

Directors' duty to promote the success of the company (Section 172 Statement)

Alvarez & Marsal CS (Europe) Holdings Limited is classified as a large company and under the Companies (Miscellaneous Reporting) Regulations 2018 is required to include a separately identifiable statement within the Strategic Report describing how the directors have met their obligations whilst performing their duties under Section 172 (1) (a) to (f) of the Companies Act 2006.

Under Section 172 of the Companies Act 2006, a director must act in the way that he / she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole.

As stated in Note 20 to the financial statements, the company's ultimate parent company is Alvarez & Marsal Holdings LLC, a company formed in the United States of America. The principal activities of the parent company and its subsidiary undertakings are the provision of business and management consultancy services. The group provides leadership, problem solving and value creation services to its clients around the world covering a broad range of industries.

The group has grown substantially since its formation through the recruitment, development and training of appropriately skilled professionals. The directors intend to build further by developing and enhancing the strong reputation that Alvarez & Marsal enjoys in the global market place. The Alvarez & Marsal culture is based on a strong set of core values underscored by a bias towards execution and results. Alvarez & Marsal CS (Europe) Holdings Limited participates in the strategy and vision developed by the parent undertaking for the group as a whole and by actively contributing to the implementation, monitoring and ongoing development of the group's policies, culture and successful outcomes for clients. Accordingly, the directors believe they have continued to promote the success of the company for the benefit of its members in accordance with Section 172.

The statement below summarises the effects of any significant transactions and decisions made during the year on key stakeholders and the ways in which the directors of Alvarez & Marsal CS (Europe) Holdings Limited have had regard to the matters set out in Section 172 (1) (a) to (f) when engaging with these groups.

i. The company's members

In accordance with S172 (1) (f) the company recognises the need to act fairly as between members of the company.

The company is a wholly-owned subsidiary of Alvarez & Marsal Holdings LLC. The company engages with its parent through the provision of monthly financial management information, tracking performance against budgets, forecasting expected outcomes and implementing agreed decisions in line with the overall strategy of the business.

The strategy developed by the parent for the group is designed to maintain the ongoing success of the business and the group's reputation for high standards of business conduct. The parent undertaking takes a strong interest in the long term decisions being made by the company including investment and financing transactions. The subsidiary undertaking and its members and employees are actively encouraged to present opportunities in locations, service lines and specific industries in line with the overall growth and performance strategies of the group and the parent will provide support to the company in bringing approved projects to fruition.

The parent undertaking also reviews the company's dividend policies and strategies seeking a balance between financing and working capital to be made available to its subsidiary undertaking and requiring an appropriate cash return to enable it to pursue its own distribution policies and engage as appropriate with its own stakeholders.

Although the company only has a single shareholder or member, it carries out its activities through a subsidiary LLP whose members have contributed capital and may hold an equity interest in the parent. The directors of the company and existing/prospective members of the subsidiary LLP are provided with regular and relevant financial and operational performance information ensuring that the longer-term interests of the company are being promoted.

Using a structured appraisal and defined promotion criteria, the directors ensure that they act fairly between all members, prospective members and employees of the company. The LLP has an annual process for reviewing promotions to become a member of the LLP. The parent undertaking offers equity holding investment based on previously agreed performance targets.

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ii. Employees

Instrumental to success of the group, is the company's focus on recruiting, training and retaining its employees. In support of this, the company offers competitive remuneration and compensation packages (base, benefits and bonus), opportunities for career and skills development, job satisfaction through challenging and interesting assignments and recognition of outstanding performance, combined with a strong culture and core values.

The important parts of our Firm Culture are our entrepreneurial spirit, minimal bureaucracy and meritocracy regardless of age, sex, sexual orientation or ethnicity. Inclusive Diversity is one of our Core Values. We do not discriminate (or tolerate discrimination) based on age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (which includes colour, nationality and ethnic or national origins), religion or belief, sex or sexual orientation. Our Core Values represent a commitment to one another and are used to promote a transparent, open, diverse and inclusive workplace which offers fair treatment at work and a culture of mutual respect and dignity.

The group has in place a tiered grading system of its workforce with an emphasis on hands on experience (both learning and teaching) and specialist skills development. Performance is assessed regularly on a project by project basis and more formally in scheduled appraisals. A suite of knowledge management, learning and development and other training tools are available to all employees to assist in their ongoing development to build and maintain the skills necessary to support the company's clients as well as successful internal management.

Regular meetings and presentations on the performance of the group are held between various senior management groups and for the business as a whole (all members/employees) at least bi-annually.

iii. Clients and their instructing agents

The majority of the services provided by the company and its subsidiary undertaking are on a project by project basis. The company recognises the importance of building strong relationships with key referrers including client executives, bankers, brokers, private equity funds, lawyers and other professional advisers which is built on a reputation of providing a high standard of service to its clients. Employees are also encouraged to become members of relevant professional networks and organisations to promote the services of the company through, among other things, technical conferences and social events.

The group has a range of internal resources (marketing, legal, knowledge management and mobility resourcing) that assist in promoting and delivering services to the client through a designated project lead.

iv. Suppliers of client services

From time to time the company will engage experts or specialists to assist in the provision of its services to clients. The company has an extensive network of preferred advisers/experts who share the company's culture and values. Using this network, the company will play an active role in clients' procurement and acceptance process to identify the most appropriate expert to assist in achieving the desired project outcomes.

v. Suppliers of general and administrative services

The main suppliers of general and administrative services to the company including landlords, auditors, lawyers, IT and communications suppliers, printers and stationers are all well established. The company works closely with them to ensure the level of service provided remains high throughout the tenure of the contract. For all material contracts, the company will carry out appropriate due diligence which includes a review of any potential new suppliers and supply contracts. To maintain a good relationship with existing suppliers it will attempt to settle all invoices no later than the agreed payment dates. The company publishes its payment practices every 6 months on the Gov.uk portal.

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vi. The communities and environments in which the company operates

The company recognises the importance of supporting the communities and environments in which it operates.

The company's members and employees regularly engage in a variety of external and internal community support programs. The company also has a range of programs in place across the business supporting and developing diversity of culture, encouraging mentorship and providing employee support initiatives.

A range of environmental policies and procedures is adopted throughout the company including encouraging a paper light environment, staff recycling stations, shredding and recycling of confidential waste and avoiding single use items. Wherever possible staff are encouraged to adopt and recommend environmentally conscious procedures which can be adopted more widely across the company.

Financial risk management

The company's operations through its participation as controlling member in the activities of its subsidiary undertaking expose it to a variety of risks including credit risk, foreign exchange risk and interest rate cash flow risk. The company participates in policies developed and implemented for the group as a whole by the ultimate parent undertaking to monitor and control these risks.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The group's finance department implements the policies set by the board of directors.

Credit risk

The group has implemented policies that frequently require customers to make retainer payments before new accounts are accepted.

The company does not use derivative financial instruments to manage credit risk and, as such, no hedge accounting is applied.

The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

Foreign exchange risk

The company operates in a number of currencies and is exposed to exchange rate fluctuations. This risk is assessed on an ongoing basis. The company does not use derivative financial instruments to manage currency exposure and, as such, no hedge accounting is applied.

Interest rate cash flow risk

The group has in place a risk management programme that seeks to limit adverse effects on financial performance by monitoring levels of debt finance and the related finance costs when applicable. The company does not use derivative financial instruments to manage interest rate cash flow risk and, as such, no hedge accounting is applied.

The group holds interest bearing assets including company bank balances that receive interest income at a variable rate. The risks arising from holding such assets are regularly reviewed by the board of directors.

Other financial risks

On 31 January 2020 the United Kingdom officially ceased to be a member of the European Union, but there is likely to be considerable uncertainty for many years to come as the detailed implications of this action are discussed and agreed. It continues to be impossible to assess the opportunities and threats that this resignation will present. The directors continue to manage these risks by closely monitoring the position and are confident that, if necessary, the company will be able to amend and modify its procedures to remain fully compliant with any new rules and regulations and to maintain its standing and reputation in the marketplace locally and, where appropriate, throughout Europe and worldwide.