

Chairman's Corporate Governance Statement

Overview

As Chairman of the Board of Directors of CMO Group Plc (**CMO** or the **Company/Group** as the context requires), it is my responsibility to ensure that CMO has both sound corporate governance and an effective Board.

As Chairman of CMO my responsibilities include leading the Board effectively, overseeing the Group's corporate governance model, communicating with shareholders, and ensuring that good information flows freely between the Executive and Non-Executive Directors in a timely manner.

CMO has decided to adopt the Quoted Companies Alliance Corporate Governance Code (**QCA Code**), which requires AIM-quoted companies to adopt a 'comply or explain' approach in respect of the application of guidance contained within. This report follows the structure of these guidelines and explains how we have applied the guidance. The Board considers that the Company complies with the QCA Code, so far as it is practicable having regard to the size, nature, and current stage of development of the Company and we remain committed to continuing to progress the corporate governance arrangements of the Company as the business further evolves.

The Board believes that corporate governance is more than just a set of guidelines; rather it is a framework which underpins the core values for running the business in which we all believe, including a commitment to open and transparent communications with stakeholders. We believe that good corporate governance improves the Company's long-term success and performance by also managing risks. We will provide annual updates to our shareholders and wider stakeholders on our compliance with the QCA Code through both our Annual Report and through this statement which is available on our website.

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The Company's shares were admitted to trading on the AIM market of the London Stock Exchange on 8 July 2021.

The below sets out in broad terms how the Company complies with the QCA Code and explains the areas of non-compliance where relevant.

QCA Principles

1. Establish a strategy and business model which promotes long-term value for shareholders

CMO is the UK's market leading online supplier of building materials. Through its many specialist websites, the Company provides the convenience of online retail, technically trained customer support, with a vast range of products delivered direct to the customer's home or to the building site.

The Board's strategy for the Group, designed to create medium to long term sustainable value, focuses on three main areas: growth through category expansion, organic growth, and growth through acquisitions.

Further details on the Group's strategy, including how the Group delivers long term shareholder value can be found in our most recent Annual Report which can be found via our website, <https://www.cmogroup.com/investor-information/results-centre/>

2. Seek to understand and meet shareholder needs and expectations

The Board is committed to maintaining good communication and having constructive dialogue with shareholders by providing effective communication through our Interim and Annual Reports along with Regulatory News Service announcements. We also use the Company's website, www.cmogroup.com, for both financial and general news relevant to shareholders. The Directors will offer to meet with the largest shareholders during the year.

The Executive Directors also will meet major shareholders regularly within the results cycle, and the whole Board will attend the AGM. All Directors attend the AGM, where private investors are given the opportunity to meet with and question the Board. The AGM is regarded as an opportunity to meet, listen and present to shareholders, and

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shareholders are encouraged to attend and ask questions. The Company is open to receiving direct feedback from shareholders and will act where appropriate.

Information on the Aim Rule 26 section of the Group's website is kept updated and contains details of relevant developments, regulatory announcements, financial reports, and results presentations.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises that the long-term success of the Company is reliant upon the efforts of employees of the Group and its contractors, suppliers, regulators and other stakeholders. The Board will put in place a range of processes and systems to ensure that there is close oversight and contact with its key resources and relationships. We set out in the Section 172(1) Statement in our 2021 Annual Report and Accounts, which is available on our Group website, who we consider to be our key stakeholders, our methods of engaging with such stakeholders and some of the themes emerging from such engagement.

CMO seeks to be a socially responsible Group which has a positive impact on the communities in which it operates as demonstrated by the tree planting initiative run in collaboration with Trees for Cities. No discrimination is tolerated and the Company endeavours to give all employees the opportunity to develop their capabilities. Everyone within the Group is a valued member of the team and our aim is to help every individual achieve their full potential. We offer equal opportunities regardless of race, gender, gender identity or assignment, age, disability, religion, and sexual orientation.

The Company will seek to ensure close, ongoing relationships with a broad range of its stakeholders and will provide them with the opportunity to raise issues and offer feedback to the Company.

The Board is committed to adopting best practice, where possible and appropriate, in its reporting of ESG issues. ESG issues fall under the remit of the Audit Committee of the Board, but the Board may introduce a separate Sustainability Committee over time.

The Board is ultimately responsible for overseeing the Group's efforts on all ESG efforts and will review risks and opportunities on a quarterly basis. Suzanne Packer, COO, is the

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ESG champion within the Group, in charge of the Board oversight as well as driving change throughout the organisation. Suzanne will liaise with internal project managers and specialists in all areas of the business to improve the material ESG issues as identified by the Group. The Board, together with senior management and in collaboration with specialists at all levels of the Group will develop medium and long-term ESG goals for the Group, such as goals to reduce greenhouse gas emissions, and increase employee engagement and diversity. The Group will report on its progress and goals through its annual reports as well as ad hoc press releases and on investor roadshows.

The Group operates two warehouses/distribution centres and three offices. The lack of retail stores the electricity and energy consumption of the Group is already much lower than a comparable brick and mortar building materials retailer. The Group uses electricity that is 100% generated from renewable energy and is aiming to further reduce its greenhouse gas footprint in other areas such as the fuel consumed by corporate travel and use of corporate vehicles within its efforts to follow the recommendations of the Task Force for Climate-Related Financial Disclosures (“TCFD”).

The Group treats the health, safety, and welfare of its staff as a priority and is proud of its high safety standards as evidenced by the low number of accidents. The Group has developed its own in-house training programme Megrim Academy and the Group also provides its own employee assistance programme for employee health and wellbeing. The Group has committed itself to paying salaries that are higher than the living wage in the UK and significantly above minimum wage. The Group does not discriminate by gender, ethnicity, age and other diversities in its hiring, remuneration and promotions. The Group actively strives to hire more women in its labour force and promote more women into leadership positions. Currently, one third of all employees, as well as one third of the executive team and the board of directors are female.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board recognises the need for an effective and well-defined risk management process and, whilst it oversees and regularly reviews the current risk management and internal control mechanisms, it has delegated this responsibility primarily to the Audit Committee and senior management.

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The Audit Committee is responsible for monitoring the integrity of the Group's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Group's internal control and risk management systems, monitoring the need for and if necessary, the effectiveness of the internal audit function and overseeing the relationship with the external auditors including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings.

Whilst the Board oversees and regularly reviews the current risk management and internal control mechanisms, it has also delegated this responsibility to the Audit Committee who also advises the Board on the Group's overall risk appetite and strategy including, amongst other responsibilities, regularly reviewing and updating (if appropriate) the risk assessment processes in place, including in relation to remuneration and compliance functions, and assisting in overseeing the implementation of the adopted strategy.

The status of the key risks will be shared regularly with the Board, and the Board will thoroughly review the Company's risk register throughout the year. A summary of the principal risks facing the business is set out in our Admission Document as part of the IPO process and will be reported to shareholders in future through our annual report.

5. Maintain the board as a well-functioning, balanced team led by the Chair

The Board comprises six Directors, of whom three are Executive Directors and three are Non-Executive Directors. James Excell has been appointed as the Board representative of Key Capital Partners LLP, a major shareholder. The Board considers Ken Ford and Helen Deeble CBE to be independent for the purposes of the QCA Code. Biographical details of the Directors can be found here: www.cmogroup.com/investor-information/board-of-directors%e2%80%8b/. The letters of appointment of all Directors are available for inspection at the Company's registered office during normal business hours.

Meetings are open and constructive, with every Director participating fully. Senior management are frequently invited to meetings, providing the Board with a thorough overview of the Company.

The Board will meet a minimum of six times in the year and a calendar of meetings and principal matters to be discussed is agreed at the beginning of each year. The Board is

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responsible for the strategy, performance and the framework of internal controls. The Board has delegated specific responsibilities to the committees all of which have written terms of reference and formally delegated duties. In order to be efficient, the Directors will meet formally and informally both in person and by telephone. Board and Committee document authors will be made aware of proposed monthly deadlines through the calendar of meetings assembled at the beginning of the year. Board papers will be collated by the relevant personnel (Chair, Company Secretary, CFO, Committee Chair), compiled into a Board/Committee Pack, and circulated at least one week before meetings, allowing time for full consideration and necessary clarifications before the meetings.

Management will supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary.

The Company has an Audit and Remuneration Committee (further information is set out in section 9 of this statement). Terms of reference for each of the Company's Committees are published on the Group's website. The Board believes that the Committee members collectively have the necessary skills and knowledge to discharge their duties effectively.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Directors have both a breadth and depth of skills and experience to fulfil their roles. The Company believes that the current balance of skills in the Board as a whole reflects a very broad range of commercial and professional skills across geographies and industries, and a majority of the Directors have experience in public markets. The Non-Executive Directors will periodically meet without the presence of the Executive Directors during the year and will maintain communication with Executives between formal Board meetings.

In addition to their general board responsibilities, Non-Executive Directors will be encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise.

The directors have access to the Company's NOMAD, company secretary, lawyers and auditors as and when required and are able to obtain advice from other external bodies when necessary.

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If required, the Directors are entitled to take independent legal advice and if the Board is informed in advance, the cost of the advice will be reimbursed by the Company. The Board shall review annually the appropriateness and opportunity for continuing professional development whether formal or informal.

7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Board has implemented a formal Board and Committee evaluation in 2022, which will be undertaken periodically thereafter. The evaluation process is tailored to take into account the size and structure of the Board, and focusses on objective criteria evaluating, amongst other areas, Board dynamics, information and decision making. The Board will regularly review the structure, size and composition required of the Board compared to its current position, consider succession planning, and oversee the process to fill Board vacancies. Findings from the Company's annual evaluation exercise are, and will be, utilised in the succession planning discussions.

In addition, the Remuneration Committee will review the performance of the Executive Directors and will make recommendations to the Board on matters relating to their terms of employment and remuneration, including short term bonus and long-term incentives (with targets consistent with the corporate strategy). The findings from annual evaluations and the achievement of financial and non-financial targets/goals discussed will be taken into account by the Remuneration Committee in relation to recommendations to be made in respect of any proposed adjustments to executive remuneration.

8. Promote a corporate culture that is based on ethical values and behaviours

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave.

The Board recognises the importance of ensuring an open and two-way dialogue with employees, clients, and other stakeholders. The Directors consider that the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenges. The Board has adopted a number of policies,

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including those designed to support our employees and those that work with the Company, to speak up in the event of wrongdoing, alongside policies against bribery and corruption, and these policies support us in upholding our values and behaviours,

The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders, and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The Board will review our corporate governance arrangements regularly and expects these to evolve over time, in line with the Group's growth. The Board will delegate responsibilities to Committees and individuals as it sees fit, with the Chairman being responsible for the effectiveness of the Board, and the Executive Directors being accountable for the management of the Company's business.

The Chairman is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman is also responsible for the Company's Corporate Governance framework and for creating the right Board dynamic and ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings. The Executive Directors are responsible for the day-to-day running of the business and developing corporate strategy; while the Non-Executive Directors are tasked with constructively challenging the decisions of executive management and satisfying themselves that the systems of business risk management and internal financial controls are robust.

The Board has adopted appropriate delegations of authority which sets out matters which are reserved to the Board. A schedule of specific matters reserved for the Board can be found on the Company's website. The Board delegates authority to three Committees to assist in meeting its business objectives whilst ensuring a sound system of internal control and risk management. The Committees will meet independently of Board meetings.

Audit Committee

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The Audit Committee is responsible for monitoring the integrity of the Group's financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Group's internal control and risk management systems, monitoring the need for and if necessary, the effectiveness of the internal audit function and overseeing the relationship with the external auditors including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings.

The Audit Committee also advises the Board on the Group's overall risk appetite and strategy including, *inter alia*, regularly reviewing and updating (if appropriate) the risk assessment processes in place, including in relation to remuneration and compliance functions, and assisting in overseeing implementation of the adopted strategy.

The Audit Committee is chaired by Helen Deeble CBE. Its other members are Ken Ford and James Excell. The Committee will meet at least three times a year and otherwise as required. The Audit Committee will also meet regularly with the Group's external auditors.

Remuneration Committee

The Remuneration Committee is responsible for determining and agreeing with the Board the framework for the remuneration of the Executive Directors and other designated senior executives and, within the terms of the agreed framework, determining the total individual remuneration packages of such persons including, where appropriate, bonuses, incentive payments and share options or other share awards. The remuneration of Non-Executive Directors is a matter for the executive members of the Board and the Chairman. No Director will be involved in any decision as to his or her own remuneration.

The Remuneration Committee is chaired by Helen Deeble CBE. Its other member is Ken Ford. The Remuneration Committee will meet at least twice a year and otherwise as required.

Disclosure Committee

The Disclosure Committee provide support to the Board in relation to compliance with MAR, the Disclosure Guidance and Transparency Rules and AIM Rules and the identification, control and disclosure of "inside information". The Disclosure Committee

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is chaired by Ken Ford. Its other members are Dean Murray, Suzanne Packer and Jonathan Lamb. The Disclosure Committee will meet at such times and in such manner as shall be necessary or appropriate.

Nomination Committee

Given the current size and nature of the Group, the Board has not appointed a nomination committee. Nominations will be managed by the Board as a whole. The Chairman and the Board will continue to monitor and evolve the Company's corporate governance structures and processes in line with the Company's growth and development.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board is committed to maintaining effective communication and having constructive dialogue with its shareholders. The Company aspires to have close ongoing relationships with its private shareholders, institutional shareholders, and analysts and for them to have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting.

All 2022 AGM resolutions were passed comfortably. The Company maintains that, if there is a resolution passed at a GM with 20% votes against, the Company will seek to understand the reason for the result and, where appropriate, take suitable action.

All corporate documents can be found here: www.cmogroup.com/investor-information/ipo-information. Future results will be available here: www.cmogroup.com/investor-information/results-centre.

Investors have access to current information about the Company through the Company's website, www.cmogroup.com.

Ken Ford
Chairman

This statement was last reviewed and updated in March 2023

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