

Baxi Heating UK Limited

Extract from the statutory Report & Accounts for year ended 31 December 2019

Section 172(1) statement

The Board of Directors consider that they have acted together and individually in good faith, in a manner that would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to factors (a) to (f) of section 172 in the decisions made during the year ended 31 December 2019. The following paragraphs demonstrate how we have applied section 172.

The Board's approach

As the Board of Directors, our intention is to behave responsibly towards all stakeholders and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours whilst delivering the Company's mission, vision and values.

Our mission, vision and values underpin everything the company does; the way we behave, how we work with our stakeholders and the pride we take in our products and services.

Our Mission

Creating lifetime customer loyalty.

Our Vision

Leading the market in smart low carbon heating solutions.

Our Values

- Reliable and responsible
- Health and safety
- Positive and passionate
- Trust and respect
- Innovation

Baxi Heating UK Limited strategy

The Company is part of the BDR Thermea Group whose strategic programme is derived around the changing environment caused by key megatrends related to the energy transition, digitalisation and the shift in global economic power. The strategic programme of BDR Thermea Group includes the following strategic initiatives:

- Focus on the heat pump market;
- Grow connected services;
- Grow commercial segment;
- Streamline processes and IT;
- Create differentiation and simplify product platforms;
- Improve customer experience;
- Further improve product quality.

The Board has analysed these strategic objectives and applied these to the Company. In doing so, the Board, together with Executive management have identified the key stakeholders and the impact upon each. This has enabled the Board to determine long term strategic objectives which promote the success of the Company whilst benefitting the shareholders as a whole.

Key stakeholders

The Directors continually monitor and review the Company's main stakeholder groups and the existing channels of engagement with each to ensure that their views are understood and can be considered in decision making. Key stakeholders identified include employees, customers, suppliers and our shareholders. Further information regarding their consideration and our engagement is disclosed on page 2 of the Strategic Report and page 7 of the Directors' Report of the Financial statements 2019 (available at: <https://www.gov.uk/get-information-about-a-company>)

In addition, the Directors also consider the impact of the Company's activities on the communities within which it operates and the environment, all of which are discussed under Corporate social responsibility on page 3 of the Financial statements 2019 (available at: <https://www.gov.uk/get-information-about-a-company>).

Key decisions made in the year

Norwich closure

One of the Company's objectives is to grow its market positions across all brands and it is therefore important that the Company prepares for the many challenges and opportunities that are presented by the UK's heating market.

At the start of the year the decision was taken to close the Preston foundry following the strategic decision to outsource aluminium heat exchangers. We considered the impact the closure would create and decided the additional space created would allow the consolidation of our manufacturing activities. Therefore following consultation, the decision was made to transfer the production of water cylinders and electric water heaters for our Heatrae Sadia and Megaflo brands, from our smaller Norwich site, to Preston with the closure of our Norwich site.

Other impacts of closing the Norwich site included the consolidation of our R&D activity at Preston and the transfer of other support activities to other Baxi Heating UK locations. Significant investment was required at our Preston site and would result in an overall increase in employment on site.

The Board assessed the implications on stakeholder groups by discussion along with consultation with employee unions.

Whilst closing a site has regrettable consequences, the Board felt that the changes were necessary in order to make the company stronger and to place it in the best position to face the future challenges and opportunities in the UK's heating industry.