

ESG Insights 2022

Governance, reporting and assurance

Associated
British Foods
plc

Why it is important

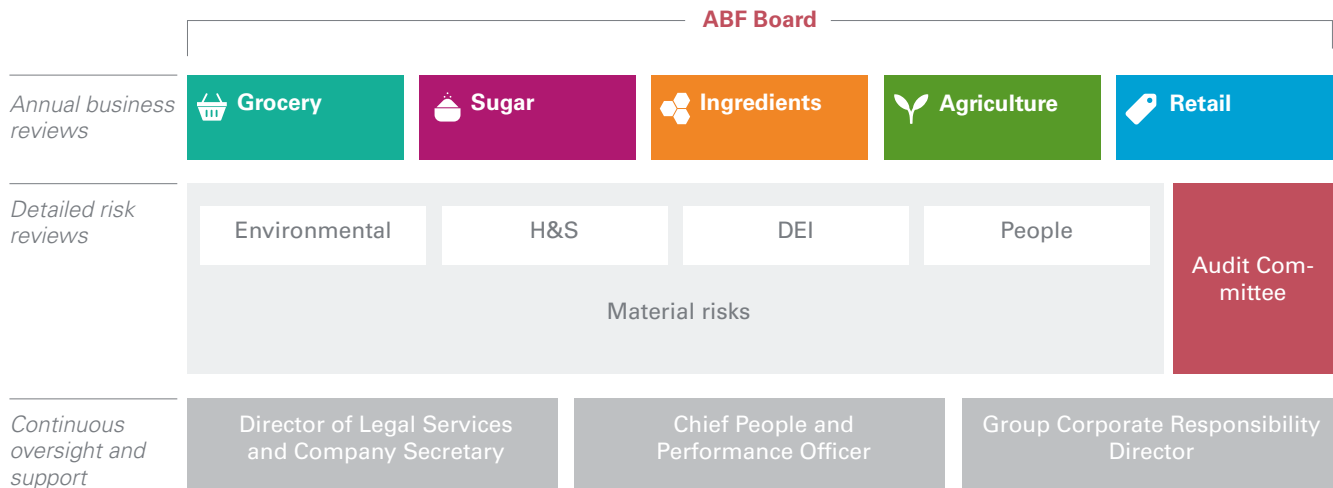
Good governance is essential to our continued business success and it protects our shareholders. As a company built on strong values and principles, we expect responsible business practices and integrity in all of our actions every day.

Reporting on how we address the corporate responsibilities that matter most to our businesses reinforces our ability to deliver our strategy.

As a major multinational company with businesses operating in a wide range of sectors and markets, and sourcing from countries across the world, it is right that information and data we publish is subject to significant scrutiny to ensure its robustness.

We seek independent assurance as a key part of our reporting. It supports us to identify areas for improvement, while reassuring our stakeholders that the data we publish is meaningful and accurate.

Governance framework



Our approach

Accountability

Associated British Foods plc is a diverse group of businesses. One of our greatest strengths is that our businesses' management teams are closely connected to their markets. We believe that decisions should be taken as close as possible to their point of impact. This requires management teams to have the freedom to act and to be flexible and fast.

Diversified Group, consistent approach: The Red Book

Good governance is defined by values, behaviours, and relationships as much as by process.

Our devolved business model makes sense because our businesses know their supply chains, markets, employees, customers, consumers and local communities better than anyone in groupwide teams ever will.

This model also gives our businesses the autonomy they need to operate in ways that create maximum value and to respond to short-term local challenges very rapidly.

We maintain a detailed understanding of the material opportunities and risks for our businesses. The material decisions for our businesses are made by the businesses themselves based on collaboration. What this means in practice is an extensive level of discussion with, and scrutiny of, each business by the Group leadership team, together with consistent oversight from the Board through a formal and structured governance framework.

The Group works with the business leaders to set objectives whenever they are needed, and then holds people to account against those objectives to ensure the effective stewardship of our assets for the long term.

The Red Book is an internal document that contains all the information our executives need to meet their obligations and to operate freely within the framework. The Red Book applies to all subsidiaries, joint ventures and associates of ABF plc. The only exception being certain cases where explicit approval for derogation has been granted by the Group Chief Executive, Group Finance Director and Director of Legal Services. This will generally only apply to certain joint ventures where appropriate alternative governance is in place.

The Red Book states:

"All businesses are required to operate in an ethical manner in terms of their stewardship of the environment, their employees, the people they work with and the communities in which they operate. Product integrity and food safety are key to our success. Businesses must ensure that high standards are maintained throughout operations and raw material sourcing."

Responsibility, governance and risk

Our Director of Legal Services and Company Secretary has overall accountability for all corporate responsibility issues, with support from the Group Corporate Responsibility Director. Our Chief People and Performance Officer has overall responsibility for operational safety and environment matters, with support from the Group Safety and Environment Manager (HSE). The Director of Legal Services and Company Secretary and the Chief People and Performance Officer both report to the Group Chief Executive.

In each business responsibility, and accountability rest with its chief executive and with the corporate responsibility (CR) lead for that business. Each chief executive is required to sign and submit an annual summary and mitigation plan for all types of business risk, including safety, environment, and other material responsibility issues. These are collated and reviewed by the Group Board to monitor the Group's overall exposure to potential risks. These formal processes complement the regular CR and HSE group leads' meetings and help us to share best practice across the Group.

The divisional CR and HSE leads act as key points of contact between the centre and the divisions. Responsibility is embedded across many roles within the divisions, and as a result, the CR lead role enables effective information sharing across the Group.

As a Group, we recognise the benefit of creating and following consistent sustainability standards for reporting, as long as they still allow companies the freedom to report meaningfully on the issues that matter to them, rather than forcing them down a generic 'tick box' disclosure route.

Our performance

We implement a groupwide risk process, in which the management of each business is empowered to identify, prioritise and manage the risks that the business faces. Risks are initially identified at individual sites, then collated at business, division and Group levels. Risk assessments for the businesses are reviewed at Group level once a year. Risks and their impact on business performance are considered at each Group Board meeting, and a summary of business division risks is shared with the Board at least once a year as part of the formal risk assessment process.

The chief executives of each of our businesses are responsible for annually assessing key risks, which may differ according to the nature of their operations. Their assessments consider materiality, risk controls and the likely impact of key risks against a range of criteria, such as business objectives, regulation and legislation, and reputation. Environmental and social issues are integrated into our overall Group risk management and performance processes.

Our environmental risks may range from macro issues, such as climate change and water availability, to more local issues, such as managing emissions from factories and working within the local waste management infrastructure. At a Group level, our material environmental risks are linked with climate change, water, waste and packaging. Our efforts to reduce our environmental footprint also present opportunities, including cost reduction, improved efficiency and resilience, increased brand value and collaborative work with partners along our supply chain. Our social risks may arise from our interactions with, and responsibility towards, employees and contractors, suppliers, communities and consumers. Some of our material social risks include safety, health, human rights and talent management. Our management approach to the different risks we face and the opportunities they present are outlined below. Read more about our approach to risk management in our 2022 Annual Report and Accounts.

Each of our businesses continually monitors, assesses and reviews its performance across key activities, from health and safety to impact on the environment. The results of these processes inform the continual improvement that drives all of our business operations.

Scope of reporting

Our reporting year for environment and health and safety data is from 1 August to 31 July.

Key performance indicators reported may have different start dates but still cover a 12-month period, closely aligned with ABF's financial year.

Associated British Foods plc has five business segments: Grocery, Sugar, Agriculture, Ingredients and Retail.

Across these segments, we have a total of 700 factories or manufacturing sites, warehouses, distribution centres, offices or retail stores which have collated their relevant environment and safety data for this reporting period.

Of this total, Primark's stores, offices and distribution centres account for 417 reporting sites. Where relevant, the data also includes Primark sites which closed during the reporting year along with some new locations that are preparing to open.

Of the Group total, 182 are factories or manufacturing sites. Any new site or business acquired part-way through a reporting year is not required to provide its annual safety or environment data to Associated British Foods in that year. Sites or businesses may be granted an additional grace period for reporting its annual safety or environment data to Associated British Foods on a case-by-case basis, dependent on their material contribution to Group performance and establishment of accurate measurement processes and systems.

Associated British Foods plc reports safety and environment data, including GHG emissions in carbon dioxide equivalent (CO₂e) from those activities for which we are responsible.

For the current and prior reporting years, this applies to all companies over which the Group has full operational control or has financial control but does not fully own, and from joint ventures and associates where we do not have a majority shareholding but do have either joint control or significant influence.

This includes our most material joint ventures, measured in terms of net assets: Frontier Agriculture, UNIFERM, Czarnikow, Stratas Foods, and two sites jointly operated with Wilmar International.

The two Wilmar International sites also report additional environmental and operational data as originally reported when fully controlled by ABF.

Across the Group, we use a number of key performance indicators to measure our safety and environmental performance. To ensure these are applied consistently, we apply standard definitions. These definitions are included in our detailed reporting guidance, including the methodologies we use for our greenhouse gas (GHG) emission reporting.

Due to rounding, business segment numbers presented throughout our Responsibility Report and ESG Insights may not add up to precisely the Group totals reported.

How we assess our performance

We use a range of internal verification processes and we commission independent external audits to help us to continuously improve our responsibility performance, report accurately and meet recognised standards. Environment and safety data is entered by each site into a Group-managed data system. All data is reviewed and approved at the individual business level, usually by a senior environmental, safety, operational or financial representative, or a cross-functional team representing these roles. Our Health, Safety and Environment (HSE) Team implements an annual internal verification process for the Group's HSE data to ensure it is complete, accurate and aligned with our Group guidelines. Throughout the year, we collaborate with all our businesses to help them with continuous improvement in data accuracy. This work includes regular training, distribution of materials and consultation if changes are made to data requirements or the reporting system.

All the data we report is based on the best possible systems and methodologies currently available to us and, where applicable, aligned with internationally or nationally recognised standards. Where possible, we use accurate data from sources such as invoices, meter readings and weight measurements. These are also subject to continuous improvement. We report our Group-level and business segment data for the past five years to provide a good overview of our short- to medium-term performance and identify segment-level contribution to Group data.

Environmental, Social, Governance (ESG) research agencies and benchmarks

With an increase in investor interest in ESG-related issues, we are engaging more than ever with individual investors and investor-related ESG research agencies. We try to strike the right balance between communicating on areas of specific interest to these stakeholders and clearly representing the range of complex issues that our Group addresses every day.

Our performance is assessed externally by ESG agencies including the following:



- FTSE4Good: ABF is a constituent company in the FTSE4Good Index Series;



- MSCI: In 2022 ABF received an AA rating (on a scale of AAA-CCC); <https://www.msci.com/our-solutions/esg-investing/esg-ratings-climate-search-tool/issuer/associated-british-foods-plc/IIID000000002123767>



- Refinitiv: In 2022, ABF was rated as 37 out of 432 companies in its industry sector; <https://www.refinitiv.com/en/sustainable-finance/esg-scores#company-esg-scores>



- Sustainalytics: As of the last update in July 2022 ABF was rated 85 out of 577 companies in its industry sector; and <https://www.sustainalytics.com/esg-rating/associated-british-foods-plc/1008409441>



Moody's: as of September 2022, ABF was ranked 4/38 in its sector.

<https://esg.moody's.io/>

Our performance is also assessed externally by other ESG benchmarks, for example:

- We disclose our annual performance and approach through [CDP](#) questionnaires about climate change, water, and forests.
- Through the World Benchmarking Alliance (WBA) we report against the [Corporate Rights Human Benchmark \(CHRB\)](#), the [Food and Agriculture Benchmark](#) and the [Gender Benchmark](#).
- We participate in ShareAction's [Workforce Disclosure Initiative \(WDI\)](#), providing information about how we manage issues like diversity, health and safety, and worker engagement, to help improve the quality of employment in the operations and supply chains of multinational companies.

- Organisations such as KnowTheChain assess our performance on human rights and labour rights issues as part of their [Apparel and Footwear benchmark](#) and their [Food and Beverage benchmark](#).
- Our approach to animal health and welfare is guided by the [Business Benchmark on Farm Animal Welfare \(BBFAW\)](#), the leading global measure of farm animal welfare management, policy commitment, performance and disclosure in food companies.
- Last year we set out our approach to the Taskforce for Climate-related Financial Disclosure ([TCFD](#)) and our corresponding action plan. This year the Group has complied with the requirements of listing rule 9.8.6.R by including climate-related financial disclosures consistent with the TCFD recommendations and the 11 recommended disclosures, published in 2017 by the TCFD, including the supplemental guidance for all sectors. Please click [here](#) to find our TCFD disclosure statement.

Compliance and investment

Environmental compliance: In 2022, the various businesses within our Group had 58 environmental complaints, three less than last year. Most of these were associated with noise, dust and odour from their manufacturing sites. This year, our businesses received 16 environmental fines Δ with a cost of £104,000 Δ . These were largely due to the treatment of wastewater.

These issues are being addressed by sites across the Group with targeted support being provided to the specific sites and engagement with the local regulators to ensure standards are met. Remedial actions include thorough investigations with employee interviews, review of CCTV recordings and sampling to address changes in the processes through to investments in larger dilution tanks to manage volumes of wastewater.

We regret any issues caused as a result of these incidents, and always prioritise remedial action to ensure we meet the standards expected of us by our neighbours and other stakeholders, as well as the regulations under which we operate.

We had 404 visits from regulatory authorities, of which 385 were routine inspections. These are welcomed as part of our continuous improvement and to address specific issues such as wastewater quality monitoring and water testing.

This year, 63% of our reporting sites hold an internationally recognised environmental management system certification such as ISO 14001 (environmental management) or ISO 50001 (energy management). As part of the ISO certification, these facilities undergo audits to ensure they are maintaining the expected standards in, and continuously developing their approach to, sound environmental and energy management.

During the year, our businesses significantly invested in environmental risk management to support continuously improving our environmental performance. Investments included in wastewater treatment plants, odour and noise reductions, waste segregation facilities and in specialist environmental management training for employees.

Safety compliance: This year, we received four safety fines Δ and made a payment of £6,000 Δ in the reporting year. The fines were for a range of topics including the quality of flooring, conducting annual safety inspections and employee communications. These issues have been addressed by the relevant sites.

We had 274 visits from safety regulatory authorities, including 201 for routine inspections. The number of routine visits decreased this year by 36% across the Group as COVID-19 safety measures eased and local safety authorities were satisfied with the measures implemented. Other visits were follow-ups to complaints or incidents, fire department visits or to support continuous improvement. We welcome these regulatory visits as an opportunity to learn from safety specialists and to ensure we swiftly address any changes in working practices.

Across the Group we have continued to invest significantly in safety risk management, including continued investment into COVID-19 safety measures. Safety investments were made across a wide spectrum of activities to address site-specific improvements. These include capital investments such as traffic management, pedestrian walkways, anti-slip flooring, loading bay improvements, working platforms for working at height and insulation of hot surfaces. Investments were also made in safety behaviours and practices such as specialist training in road safety, first aid and fire control, safety campaigns, employee health monitoring and safety audits.

Safety and environmental fine: a fine resulting from the regulator bringing legal action against the business for breaches of the relevant legislation. The cost of the fine is converted to British pounds sterling using the currency conversion factor applied by Associated British Foods plc for the reporting year. We report the fine in the year it is received, even if the offence was committed during a previous year. We report the cost of the fine in the year it is paid. Some fines may be reported in one year with the cost and payment of the fine made in the following year.

Independent Assurance

Our approach to assurance

We commissioned EY to assure our report in accordance with the International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information ISAE 3000 (Revised). As part of this assurance, Ernst & Young (EY) provided independent limited assurance over the 24 environment and safety key performance indicators (KPIs) for the year ended 31 July 2022. These are marked with a Δ symbol in the 2022 Responsibility Report, 2022 Annual Report and ESG Insights. Please see EY Independent Assurance Statement on the 2022 Responsibility Report (pages 56-61).