We are at the heart of our communities and recognise our responsibility to be good, supportive and engaged neighbours. Our ethos is to build strong relationships with our local communities, from neighbouring businesses to community groups. We adhere to this by committing to regular contact, mutual respect, donations and support. Nationally, the group supported British Heart Foundation and Macmillan Cancer Support as our charity partners during the year. The group's employees were involved and dedicated to these causes.

Regulators and Government

Developing and sustaining good relationships with the many regulators who govern our businesses is central to our success. We are committed to adherence to our legal and regulatory requirements. All new employees to the group receive training on The Listers Way, which includes the FCA's Code of Conduct. We have reviewed all aspects of both the customer journey and internal policies to ensure that the group continues to meet the required standards as set out in the FCA's Consumer Duty, which came into force on 31 July 2023. We also continued to develop environmental waste saving opportunities throughout the group during the year. Key areas of focus are compliance with laws and regulations. The board is updated on legal and regulatory developments and takes these into account when considering future actions.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006 *(continued)*

Regulators and Government *(continued)*

We engage with the Government of the United Kingdom ("Government") and regulators through a range of industry consultations, forums, meetings and workshops, as set out in the table below, to understand and adhere to policy makers' decisions relevant to our business.

Quarterly Regional National Franchised Dealer Association ("NFDA") meetings	Engagement with trade body around legal and regulatory updates
Quarterly NFDA Finance & Insurance meetings	Engagement with trade body around legal and regulatory updates specifically focused on consumer credit and insurance activities
Quarterly NFDA Compliance meetings	Working group to implement regulatory changes within NFDA members
FCA workshops	Workshops hosted by the regulator specifically on the impact of the implementation of any regulatory changes
Ad hoc FCA surveys	Oversight and supervision tool used by the regulator
Ad hoc FCA and regulatory webinars	Webinars hosted by the regulator and various law firms discussing the impact and implementation of regulatory changes
"Dear CEO" letters from FCA	Used by the regulator to focus firms, and more specifically the CEO's and senior management's attention, on issues that need to be addressed
Bi-weekly internal compliance meetings	Internal meeting to discuss issues and requirements of the group to address changes required in order to adhere to regulatory requirements

We are fully committed to, and continue to value, all of our stakeholders.

Non-Financial and Sustainability Information Statement

Climate Change

The automotive industry will be affected more than most by the Government's response to climate change. We acknowledge that this must form part of our core strategy as we work towards "Net Zero", as outlined by the Government. To this end, the group has introduced the following governance framework and sustainability strategy to meet the requirements of the Task Force on Climate-related Financial Disclosures (TCFD) and ensure we remain resilient to, and compliant with, such changes.

Governance

Our Chief Operating Officer ("COO"), TC Bradshaw, is the Director ultimately responsible for climate-related matters. The COO delegates responsibility for monitoring and assessing climate-related risks and opportunities to the executive team, who report back to the COO and board on matters that may affect the company's short, medium and long-term risk management strategies.

Sustainability Strategy

The executive team and their management teams work with a third-party subcontractor to measure the group's carbon footprint and the associated risks. The executive team and management teams will meet with the third party annually to review the climate related risks and opportunities. This process will be refined to highlight ways in which we can reduce our energy consumption, water usage and further improve waste disposal, including recycling.

We work closely with the vehicle manufacturers and importers we represent to ensure that the products we sell adhere to Government legislation. We anticipate that the drive to move from internal combustion engine ("ICE") vehicles to zero-emission vehicles ("ZEVs") will have an impact on future business activities.

We are already ensuring that our vehicle technicians and other staff members are fully trained in servicing and repairing, as well as selling, the latest generations of electric vehicles ("EVs").

Non-Financial and Sustainability Information Statement *(continued)*

Risk type	Priority	Risk/ opportunity	Time period*	Potential financial impact
Transition	Medium	Transition from ICE vehicles to EVs	Short to medium-term	We consider there to be a risk if the manufacture and supply of EVs outstrips demand, for example due to the requirements of the Government's ZEV mandate. This could have a material impact on future strategy.
Technology	High	Aftersales	Medium to long-term	Due to the nature of EVs, there will be a reduced number of parts and aftersales work required to maintain them. This is a risk that we continue to monitor but will become more prevalent in the long-term.
Policy/ Legal	Medium	Overhead of emissions reporting	Medium to long-term	As we move to achieve monthly carbon reporting for each business unit, there will be a requirement to invest further in technology and potentially headcount to manage this. Our suppliers also now require information on climate-related risks to be provided.
Legal	Low	Tax levied on carbon emissions	Medium to long-term	Carbon taxes could increase the cost of operations. We continue to monitor this and how it might impact costs and profitability.
Market	Medium	EV availability constraints	Medium to long-term	Potential risk of supply chain delays due to certain EVs and components being manufactured overseas.
Physical	Low	Extreme weather events	Medium to long-term	We continue to monitor the cost of mitigating extreme weather events. Whilst this is not a short-term problem, climate change may result in a requirement to move certain operations to new locations in order to continue normal trading. Our insurers also continue to carry out flood risk assessments using their own modelling system, and will advise the group of any locations that may carry an increased flood risk. They also survey all permanent locations and put forward any appropriate flood risk management recommendations.
Physical	High	Energy shortages	Short to medium-term	With the possibility of electrical blackouts due to energy shortages, we are currently working on ways to mitigate the business impact this could have.
Technology/ Policy	High	Energy saving opportunities	Short to medium-term	Using our baseline Scope 1 and Scope 2 data, we plan to reduce our overall energy usage for day-to-day business activities. We will invest in renewable technologies to reduce costs and carbon emissions where commercially viable.

* Short-term = up to 5 years, medium-term = 5-10 years, long-term = over 10 years.

Business Resilience Model

The board believes that by partnering with a wide range of motor vehicle manufacturers and importers, all of which consider their environmental impact and have strong strategies surrounding future automotive and mobility technologies, we are ensuring business resilience. We are always open to exploring new partnerships with other motor vehicle manufacturers and importers provided they have a strong strategy for future development, especially surrounding ZEVs.

We also consider the carbon emissions of our supply chain and are currently working with a third party to measure this so we can incorporate it into our strategy. In the procurement of day-to-day items, we have an overview of sustainable products which we consider when purchasing.

KPIs and Targets

We are currently in our information gathering phase, working with a third-party subcontractor to measure our carbon emissions. We will use this information over the next year to outline the key performance indicators ("KPIs") and calculations that we will use to monitor progress and set a Net Zero target.

Non-Financial and Sustainability Information Statement *(continued)*

KPIs and Targets *(continued)*

Our main KPI is the intensity ratio based on tonnes of carbon dioxide equivalent produced, as set out within the Streamlined Energy and Carbon Reporting on pages 9 to 10 *[see extract below]*. Following the strategy detailed above we now expect this figure to reduce year-on-year. Our aims, by 2035, are for all new vehicle sales to be EVs, and to use 100% renewable energy across the group.

Extract from Directors' report

Streamlined Energy and Carbon Reporting (SECR)

Stated below are the group's energy consumption, in kilowatt-hours (kWh), associated greenhouse gas ("GHG") emissions, in tonnes of carbon dioxide equivalent (tCO_2e) and additional related information for the year, as required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

The methodology applied to the calculation of GHG emissions is the GHG Protocol Corporate Accounting and Reporting Standard which is available on the Greenhouse Gas Protocol website at www.ghgprotocol.org/corporate-standard. Conversion factors have been taken from the Government's Greenhouse gas reporting: conversion factors which are available on the Government's website at www.gov.uk/government/collections/government-conversion-factors-for-company-reporting.

	2024	2023
	kWh	kWh
Total energy consumption (Scope 1 and Scope 2 – see below)	**48,214,732**	43,333,286
	tCO_2e	tCO_2e
Emissions resulting from activities for which the group is responsible involving the combustion of gas, gas oil and burning oil or the consumption of fuel for the purposes of transport (Scope 1)	**8,676**	7,264
Emissions resulting from the purchase of electricity by the group for its own use, including for the purposes of transport (Scope 2)	**2,219**	2,122
Total emissions (Scope 1 and Scope 2)	**10,895**	9,386
Intensity ratio (Scope 1 and Scope 2 emissions per £m of turnover)	**8.29**	7.27

The following energy efficiency improvements were made during the year:

Improved monitoring and reporting of energy consumption

The group has implemented a rigorous system for the ongoing monitoring and reporting of energy consumption across all sites. This includes the use of advanced metering and analytics to track energy use in real-time, in order to identify inefficiencies and take corrective actions promptly. Regular energy audits are conducted to drive further reductions in energy usage. These measures help in setting benchmarks and targets for improvement in energy efficiency. The group also installed smart meters and set timed heating controls at 21°C for offices, and 19°C for workshops.

Continuation of LED lighting installation and replacement programme

The installation and replacement programme for light-emitting diode ("LED") lighting has been a significant focus during the year. The group has systematically replaced outdated lighting systems with energy-efficient LED alternatives across its entire property portfolio. This not only reduces energy consumption but also lowers maintenance costs and improves lighting quality. The programme includes both interior and exterior lighting, ensuring a comprehensive upgrade that maximises energy savings.

Streamlined Energy and Carbon Reporting (SECR) *(continued)*

Replacement of outdated mechanical and electrical equipment

The group has undertaken the replacement of outdated mechanical and electrical equipment, including boilers and energy monitoring systems, with modern, energy-efficient alternatives. This upgrade ensures that the group's facilities operate with high efficiency, reducing both energy consumption and carbon emissions. As well as improved performance, the new equipment also offers improved reliability, contributing to a more sustainable and cost-effective operation.

Review and installation of PV panels

The group has actively reviewed and assessed the potential for installing photovoltaic ("PV") panels on refurbishment projects and new buildings. This includes feasibility studies, cost-benefit analyses, and planning for optimal placement to maximise solar energy capture. Where viable, the group has installed PV panels, contributing to renewable energy generation and reducing reliance on electricity from the National Grid. This initiative supports the group's long-term sustainability goals by increasing the proportion of renewable energy in its energy mix.