



**CLARKSON PLC**  
**(the “Company” or “Clarksons”)**

30 March 2021

**Annual Report for the year ended 31 December 2020**  
**and Notice of Annual General Meeting (‘AGM’)**

The Company announces that, pursuant to Listing Rule 9.6.1, the documents listed below have been submitted to the UK Listing Authority and will shortly be available for inspection through the National Storage Mechanism at: <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>

- 2020 Annual Report
- Notice of 2021 AGM
- Form of Proxy

The above documents have been posted or otherwise made available to shareholders and the 2020 Annual Report and the Notice of 2021 AGM are also available to view on the Company’s website at: <https://www.clarksons.com/investors/>

The Company’s 2021 AGM will be held electronically by audiocast on Wednesday 5 May 2021 at 12 noon. Details on how to join the AGM can be found in the Notice of Meeting.

The information set out below should be read in conjunction with the Company’s full year results announcement issued on 8 March 2021. Together these constitute the material required by DTR 6.3 to be communicated to the media in full unedited text through a Regulatory Information Service. This material is not a substitute for reading the Company’s 2020 Annual Report. Page references in the text below refer to page numbers in the 2020 Annual Report.

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**About Clarkson PLC**

Clarkson PLC is the world’s leading provider of integrated services and investment banking capabilities to the shipping and offshore markets, facilitating global trade.

Founded in 1852, Clarksons offers its diverse and growing client base an unrivalled range of shipbroking services, sector research, on-hand logistical support and full investment banking capabilities in all key shipping and offshore sectors. Clarksons continues to drive innovation across its business, developing digital solutions which underpin the Group's unrivalled expertise and knowledge with leading technology.

The Group employs over 1,600 people in 53 different offices across its four divisions and is number one or two in all its market segments.

The Company has delivered 18 years of consecutive dividend growth. The highly cash-generative nature of the business, supported by a strong balance sheet, has enabled Clarksons to continue to invest to position the business to capitalise on the upturn in its markets.

Clarksons is listed on the main market of the London Stock Exchange under the ticker CKN and is a member of the FTSE 250 Index.

For more information, visit [www.clarksons.com](http://www.clarksons.com)

## Principal risks

The principal risks which may impact the Group's ability to execute its strategic objectives have not changed since 2019.

The risks that follow, whilst not exhaustive, are those principal risks which we believe could have the greatest impact on our business and have been discussed at meetings of the Board and the Audit and Risk Committee. The Board reviews these risks in the knowledge that currently unknown, non-existent or immaterial risks could turn out to be significant in the future and confirms that a robust assessment has been performed.

<b>Loss of key personnel – Board members</b>	
Change in risk factor since 2019	<b>No change</b>
Link to strategic objective	<b>People</b>
<b>Description</b> At the AGM in May 2021, the Company will seek approval of its Directors' remuneration report (DRR). Whilst this shareholder vote on the DRR is not binding, votes on the re-election of all Directors are binding.  Should the existing contractual arrangements of the Executive Directors result in major shareholders voting against the DRR at the AGM, there remains a risk that they may also not support the resolution to re-elect individual Non-Executive Directors.	
<b>Controls/mitigating factors</b> As explained in the Directors' remuneration report, considerable work has been undertaken to mitigate this risk.	
<b>Activities in 2020</b> <ul style="list-style-type: none"><li>• Engagement with major shareholders and the proxy advisory agents to emphasise and state our future commitments:<ul style="list-style-type: none"><li>- to the existing contractual arrangements of the Executive Directors, which remain appropriate; and</li><li>- that the management team continues to lead the Company, driving forward the transformational strategy it has laid out.</li></ul></li></ul>	
Read more in the Directors' remuneration report on pages 106 and 107.	

<b>Economic factors</b>	
Change in risk factor since 2019	<b>Increase</b>

Link to strategic objective	<b>Growth</b>
<p><b>Description</b></p> <p>Changes in world trade, global GDP and other general economic fluctuations impact the demand for ships. The actions of owners and financiers have a direct impact on the supply side of our business.</p> <p>Supply/demand imbalances cause fluctuations in freight rates. If freight rates, volumes or asset prices fall, the commission that we receive on any deal would also fall.</p> <p>The erratic nature of the US approach to international trade and the departure of the UK from the EU have been creating uncertainties surrounding global economics and world trade in recent months.</p> <p>COVID-19 has affected world trade, and it remains unclear how long the economic effects will continue. The potential impact on globalisation of the world economy and consequential impact on world trade is expected to impact the business further, though it is recognised that there will continue to be a need to move raw materials from their point of origin to where they are needed.</p> <p>The speed at which trade rebounds will determine when our markets see proper recovery.</p> <p>Every overseas office has been affected by COVID-19, and the speed of local recoveries will remain variable.</p>	
<p><b>Controls/mitigating factors</b></p> <ul style="list-style-type: none"> <li>• We are not dependent on any one country's economy as our operations and clients are located in all major maritime and trade centres globally.</li> <li>• Our business model is built on the ability to deal with downturns and remain profitable. Our variable remuneration schemes, being profit-related, mean that overheads react to swings in asset values and freight rates.</li> <li>• We have the resources and support available to open offices in new locations, mitigating the reliance on regional performance.</li> <li>• Our broad product offering, led by experts in their fields, means we are in the best position to find new opportunities in volatile market conditions and able to take advantage of market turnarounds.</li> <li>• We review the performance of each office and product line at least monthly.</li> </ul>	
<p><b>Activities in 2020</b></p> <ul style="list-style-type: none"> <li>• Our results and actions taken during the year show the robustness of our strategy and business model against volatility in our markets, particularly those affected by falling commodity prices.</li> </ul>	
<p>Read more in Our markets on pages 44 to 51.</p>	

<b>Cyber risk and data security</b>	
Change in risk factor since 2019	<b>Increase</b>
Link to strategic objective	<b>Trust</b>

**Description**

Financial loss, reputational damage or operational disruption resulting from a major breach in the confidentiality, integrity or availability of our IT systems and data.

A breach could be caused by an insider, an external party, inadequate physical security, insecure software development or inadequate supply chain management.

With the safety of employees being a priority, COVID-19 led to our business predominantly working remotely over 2020, as did many other companies in the locations from which we operate, including our customers and suppliers. As a result, there has been an increased volume of spam and phishing type email attacks.

**Controls/mitigating factors**

- IT processes include regular penetration testing, anti-virus and firewall software, quarterly network vulnerability scans, frequent password changes including complexity requirements, email authentication and strict procedures on granting and removing access.
- Operational processes include segregation of duties, business continuity planning and regular training.

**Activities in 2020**

- We continued to invest significantly in enhanced security policies and measures, people, resources and training dedicated to the prevention of cyber crime, both in an office and remote working environment.
- Employee awareness communications and security monitoring have increased to combat the increased threat.

**Loss of key personnel – normal course of business**

Change in risk factor since 2019

**Increase**

Link to strategic objective

**People**

**Description**

Losing key personnel may impair our coverage of a particular line of business as our success depends on the experience, reputation and performance of our specialist teams across the Group.

Stringent restrictions put in place to protect physical health against COVID-19 have increased the risk of an adverse impact on employees' mental well-being.

**Controls/mitigating factors**

- We offer competitive remuneration and an excellent working environment to help us to retain staff.
- Employment contracts include restrictive covenants, appropriate notice periods and gardening leave provisions to prevent the loss of key information.
- Teamwork is actively encouraged across the Group.
- The Group seeks to create a working culture that is inclusive for all, thereby maintaining high standards and good employee relations.
- We invest in our teams through training and promote further learning through lectures and encouraging personal study.
- Succession planning and documentation of key procedures help minimise any impact of losing personnel.

**Activities in 2020**

- We continued to make strategic hires.
- We developed and implemented a new promotions process, combined with the promotion of 11 new Managing Directors, 14 new Directors and 17 new Divisional Directors to continue to grow the cohort of future leaders.
- We developed a competency framework to support leadership and employee development, based on consistent criteria of performance requirements.
- We continued to monitor staff turnover and staff absenteeism in order to understand the reasons behind such activity.
- A number of employees transferred locations within the Clarksons Group, accommodating both the employees' and the Group's needs.
- Increased management and support of employees to keep morale high among teams whilst working remotely.
- Processes implemented to deal with positive COVID-19 cases identified in offices, with appropriate guidance and communication provided.
- Online seminars and personal development modules have been promoted to encourage continued career progression.

Read more about our people on pages 60 to 63.

**Adverse movements in foreign exchange**

Change in risk factor since 2019

**No change**

Link to strategic objective

**Growth**

**Description**

The Group can be exposed to adverse movements in foreign exchange as our revenue is mainly denominated in US dollars and the majority of expenses are denominated in local currencies, whilst we continue to report in sterling.

After seeing a low point of US\$1.15/£1 in March 2020, sterling has strengthened throughout the remainder of the year, ending on US\$1.37/£1. The average exchange rate in 2020 of US\$1.29/£1 was similar to that in 2019 of US\$1.28/£1, however, in 2021, the new level of sterling, if maintained, will affect our reported results.

**Controls/mitigating factors**

- The Group hedges currency exposure through forward sales of US dollar revenues.
- We also sell US dollars on the spot market to meet local currency expenditure requirements.
- We continually assess rates of exchange, non-sterling balances and asset exposures by currency.

**Activities in 2020**

- We continued to apply our hedging strategy consistently and, as at 31 December 2020, the Group had hedges in place for 2021 and 2022 of US\$55m and US\$45m respectively.

Read more about our financial risk management objectives and policies in note 28 on page 169.

**Financial loss arising from failure of a client to meet its obligations**

Change in risk factor since 2019

**Increase**

Link to strategic objective

**Understanding, Growth**

**Description**

Uncertainty in our markets continues to affect the amount of debt that may be recoverable. Furthermore, any forward order book values may have to be written off, thereby impacting future income as well as existing booked income.

The severe and continuing impact of COVID-19 makes it more difficult to assess clients' abilities to meet their obligations.

**Controls/mitigating factors**

- We maintain good relationships and communication with our clients.
- We regularly monitor global client debt levels using information from a range of sources.
- Provisions are based on ageing of balances, disputes or doubts over recoverability.

**Activities in 2020**

- We continued to provide for doubtful debts on a conservative basis.
- In April 2020 one of our clients entered court proceedings, to which we were able to quickly respond to minimise the impact on the business. There were no other unexpected losses arising from a client failure in 2020.
- Increased monitoring of cash collections.

Read more about our trade receivables in note 15 on pages 156 and 157.

**Breaches in rules and regulations**

Change in risk factor since 2019

**Increase**

Link to strategic objective

**Trust**

**Description**

Breaches of regulations, intentional or unintentional, could have a significant financial and reputational impact on the Group. In regulated entities, this could result in the loss of licences required to operate.

This includes breaches of laws governing sanctions, anti-bribery and corruption, market abuse (including insider dealing and market manipulation), money laundering, facilitation of tax evasion, General Data Protection Regulation and Health and Safety controls.

Specific Health and Safety regulations and guidance surrounding the ongoing pandemic have been introduced, which continue to change and vary between countries from which we operate.

**Controls/mitigating factors**

- Investment in compliance, quality assurance and legal functions to ensure best practice is consistently applied throughout the Group.
- Internal compliance tools help ensure the Group’s teams have access to information that can assist them when negotiating transactions.

**Activities in 2020**

- We continued to develop our internal compliance tools for use by all our staff to reflect changes in rules and regulations.
- Our annual compliance training pack was updated during the year and subsequently released in February 2021. This includes modules on sanctions and anti-bribery and corruption, as well as circulation of the latest Compliance Code. Every member of staff is required to pass their compliance training modules and confirm that they have read, understood and accept the contents of the Compliance Code.
- A market abuse training module was released during the year.
- We enabled employees to work from home and those who were unable to do so, principally in the support segment, were provided with PPE. Before employees returned to any office, care was taken to ensure that these were COVID-19-safe environments.

Read more about how we do business on pages 67 and 68.

<b>Changes in the broking industry</b>	
Change in risk factor since 2019	<b>No change</b>
Link to strategic objective	<b>Understanding Breadth Reach Trust Growth</b>

**Description**

There is a risk that we do not take advantage of, or are overtaken by, changes in our industry.

Clients are using technology as a source of increasing efficiency. They are also considering environmental factors when making their strategic decisions.

These changes create business opportunities for the Group, however failure to take these changes into account could lead to a loss of market share, loss of revenue and reputational damage.

COVID-19 has led to a reduced level of demand from lower GDP and lower consumption of raw materials, for example aviation fuel. Additionally, uncertainty, restrictions on yards and vessels, as well as on travel and face-to-face meetings, have led to the industry becoming more flexible and adaptable.

**Controls/mitigating factors**

- We monitor and develop technological applications which will impact the broking industry.
- We monitor competitors' activities in terms of product offerings to ensure we can react accordingly.
- We review our clients' broking requirements.
- The Sea/ suite of sophisticated technological tools enhances our service offering to our clients and future-proofs our business.

**Activities in 2020**

- We continued to develop and invest in the Sea/ suite tools to ensure that it continues to meet the evolving needs of our clients.
- We continued to ensure we are well placed to take advantage of opportunities that arise, regardless of working in the office or remotely.

Read more about our strategy on pages 52 and 53.

**Directors' responsibilities statement**

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether, for the Group and Parent Company, international accounting standards in conformity with the requirements of the Companies Act 2006 and, for the Group, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the

European Union have been followed, subject to any material departures disclosed and explained in the financial statements;

- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Directors' confirmations**

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in this annual report, confirm that, to the best of their knowledge:

- the Group and Parent Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and profit of the Parent Company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Parent Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Parent Company's auditors are aware of that information.

On behalf of the Board:

**Sir Bill Thomas**

Chair

5 March 2021

## Related party transactions

### **30 Related party transactions**

As in 2019, the Group did not enter into any related party transactions during the year, except as noted below.

### **Compensation of key management personnel (including Directors)**

There were no key management personnel in the Group apart from the Clarkson PLC Directors. Details of their compensation are set out below.

	<b>2020</b>	2019
	<b>£m</b>	£m
Short-term employee benefits	<b>4.5</b>	4.6
Post-employment benefits	<b>0.1</b>	0.1
Share-based payments	<b>0.4</b>	0.3
	<b>5.0</b>	5.0

Full remuneration details are provided in the Directors' remuneration report on pages 106 to 121.

As mentioned in the Board of Directors on page 84, Sue Harris is a Non-Executive Director of Schroder & Co. Limited and Chair of the Audit and Risk Committee of the Wealth Management Division, who are investment managers of the defined benefit section of the Clarkson PLC pension scheme. During the year, Jeff Woyda was appointed to the Board of Trustees of The Clarkson Foundation.

### **V Related party transactions**

During the year, the Company entered into transactions, in the ordinary course of business, with related parties.

Transactions with subsidiaries during the year were as follows:

	<b>2020</b>	2019
	<b>£m</b>	£m
Management fees charged	<b>2.7</b>	2.9
Rent receivable	<b>6.3</b>	5.4
Dividends received	<b>48.1</b>	30.5
Transfer of investment in subsidiaries	<b>-</b>	0.2

Balances with subsidiaries at 31 December were as follows:

	<b>2020</b>	2019
	<b>£m</b>	£m
Amounts owed by related parties	<b>18.0</b>	16.8
Amounts owed to related parties	<b>(1.5)</b>	(1.9)
Deferred income	<b>(1.0)</b>	(0.7)

There were no terms or conditions attached to these balances.

### **Compensation of key management personnel (including Directors)**

There were no key management personnel in the Company apart from the Clarkson PLC Directors. Details of their compensation are set out in note 30 to the consolidated financial statements.

As mentioned in the Board of Directors on page 84, Sue Harris is a Non-Executive Director of Schroder & Co. Limited and Chair of the Audit and Risk Committee of the Wealth Management Division, who are investment managers of the defined benefit section of the Clarkson PLC pension scheme. During the year, Jeff Woyda was appointed to the Board of Trustees of The Clarkson Foundation.