Associated British Foods plc

Annual Report 2023

Investing for tomorrow Delivering today

Strategic report

Governance

Financial statements

Group revenue
£19.8bn
(2022: £17.0bn)

Adjusted operating profit*
£1,513m
(2022: £1,435m)

Operating profit
£1,383m
(2022: £1,178m)

Profit before tax
£1,340m
(2022: £1,076m)

Adjusted profit before tax*
£1,473m
(2022: £1,356m)

Adjusted earnings per share*
141.8p
(2022: 131.1p)

Net cash before lease liabilities*
£895m
(2022: £1,488m)

Net debt including lease liabilities*
£2,265m
(2022: £1,764m)

Gross investment*
£1,171m
(2022: £930m)

Return on average capital employed* (ROACE)
13.6%
(2022: 14.0%)

Dividends per share (including special dividend)
60.0p
(2022: 43.7p)

Basic earnings per share
134.2p
(2022: 88.6p)

On the cover: An Allied Mills employee at our Manchester flour mill

* Alternative Performance Measures (APMs) as defined on pages 189 to 191.

Associated British Foods is a highly diversified group, with a range of food and ingredients businesses as well as our retail brand, Primark. We are united in our purpose: to provide safe, nutritious and affordable food, and clothing that is great value for money.

Investing for tomorrow Delivering today

We invest in our businesses to create long-term value for our shareholders and our stakeholders including customers, employees and suppliers. We believe that this investment, with the process of ambition and renewal that accompanies it, builds momentum and sharpens focus across the Group.

In our Annual Report this year we highlight how we are continuing to invest in new technologies, in products and processes, in our people, and in capital and acquisitions despite a year of economic volatility and high inflation. We show how our businesses are increasingly well-placed to grow sustainably from this year's delivery of sales and profits.

About us

133,000 **employees**	55% **of our total workforce are women**
55 **countries operated in, across Europe, Africa, the Americas, Asia and Australia**	96% **of our people have access to an employee assistance programme**
One of the largest **fashion retailers in Europe**	188 **food manufacturing sites globally**
83% **of the waste* we generated was sent for recycling, recovery or other beneficial use**	58% **of the energy we used came from renewables**

Our values

See pages 10 and 11 for more on our values and how we operate.

* A substance or material that has no further use in our main processes and requires management to discard or treat prior to final disposal.

Our consumer brands

For a full list of our businesses and brands, visit www.abf.co.uk/our-businesses/a-z-finder

Our operating businesses

Grocery

Our Grocery division employs more than 15,000 people and comprises brands which occupy leading positions in markets across the globe. In the UK, nine out of 10 households use our brands.

Twinings and Ovaltine are enjoyed in more than 100 countries worldwide

Read more on page 14

Revenue
£4,198m
(2022: £3,735m)

Adjusted operating profit
£448m
(2022: £399m)

Retail

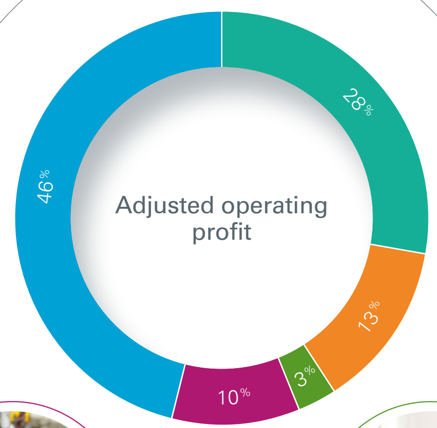
Primark is one of the largest clothing retailers in Europe, with the highest sales by volume in the UK and a growing presence in the US. In total, we have 432 stores in 16 countries across Europe and the US.

One of the fastest
growing fashion retailers in Europe

Read more on page 30

Revenue
£9,008m
(2022: £7,697m)

Adjusted operating profit
£735m
(2022: £756m)



Ingredients

Our Ingredients businesses are leaders in yeast and bakery ingredients as well as in specialty ingredients for the food, human and animal nutrition, pharmaceutical and various other industries.

A global leader
of specialty yeast ingredients

Read more on page 18

Revenue
£2,157m
(2022: £1,827m)

Adjusted operating profit
£214m
(2022: £159m)

Sugar

ABF Sugar produces a range of food, feeds, fuels and other products from sugar cane, sugar beet and wheat in Africa, the UK, Spain and China.

One of the largest
sugar producers in the world

Read more on page 26

Revenue
£2,547m
(2022: £2,016m)

Adjusted operating profit
£169m
(2022: £162m)

Agriculture

AB Agri is an international agri-food business and a leader in the UK. We supply farm performance services, animal feed, specialty ingredients and supplements to farms, feed manufacturers, food producers and retailers.

The UK's largest
animal feed business

Read more on page 22

Revenue
£1,840m
(2022: £1,722m)

Adjusted operating profit
£41m
(2022: £47m)

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Chairman's statement

The Group performed very well in the financial year despite significant inflationary and other macro-economic pressures.

Group revenue increased to £19.8bn, 16% higher than the previous year at actual exchange rates and 15% higher at constant currency. This increase in revenue was largely due to price increases negotiated across different businesses to mitigate high levels of inflation. As the financial year progressed, we saw the rate of inflation ease.

Year-on-year performance in our Grocery and Ingredients divisions was strong while Sugar delivered higher sales and resilient profits in the face of difficult growing conditions in Europe. Retail revenue was very good, driven by our like-for-like performance and selling space expansion. At the start of the year we decided not to recover through pricing all the inflation in Primark's input costs, and Primark adjusted operating profit fell by 3% year-on-year.

Group adjusted operating profit rose to £1,513m, an increase over the previous year of 5% at actual exchange rates and 4% at constant currency. Adjusted profit before tax rose 9% to £1,473m and adjusted earnings per share increased by 8% to 141.8p.

Gross investment stepped up to £1.2bn in the financial year reflecting the many strategic investments made in our Grocery, Ingredients and Sugar divisions as well as a step-up in the store and technology roll-out in Primark. We made a number of small acquisitions for a total cash payment of £94m, in particular in our Agriculture division to expand the strength and breadth of our offer to the dairy sector.

Capital structure and shareholder returns

Our capital allocation policy is for the Group's financial leverage, expressed as the ratio of total net debt to adjusted EBITDA, to be well under 1.5 times, whilst financial leverage consistently below 1.0 times may indicate a surplus capital position. Surplus capital may be returned to shareholders by special dividends or share buybacks, subject to the Board's discretion.

During the financial year we executed £446m of a £500m share buyback programme with the remaining amount being completed recently. At the end of the financial year the financial leverage ratio was just under 1.0 times. The Group continues to prioritise investment in its businesses, and we expect to increase spend in each of the next few years to slightly above last year's level. Nevertheless, given the outlook for the Group, the strength of the balance sheet and the underlying cash generation of the business, the Board has decided to continue to return additional capital to shareholders. Therefore, the Group will continue with a buyback programme, targeting an additional amount of £500m over the next 12 months. In addition, the Group is declaring a special dividend of 12.7p per share.

The Board is proposing a final dividend of 33.1p per share which together with the special dividend will be paid on 12 January 2024 to shareholders on the register on 15 December 2023. Taken with the interim dividend of 14.2p a share, the aggregate total dividend equates to 60.0p per share, 37% higher than the total dividend of 43.7p per share in 2022.

Our commitment to good business

Our businesses aim to make a lasting contribution to society by following our Group values of respecting everyone's dignity, acting with integrity, progressing through collaboration and delivering with rigour. The Group operates a devolved business model which gives the businesses considerable autonomy, but the Board has ultimate responsibility for overseeing responsible business practices across the Group. This year we continued to make good progress in our environmental initiatives in particular with significant investments in decarbonisation of Sugar, in water and effluent projects in Ingredients, and at Primark which progressed a number of initiatives under the Primark Cares programme including an increase in the proportion of recycled or more sustainably sourced materials used in our clothing.

Board

There have been several important changes to the Board this year. We welcomed Eoin Tonge as a director in February 2023, succeeding John Bason as Finance Director in April 2023. Dame Heather Rabbatts became Senior Independent Director and Graham Allan became Chair of the Remuneration Committee in May 2023. Ruth Cairnie stepped down on 31 August 2023 after nine years on the Board. Ruth made a terrific contribution to our Board deliberations, and she leaves with our grateful thanks.

We have also welcomed Annie Murphy and Kumsal Bayazit as new non-executive directors. Annie joined from 6 September 2023 and Kumsal will be joining from 1 December 2023. They bring a wealth of relevant experience in different areas to the Board and I very much look forward to working with them.

Looking ahead

Whilst the environment is still challenging for the consumer, inflationary pressures have eased and there is less volatility than there was 12 months ago. The Group is well positioned as a result.

At Primark, we believe our trading performance demonstrates the enduring strength of our appeal to customers across all markets. We continue to invest in both our existing store estate and in new stores and in our digital infrastructure. We expect further growth in sales next year driven by new selling space expansion of some 1 million sq ft and modest levels of like-for-like sales growth. This like-for-like growth will be underpinned by our value proposition, our product relevance and stretch, our increasingly effective digital platform and some limited pricing. Lower material costs and lower freight costs should result in a substantial recovery in gross margin and overall we expect Primark adjusted operating profit margin to recover strongly. At this early stage we believe that the adjusted operating profit margin will be above 10% with further improvement dependent on levels of consumer demand.

In our food businesses, we expect stability across our Grocery division as inflation recedes and as we step up our investment in marketing in our international brands. In Ingredients we anticipate a modest decline in sales and profit as we consolidate following a year of very strong growth and we invest to enhance capabilities. We expect Agriculture to move forward as markets improve and it integrates and leverages the acquisitions of the last two years. We continue to expect the broader Sugar portfolio to deliver a substantial improvement in profitability in this new financial year, driven by a marked improvement in the performance of British Sugar with an anticipated better UK sugar beet crop, and a significant reduction in losses at Vivergo.

Strong cash generation will be driven by higher profitability, lower working capital, lower levels of cash tax payable and pension contributions, partially offset by higher capital investment. We look forward to a year of meaningful progress.

Michael McLintock
Chairman

Chief Executive's statement

At the start of this financial year we were staring at some very significant economic and political challenges. International currency markets were subject to extreme volatility and sterling's weakness was damaging Primark's gross margin. Supply chains were disrupted, not least by conflict in Ukraine. Inflation threatened consumer spending. And it was all but impossible to forecast how consumers in our many markets would behave.

Faced with that outlook, we made two decisions. First, that we would work hard and consistently to recover our food margins wherever we could while taking great care to look after our customer relationships. And second, that we would raise prices only selectively at Primark, with the result that the impact of input cost inflation would mean lower Primark profits. To get a sense of the scale of the challenge, we believe that inflation increased costs across the Group by some £1.7bn in this financial year. That follows higher costs of £1bn in the previous year. As always in inflationary cycles, pricing actions lag the impact of rising input costs and, as a result, some of the benefits apparent this year originated from pricing agreed last year.

Today I look back at the twelve months with enormous pride in how the Group navigated those conditions. Revenues increased significantly but what is especially pleasing is how our businesses managed inflation with both consumers and customers in a thoughtful way, without damaging our businesses or those of others in the long run. It was not an easy process, but it was a necessary one, and it was handled with care. As the financial year progressed, inflation eased and some costs began to decline from recent highs, for example in freight, fabric and energy. This is not a uniform picture and inflation remains substantial in some countries in which the Group operates. But in aggregate we believe that the need for price increases in food and Primark are now largely behind us.

So, Group revenue increased to £19.8bn, 16% higher than the previous year. Adjusted operating profit was also higher at £1,513m, an increase over the previous year of 5%. Adjusted earnings per share increased 8% to 141.8p. The fact that profits and earnings per share increased by less than revenues is a clear indication that we have more work to do to rebuild the Group margins.

Against this backdrop our Ingredients business fared very well, with significantly higher adjusted operating profit. Grocery and Sugar also increased profits, albeit more modestly. Faced with challenging markets, profits fell in Agriculture.

The effects of inflation were felt most in our Grocery businesses. We operate in many markets particularly through our international brands - Twinings, Ovaltine, Blue Dragon, Patak's, Jordans and Mazzetti – and we used local consumer insight to manage inflation without overly impacting consumer demand. For the most part our branded product lines secured price increases sufficient to recover cash margins eroded by inflation, and in places we benefited from increased demand for own-label products. Our brands are now also more on the front foot in terms of investment. For example, Twinings plans to roll out campaigns internationally in the coming year while Ovaltine is benefitting from work on product innovation with the further introduction of Ready-to-drink products. Operational delivery also featured in our progress. Mazola and Fleischmann's, our edible oils and yeast brands respectively in the US, had a very strong year with good availability of supply. In particular, I am very pleased with the improvement at Allied Bakeries while recognising we have more work to do.

In Ingredients, the step-up in performance at AB Mauri has been significant. There were a number of good performances across its many geographies due to pricing, resilient volumes and good supply chain management. In fact, many other businesses in the Group benefitted from the experience AB Mauri has gained in the past from operating for years in high inflation environments. We continue to invest in the business to increase capacity and develop new products. ABF Ingredients, our specialty ingredients business, also increased sales well. Most of its businesses are long-term growth opportunities for the Group and much of this year has been focused on stepping up investment in capacity and capability for that growth.

Agriculture had a more difficult year, as did many agriculture businesses across the world. Disease, particularly in pig and poultry, became a more common feature to manage. The imperative is to innovate using both science and technology, and we continue to invest in both AB Vista and our dairy-related businesses to this end.

The year for Sugar could have been torrid. The UK beet harvest was blighted by a sequence of weather events that resulted in one of the lowest levels of sugar production at 0.74m tonnes and this in a year when energy costs were exceptionally high. In addition, Vivergo had a poor start to the year with a perfect storm of challenged industry margins and a difficult operating environment, both of which improved as the year progressed but which resulted in a substantial trading loss for this year. Next year looks much more promising. Illovo, our African sugar business, had a good year despite severe damage to our cane business in Mozambique due to flooding and it made further progress in developing its capability to offer retail packs to local markets. It strikes me that taken as a whole our Sugar business now has more balance due in part to geographical diversification – Illovo and our Spanish sugar business, Azucarera, performed well while our UK businesses struggled somewhat – and even within British Sugar our co-products activity compensated for some of the losses from sugar.

I am delighted by Primark's navigation of what could have been a very difficult year, when volatile inflation threatened to disrupt consumer spending. In the event, the strength of the Primark offer, and our decision to pass on only part of Primark's cost increases in higher prices, stood us in good stead with our customers. Against the same period a year ago, sales reached more than £9bn, 15% higher at constant currency. Our difficult decision not to fully recover costs was fully vindicated, resulting in market share gains. The business has real confidence in its product offering both in the core proposition and in an increasingly impressive range extensions and collaborations, culminating in the collaboration with Rita Ora as the financial year ended. Margins at 8.2% were lower year-on-year, the natural consequence of our pricing decision.

We now have real momentum in our store opening programme and customer enthusiasm for new Primark stores continues. The digital programme is also building well. The roll-out of our enhanced website has been a key component of the programme, but as significant is the way we are organising and connecting our social media and digital marketing activities. Our Click + Collect trial has been extended by range and by geography, and we are adding self-checkout to our stores and automated systems to our warehousing. Last but not least, we are continuing to fit large numbers of low energy lightbulbs into our stores.

Step-up in investment

We spent more than £1 billion in capital as a Group this year. While a minority of that investment is to replace existing plant or facilities or to meet regulatory requirements, most of the investment is aimed at growth.

Among our ongoing capital projects for our food businesses is the exciting build of a new sugar factory in Tanzania, the completion of 17 decarbonisation projects across various sugar processes, completion of a new animal feed mill in Western Australia, reconstruction of a bakery for Tip Top also in Western Australia, further investment in core technology platforms for Grocery, and initiation of investment in a production facility in Nigeria for Ovaltine to serve markets across West Africa.

In Primark, capital investment was also substantial. The company made considerable progress with its store expansion programme, now back at some 1 million sq ft of retail space a year with the associated logistics investments. We are also deploying technology in our digital roll-out and in areas such as self-checkouts and automated warehousing.

More broadly we continue to invest across the Group in technology and innovation, not just in core operating systems but also increasingly in more innovative solutions for our businesses.

We continue to expect at least this level of investment in the medium term.

People

I am immensely proud of the efforts of all our people in ABF who have worked hard in difficult economic circumstances made worse in some parts of the world by particularly bad weather. We continue to work very hard indeed to build a company where everyone feels welcome and included.

In August we announced that Paul Foster, Managing Director of Mauri Australia, would succeed Stuart Grainger in November as Chief Executive of George Weston Foods following Stuart's decision to retire from the role. Stuart joined ABF in 1995 and since 2008 he has been in Australia where he has transformed our businesses. I'd like to thank Stuart for being such an effective steward of the Group's assets on the other side of the world.

ESG

As a Group we have a clear sense of our social purpose. We work hard to provide safe, nutritious and affordable food and good quality, affordable clothing to millions of customers every day. At the heart of this purpose lies a devolved business model that empowers our managers to make the right decisions. This year saw significant progress across a wide range of ESG activities and actions designed to deliver on our previously published commitments.

Of particular note were the steps taken this year to advance the decarbonisation of British Sugar. These investments, detailed later in this report under the Operating Review for ABF Sugar, are part of a broader strategy to cut Scope 1 and 2 GHG emissions at ABF Sugar by 30% by 2030. ABF Sugar accounts for some 82% of the energy used by the Group in our own operations, making its progress in decarbonisation critical to the delivery of commitments on GHG emissions. By the end of this calendar year, reduction targets for Scope 1, 2 and 3 emissions at ABF Sugar should be validated by the Science Based Targets initiative (SBTi). Primark's targets for GHG emission reductions have already been validated by the SBTi this year.

We recognise that water is a vital resource. We have carried out a high level water risk assessments for our Group operations using recognised methodologies and we are working steadily to reduce our water footprint. A significant amount of our water use occurs in crop irrigation and we are focused on improving the efficiency of this process. We have recently approved a large-scale irrigation project which could bring significant benefits.

The year has shown us the potential impact of extreme weather. Our businesses are adapting and building resilience. They are also supporting social and environmental interventions on farms globally, with management models that include certified organic production, standards to promote wildlife biodiversity, and engagement with smallholder growers in developing markets.

We understand that making progress in our supply chain, which is extensive, requires sustained and focused work over time. For that reason it is gratifying to note that the Primark Sustainable Cotton Programme celebrated its 10th anniversary this year. This year alone, Primark sold more than 337 million products made from this cotton, at the end of July this year, 299,388 farmers had taken part in the training programme. This feels like very tangible progress, although there remains more to do of course.

Looking ahead

The Group is in very good shape. Its diversification, its strong positions in attractive markets, and the calibre of its management teams will stand it in good stead in the year ahead. But more than that, the operational improvements that we have made in the last 12 months, along with investment in new capacity and capabilities, should enable the Group to make very meaningful financial progress. Primark is as well placed as it has ever been, and our food businesses are as strong as ever. I look forward to this year with pleasurable anticipation.

George Weston
Chief Executive

Creating long-term value…

Our Group strategy is to create long-term value for our shareholders and other stakeholders alike.

Our strategy is to achieve sustainable growth over the long term, increasing shareholder value through sound commercial and responsible business decisions that deliver steady growth in earnings and dividends. Our ownership structure provides us with the stability to invest in businesses that we believe in and to support the growth of those businesses over the long term. Our ESG agenda is shaped by the leaders within each business who are closest to the opportunities and risks. ESG factors are not only taken into account within business strategy, they are put into effect by people at every level of the Group who are trusted and empowered to exercise good judgement.

Grocery

Our Grocery businesses are founded on a set of strong brands with leading positions in many markets worldwide.

For our international brands such as Twinings, Ovaltine, Patak's, Blue Dragon and Jordans, we focus on investing in brand equity and employ regional strategies to drive growth.

We also have a series of more regional brands that are market specific, such as Tip Top bakery in Australia, Mazola vegetable oils in the US, and Kingsmill in the UK, where we seek out leading market positions in the relevant domestic markets.

For most of our brands we have our own end-to-end manufacturing capability which is critical in supporting new product development and operational excellence that drives our brand proposition.

Read more about Grocery's performance and brands in action this year on pages 14 to 17.

Ingredients

Our Ingredients businesses enable or enhance the production of food and other products.

AB Mauri manufactures and sells yeast and ingredients of a consistently high quality to the baking industry. We operate globally and have strong market positions in the Americas, Europe, and south and south east Asia. Through our Global Technology Centre in the Netherlands we invest in innovation to generate opportunities for growth. ABF Ingredients develops and manufactures specialty ingredients for the food, health and nutrition, pharmaceutical, animal health and industrial sectors. We focus on high-value niches and are differentiated by our technology, product quality and customer-centric culture. The breadth and low cyclicality of our products, customer base and applications provide commercial resilience. Our strategy is for growth both through acquisitions and organically through geographical expansion, innovation and new applications.

Read more about Ingredients' performance and the innovation in our business this year on pages 18 to 21.

Agriculture

AB Agri is an international agri-food business and a leader in the UK.

We supply farm performance services, animal feed, speciality ingredients and supplements to farms, feed manufacturers, food producers and retailers.

Our growth strategy sets out opportunities to strengthen our position in current markets, expand into new geographies, connect data and technology in new ways to deliver on-farm performance and build on our established position of strength in the dairy industry.

Read more about Agriculture's performance and the expansion of our business this year on pages 22 to 25.

Sugar

ABF Sugar has a portfolio of attractive positions, generally in deficit markets which are somewhat insulated from the volatile world sugar price by local supply and demand conditions.

We have significant opportunities to grow profits by continuing our efforts to become truly customer-led, by driving further efficiency and building out our co-products portfolio, all whilst working to reduce our water, carbon and electricity usage.

Our African sugar businesses are building attractive consumer brands and effective routes to market that will reinforce our market-leading positions. In the UK and Spain, where the majority of sugar demand is from food and drink manufacturers, we have built strong business-to-business offers around security of supply and quality. We have efficient operations, but there remains an opportunity to fully optimise reliability and utilisation to gain valuable additional volumes. In our fields, we are using data to improve yields and profitability for our growers.

Read more about Sugar's performance and the development of our business this year on pages 26 to 29.

Retail

Primark's vision is to provide a wide choice of great-quality essential clothing and fashion at prices that are affordable to as many people as possible.

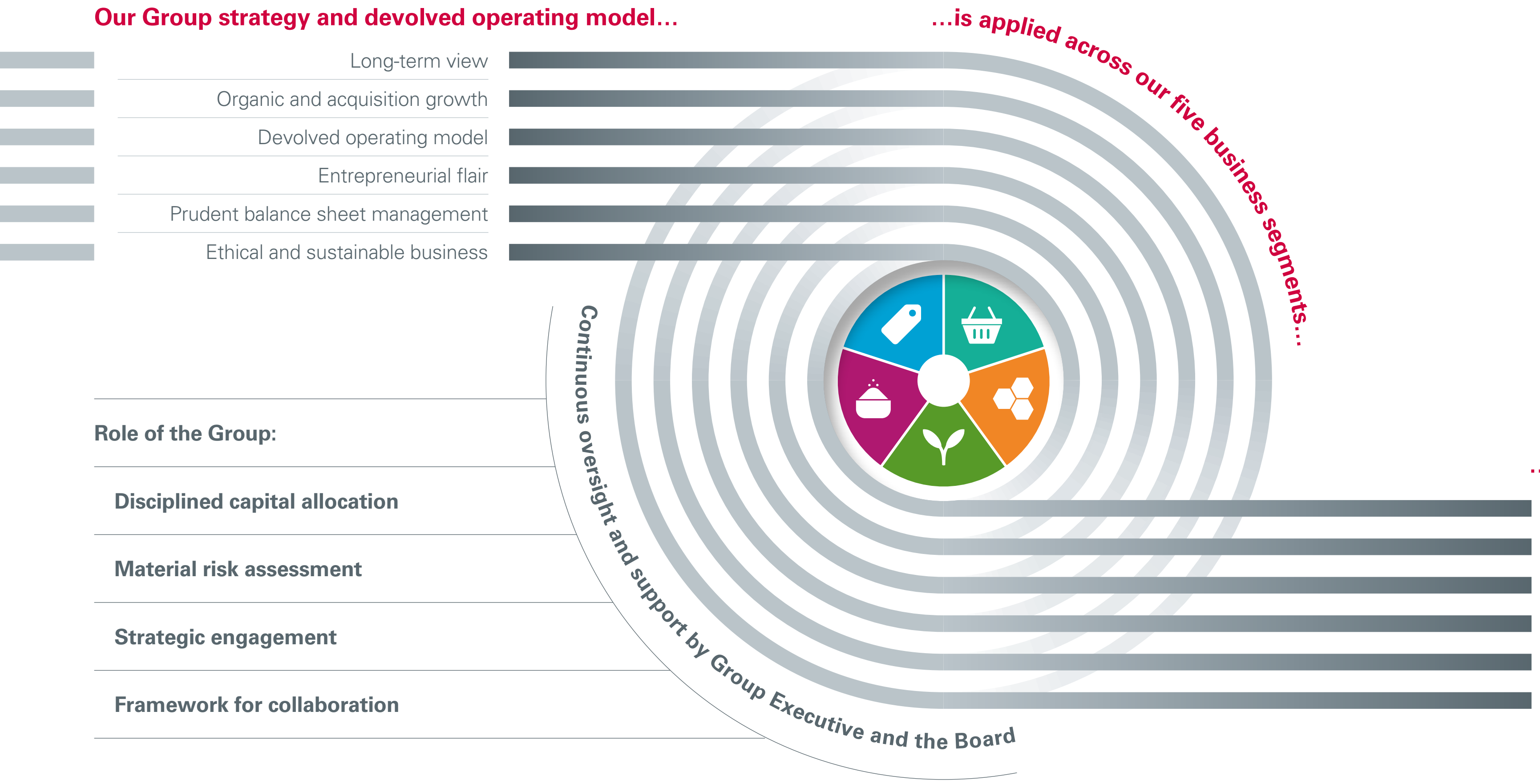
Our strategy is to drive business growth through the development of existing product categories, expansion into new product categories and space expansion in both existing and new markets.

Our customer appeal is supported by our commitment to price leadership, an exciting store environment and our sustainability programme. We are also using our increasingly sophisticated digital and online technologies which are driving marketing and customer engagement.

Read more about our performance and investment in Primark this year on pages 30 to 35.

…Together

Our way of operating – entrepreneurial but also financially prudent and focused on the long term – has achieved growth over many years and creates long-term value for our shareholders and other stakeholders alike.



Who we are

Associated British Foods is a highly diversified group with a wide range of food and ingredients businesses, more than 40 well-known grocery brands, and our flagship retail brand, Primark. We have a strong social purpose: to provide safe, nutritious and affordable food, and clothing that is great value for money. We are a global organisation with 133,000 employees, operations in 55 countries, suppliers in many more, and customers in more than 100 countries. More than half of our senior leaders are non-UK citizens, representing 26 different nationalities between them.

Devolved operating model

We operate a devolved operating model across our five business segments of Grocery, Ingredients, Agriculture, Sugar and Retail and believe the best way to create enduring value involves setting objectives from the bottom up rather than the top down. We make operational decisions locally, because in our experience decisions are most successful when made and owned by the people with the best understanding of their customers and markets. This accountability is highly motivating for our strong local management teams, encouraging an entrepreneurial approach that drives innovative business thinking.

The same is true of our ESG agenda, which is shaped by the leaders within each business who are closest to the opportunities and risks, and who benefit from detailed local knowledge, customer insights and clear ownership of actions. It means ESG factors are not only taken into account within business strategy, they are put into effect by people at every level of the Group who are trusted and empowered to exercise good judgement.

The Group, or corporate centre, provides a framework for the sharing of ideas and best practice. The Group is in constant dialogue with the people who run our businesses, giving our corporate leaders a comprehensive overview of their material opportunities and risks and enabling collaboration, where appropriate. Because the centre is small and uses short lines of communication, we can also ensure prompt and unambiguous decision-making.

The chart to the left shows how our business model works, from the discussion and scrutiny of each business by the Group leadership team to oversight by the Board through our structured governance framework.

Creating long-term value

We take a long-term view to create long-term value for our shareholders, business partners, employees and the communities in which we operate. Our strategy is to achieve sustainable growth over the long term and the Group balance sheet is managed to ensure long-term financial stability, regardless of the state of the capital markets. We are committed to increasing shareholder value through sound commercial and responsible business decisions that deliver steady growth in earnings and dividends.

Our unique ownership structure

The Group's majority shareholder is Wittington Investments Limited, a privately owned company which in turn is majority owned by the Garfield Weston Foundation. The Foundation is one of the UK's leading grant-making charitable institutions and is mainly funded by the dividends from Associated British Foods. The returns we generate therefore matter not only for shareholders, but also to many charities. In its last financial year to 5 April 2023, the Foundation donated £90m to around 2,000 charities across the UK and in the 65 years since the Foundation was created it has disbursed more than £1.5bn in grants.

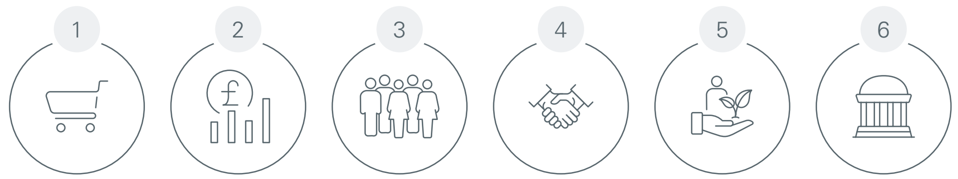
The Foundation has disbursed more than

£1.5bn

in grants since 1958

…to create long-term value for all our stakeholders.

1. Customers
2. Investors and shareholders
3. Employees
4. Suppliers
5. Communities
6. Governments



Our ownership structure provides us with the stability to invest in businesses that we believe in and to support the growth of those businesses over the long term. Our growth has been mostly organic, achieved through investment in marketing, development of existing and new products and technologies, and through targeted capital expenditure to improve efficiency and expand capacity. Acquisitions are carefully selected to complement existing business activities and exploit opportunities in adjacent markets or geographies; disposals are made when judged the best route to creating shareholder value.

Our long-established, disciplined approach to capital investment underpins our growth. We manage our balance sheet to provide the headroom necessary to fund long-term investment and we make funding available to all our businesses, providing that analysis of their investment proposals proves sound and the financial returns meet or exceed a set of clearly defined criteria. We believe that this approach, coupled with a rigorous commitment to ethical conduct and sustainable business practice, is the best way to create enduring value for all our stakeholders.

Our people, culture and values

We understand the value of good people, strong and accountable teams, the power of brands, the need for continuous investment and the need to maintain strong and enduring relationships with customers and suppliers.

Across all our businesses, we live and breathe our values through the work we do every day, from investing in the health and safety of our colleagues, to promoting diversity and inclusion and respecting human rights. Our values are: respecting everyone's dignity; acting with integrity; progressing through collaboration; and delivering with rigour.

We pride ourselves on being a first-class employer, working actively to develop our people and create opportunities for progression. As a result, our employees tend to stay with us for a long time, building exciting careers that help them fulfil their goals at work, at home and in the community.

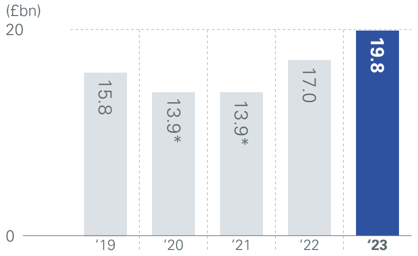
We believe that most people are inherently good and that with encouragement, engagement and support they will do the right thing in the right way. Our high standards of integrity enable us to drive a strong culture, recognising that acting responsibly is the only way to build and manage a business over the long term.

Tracking our progress

We use key performance indicators (KPIs) to measure our progress in delivering the successful implementation of our strategy and to monitor our performance.

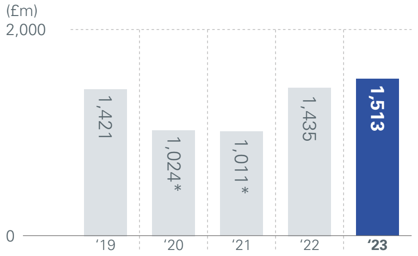
Financial indicators

Group revenue



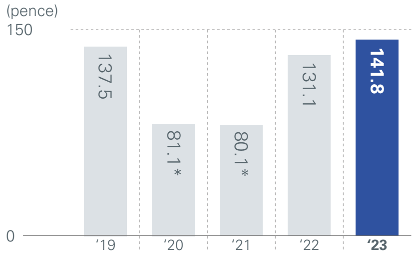
Revenue is a measure of business growth. Constant currency comparisons are also used to provide greater clarity of performance.

Adjusted operating profit**



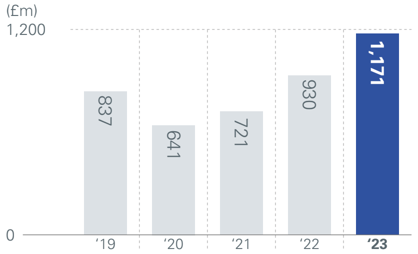
Adjusted profit and earnings measures provide a consistent indicator of performance year-on-year and are aligned with management incentive targets.

Adjusted earnings per share**



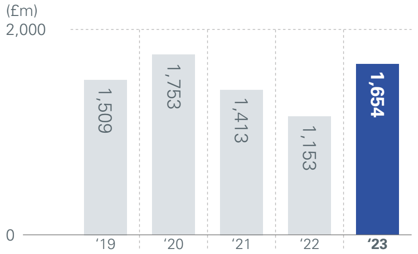
The Group's organic growth objective aims to deliver steady growth in earnings over the long term. Adjusted earnings per share is a key management incentive measure.

Gross investment**



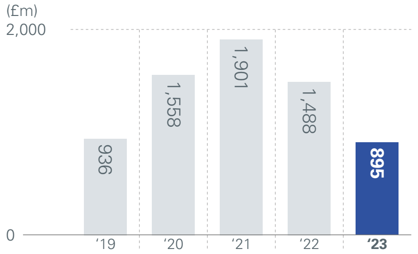
A measure of the commitment to the long-term development of the business.

Cash generation



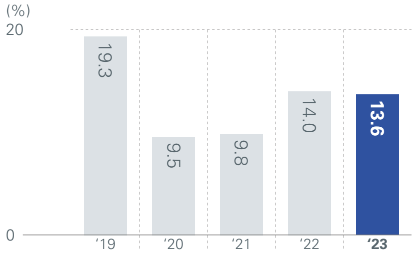
Net cash generated from operating activities is monitored to ensure that profit is converted into cash for future investment and to return to shareholders.

Net cash before lease liabilities**



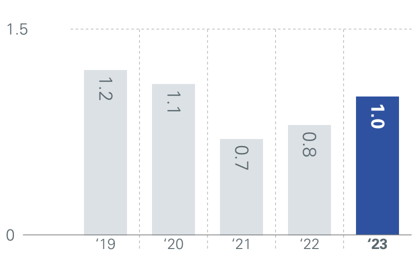
This measure monitors the Group's liquidity and capital structure and is used to calculate ratios associated with the Group's banking covenants.

Return on average capital employed**



This measure monitors the level of return generated by the Group's investment in its operating assets. It is also a key part of management incentive targets.

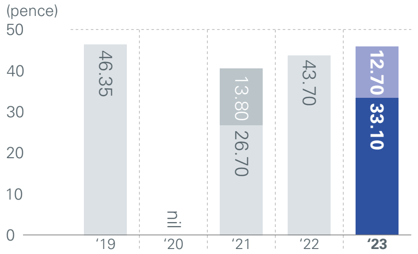
Financial leverage**



This measure monitors the Group's financial strength to ensure long-term financial stability.

The 2019 figure is given on an IFRS 16 pro forma basis.

Dividends per share



The Group's organic growth objective aims to deliver steady growth in dividends over the long term. This included the payment of a 13.80p and 12.70p special dividend in 2021 and 2023 respectively.

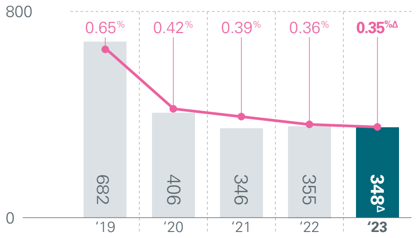
* Impacted by COVID-19 pandemic.

** APMs as defined on pages 189 to 191.

Each business develops KPIs relevant to its operations. These are monitored regularly. In the case of adjusted operating profit and return on average capital employed, we use them as metrics to incentivise our management teams.

Non-financial indicators

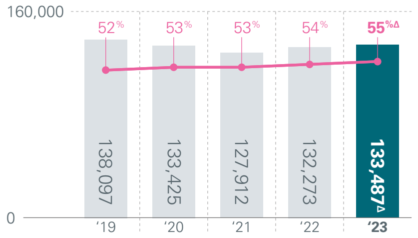
Lost time injuries and lost time injury rate (%)



A measure of the Group's management of the health and safety of its employees – the number of on-site lost time injuries resulting from an accident arising out of, or in connection with, on-site work activities and the proportion of the full time equivalent workforce experiencing a lost time injury.

Read more on page 50

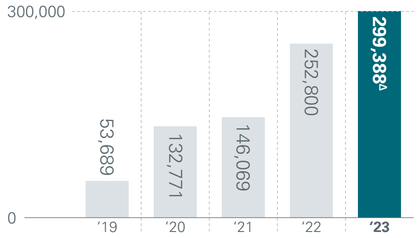
Number of employees, highlighting percentage of women in workforce



Measure of the scale and diversity of our operations. Reflecting all employees in the Group with a contract of employment, whether full-time, part-time, contractor or seasonal worker and highlighting the proportion of our employees that have disclosed their gender as female/woman in line with the local legislation.

Read more on page 51

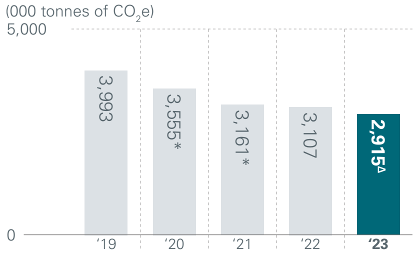
Number of farmers trained in Primark Sustainable Cotton Programme (PSCP)



This includes farmers that are currently being trained and those that have completed training under the programme.

Read more in our 2023 Responsibility Report

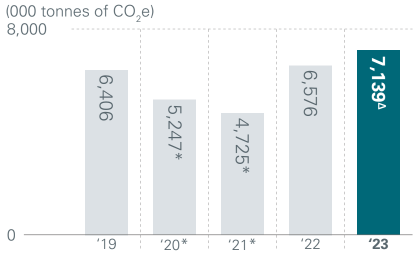
ABF Scope 1 and 2 GHG emissions



The amount of ABF Group Scope 1 and 2 greenhouse gas emissions.

Read more on pages 52 and 53

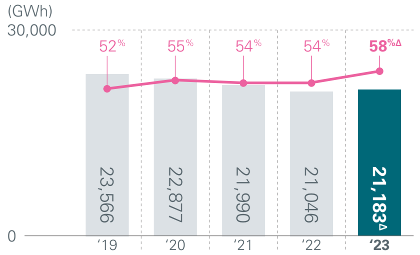
Primark Scope 1, 2 and 3 GHG emissions



The amount of Primark's Scope 1, 2 and 3 greenhouse gas emissions.

Read more on pages 52 and 53

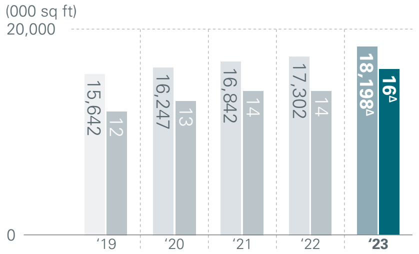
Total energy consumed and proportion from a renewable source



Total energy used and the proportion of which is from renewable sources. Renewable energy is mainly generated on our sites from biogenic sources.

Read more on page 53

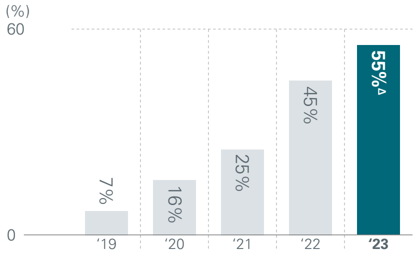
Primark selling space and number of countries of operation



These two measures represent the retail space growth and breadth of Primark's presence.

Read more on page 31 and 32

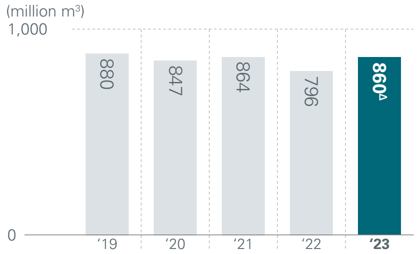
Proportion of clothing sales (units) containing recycled or more sustainably sourced materials



Primark Cares products are assessed against Primark's protocols regarding minimum content levels which will vary by material. These protocols have evolved during the year with products assessed against protocols existing at the date of production.

Read more on page 32

Total water abstracted



This measure includes water supplied by third parties or from local water resources.

Read more on pages 54 and 55

The Group data in this report on our environmental and safety KPIs covered the period 1 August to 31 July, excluding Primark selling space and number of countries of operation; and employee numbers.

Δ EY has provided limited independent assurance over the 2023 metrics. See the 2023 ABF Responsibility Report, page 114, for EY's assurance statement.

* Impacted by COVID-19 pandemic.

Operating review

Grocery

Grocery comprises brands which occupy leading positions in markets across the globe. In the UK, nine out of 10 households use our brands.

Revenue

£4,198m

2022: £3,735m

Actual currency: up 12%
Constant currency: up 11%

Adjusted operating profit

£448m

2022: £399m

Actual currency: up 12%
Constant currency: up 8%

Adjusted operating profit margin

10.7%

2022: 10.7%

Operating profit

£402m

2022: £369m

Actual currency: up 9%

Return on average capital employed

30.0%

2022: 29.3%

A selection of grocery products from our businesses around the world

About Grocery

International

Twinings has been blending tea since it was founded in 1706 and now sells premium teas and infusions in more than 100 countries. **Ovaltine** malted beverages and snacks are consumed throughout the day in countries across the globe. **Patak's** is the original spice blending expert and is recognised around the world for creating authentic Indian food that is quick and easy to prepare. **Jordans** has a heritage of using traditional methods to produce delicious wholegrain breakfast cereals. **Blue Dragon** offers authentic, simple and convenient ingredients to create delicious dishes from China, Thailand, Japan and Vietnam. **Mazzetti** is our leading brand of Balsamic Vinegar of Modena.

North America focused

We make and market leading US, Mexican and Canadian cooking and baking branded products. These include **Mazola** and **Capullo** cooking oils, **Fleischmann's** yeast, **Karo** corn syrup and **Argo** corn starch. **Anthony's Goods** is a leading brand of organic and natural better-for-you ingredients and superfoods which are sold online in the US. We also have a 50% ownership in **Stratas Foods**, the leading US supplier of packaged oils, margarines, mayonnaise, sauces and dressings for the foodservice market, specialist packaged oils and fats for food ingredients, and private-label bottled oil for the retail market.

UK focused

We have a broad set of food brands and businesses focused in the UK. **Kingsmill** produces a range of bakery products for the whole family. **Dorset Cereal's** award-winning muesli and granolas are renowned for the quality of the ingredients. **Ryvita** is the UK category leader in crispbreads. **Silver Spoon** and **Billington's** are our two retail sugar brands in the UK. We are also a leading supplier to the Indian, Chinese and Thai foodservice sectors with well-known brands including **Lucky Boat** noodles.

Australia and New Zealand focused

We are one of Australia and New Zealand's largest food manufacturers. **Tip Top** is one of the most recognised brands in Australia with an extensive range of bread and baked goods. Our **Don** business manufactures a variety of bacon, ham and meat products. **Yumi's** produces hommus, vegetable dips and snacks and is the leader in the Australian market.

For a full list of our businesses and brands visit https://www.abf.co.uk/our-businesses/a-z-finder.

Operating review

Our Grocery businesses performed with great resilience in what were challenging inflationary conditions. Revenues were strongly ahead of last year driven primarily by price increases through the course of the year to mitigate cost inflation. Despite the challenges of dealing with inflation volatility, adjusted operating profit margin held at 10.7%, helped in part by a recovery in our Allied Bakeries business. Adjusted operating profit for the year was 8% higher at £448m. In the first half of the year revenues were 10% higher than the same period a year ago. In the second half, revenues were 12% higher. The difference in the growth rates predominantly reflects the lag between the input cost inflation of the prior year and the first half of this financial year and the time taken to implement pricing. As this year progressed, inflation abated somewhat. Adjusted operating profit in the first half was £173m, down 10% on the same period a year ago. However, in the second half adjusted operating profit increased by 23% to £275m as the effect of pricing came through.

Our group of international brands – Twinings, Ovaltine, Blue Dragon, Patak's, Jordans and Mazzetti – largely performed well. Sales at Twinings moved higher on pricing to recover input cost inflation, with volumes broadly flat. Within this, there were good performances in the US, UK, Australia and France. The brand conducted a number of marketing trials in the year as a prelude to deploying marketing spend to drive further growth. Sales of fruit and herbal infusion teas have increased significantly and are now close to those of black teas. Ovaltine sales also moved higher, with good performances in Brazil, Switzerland and Nigeria partially offset by lower foodservice sales in China and by difficult trading conditions in Myanmar. We saw an increase in sales of Ready-to-drink products in Thailand but lower sales of higher margin powder products. Patak's and Blue Dragon both traded well. Half the sales of Patak's are now located outside the UK where we delivered good growth, and the brand also delivered strong growth in the US and good growth in Australia. Blue Dragon delivered strong value growth, increasing further its proportion of international sales with growth in the US and Canada. Jordans had a resilient year, broadly maintaining its international sales. The Mazzetti brand of balsamic vinegars continued its international growth and nearly half of sales are now outside Europe.

As noted above, in the US our international brands performed well. Our US focused brands and businesses also traded well. Mazola, the leading brand in the US edible oils category, delivered strong volumes and profitability supported by new production capabilities. Sales of our Fleischmann's yeast and baking ingredients products have also been strong. Stratas, our joint venture in the US that supplies oils and other products to the foodservice, ingredients and retail markets, traded strongly due to improved sales mix and good procurement of oils.

In our UK focused brands and businesses, the sales trajectory of Allied Bakeries improved considerably through the course of the year due to higher volumes, stronger pricing and operational improvement. We continue to work on improvements to the financial performance of this business. Ryvita continues to underperform but is investing in a brand relaunch and early results are positive. Shortly after the period end we acquired the Capsicana range of Latin American products such as tortillas, pastes, kits and seasoning mixes, broadening further our range of world foods.

In our Australian focused brands and businesses, sales at our Tip Top brand increased due to pricing taken to mitigate cost inflation. Performance at Don was held back by high meat costs, labour shortages and the insolvency of a major distribution business. As a result, we have conducted a value in use assessment which has led to a non-cash exceptional impairment charge of £41m.

Investment continued, with major projects including the re-construction of the Canning Vale bakery in Western Australia which will secure Tip Top's position as the leading supplier in that state and the first part of Ovaltine's investment in a production facility in Nigeria to serve markets across West Africa. We have also invested in increased edible oil production capacity in the US. The division has also stepped up its investment in core technology platforms.

Tip Top's expanded foodservice offering

Tip Top is a key player in Australia's bakery market, serving both the retail channel and the foodservice channel, which includes restaurants, cafés and clubs. The retail bakery market is quite mature, but we have leveraged drivers of growth such as 'out of home' dining and premiumisation to deliver impressive sales growth in the foodservice channel over the last three years.

Despite the challenges brought on by the pandemic, when many restaurants and cafés were forced to close, the trend for consumers to dine 'out of home' bounced back and continues to grow. This is demonstrated by foodservice's impressive five-year growth rate of 8%, significantly above the 5% growth rate achieved in retail sales over the same period. Over the past two years, Tip Top has outperformed the market and driven sales by focusing on premiumisation of its product range and a revitalised channel strategy, which focuses on our three key routes to market: 'quick service restaurants' (QSR), distributors and direct accounts.

A great example of this progress is in burger buns, where we have significantly improved our product offering. Our new range of premium buns – which are glazed, noticeably softer and better-tasting – have been very well received by our QSR customers and, importantly, by consumers too. This new range – which includes potato, brioche-style and milk buns – has driven impressive sales growth and transformed the performance of the burger bun category. This trajectory looks set to continue as we partner with our customers in the QSR segment and expand our customer base in the fast-growing and high-value hotels, restaurants and cafés segment. As we like to say – it's the bun that makes the burger!

A poster advertising Tip Top's new premium bun range

Thai consumers favour Ovaltine's Ready-to-drink products

Ovaltine has been a household name and staple product in Thailand for more than 80 years. This year, as the Thai economy continued to recover from the effects of the COVID-19 pandemic, we saw consumers favouring our Ready-to-drink (RTD) format.

Our RTD products grew by 17.1%, driving growth across the malted beverage category but also significantly outperforming it. This surge in popularity was due not only to advertising but also to a desire for convenience, with RTD growth stronger in urban centres where this format is even more important to consumers. Our new advertising helped strengthen the brand image, with the campaign 'Promoting love and warmth in the family' resonating well.

In the past year, Ovaltine Ready-to-drink reached its highest consumption at 243 million serves, an increase of more than 20% on the previous year.

An advert for Ovaltine Smart and Ovaltine Base, two of our popular Ovaltine RTD products in Thailand

Strong brand propositions driving growth in the US

This year has been notable for the strong progression in the US enjoyed by a number of our brands despite a challenging retail environment.

Twinings is now the fastest-growing tea brand in the American market. Our products are enjoyed in half a million more households compared with three years ago, the greatest increase in household penetration of any tea brand. We achieved this outperformance by broadening our offering, both in terms of ranges and pack sizes; by evolving our marketing to become more modern, distinctive and relevant to today's consumers; and by building strong relationships with our retail partners.

In addition to strong growth in traditional retail, we are now the number one selling tea brand on Amazon. We have developed a powerful, collaborative partnership with Amazon and revamped our brand store to showcase compelling content. We keep the consumer at the heart of what we do, creating meaningful and engaging advertising, enhancing search engine optimisations and making it easier for consumers to find and buy the Twinings products they are looking for.

Our Mazola cooking oil brand bucked the category trend, which was impacted by inflation resulting in a decline in the overall market. It grew market share to return to its position as the number one branded cooking oil in the US.

We accomplished this by using targeted digital and TV advertising to strengthen brand loyalty and remind consumers of the heart-healthy benefits of Mazola corn oil.

Our Fleischmann's yeast brand also used digital and social media to promote the brand, extolling the benefits of home baking to consumers and helping us grow the category and our market share. The cost-of-living crisis is cited as the reason behind declining volumes across 86% of US grocery categories but, with home-baking remaining elevated, commercial activities to promote Fleischmann's helped the yeast category grow more than 5%.

Our Blue Dragon and Patak's world food brands have been available on the US market for many years but the pandemic was a pivotal moment for them. With restaurants closed, consumers wanted to enjoy international cuisines by cooking them at home, a trend that continued post-pandemic. Growth was also fuelled by changing consumer trends, with professional chefs finding innovative ways to use rice and nori wrappers, including frying them or adding them as a topping to salads and poke bowls.

The Asian food category is worth $1bn annually and Blue Dragon is one of many players in this market. However, we have the added advantage of being pan-Asian, offering Thai, Chinese, Vietnamese and Japanese ranges. Blue Dragon is now the number one spring roll wrapper in the US and we are broadening our offering to include Asian sauces and a selection of egg, rice and soba noodles, as well as a range of products including Thai paste and coconut milk to help consumers make authentic Thai curries at home.

Some of our branded products that have proved particularly successful in the US

Operating review

Ingredients

Our Ingredients businesses are leaders in yeast and bakery ingredients as well as in specialty ingredients for the food, human and animal nutrition, pharmaceutical and various other industries.

Revenue

£2,157m

2022: £1,827m

Actual currency: up 18%
Constant currency: up 15%

Adjusted operating profit

£214m

2022: £159m

Actual currency: up 35%
Constant currency: up 28%

Adjusted operating profit margin

9.9%

2022: 8.7%

Operating profit

£201m

2022: £141m

Actual currency: up 43%

Return on average capital employed

16.1%

2022: 14.8%

Ohly process engineer sampling product to ensure quality

About Ingredients

ABF Ingredients (ABFI)

ABFI is a global leader in specialty ingredients offering innovative, differentiated, sustainable and value-added products to the food, health and nutrition, pharmaceutical, animal health and industrial sectors. Our ingredients are an essential part of products that are just as likely to be found in the kitchen and medicine cabinet as in production units and research laboratories.

We have over 1,200 employees and serve customers in more than 50 countries from manufacturing and R&D facilities in 15 countries across Europe, the Americas and India. ABFI comprises seven businesses which operate worldwide with distinct identities.

AB Biotek Human Nutrition and Health uses fermentation technology to provide microbiome modulating solutions for health and nutrition applications.

AB Enzymes is an industrial biotech business specialising in enzymes. Applications derived from our technology are used in the bakery and other food and beverage markets, as well as in animal nutrition, pulp and paper, detergent and other technical markets.

ABITEC Corp. supplies specialty lipids, surfactants and reagents for the pharmaceutical, nutritional and specialty chemical industries.

Fytexia is a life science company specialising in the identification, characterisation and development of polyphenol-based active nutrients, extracted from botanicals, and used by the dietary supplements industry.

Ohly produces a range of innovative yeast extracts and culinary powders specially developed to enhance the taste of customer food recipes, as well as yeast-based functional ingredients for both animal and human nutrition and health.

PGP International produces specialty flours and extruded ingredients for use in a wide range of nutritional products such as energy bars.

SPI Pharma supplies antacids, pharmaceutical excipients and drug delivery solutions to the pharmaceutical industry.

AB Mauri

AB Mauri has a global presence in bakers' yeast with significant market positions in the Americas, Europe and Asia. We have over 5,000 employees and sell our products to customers in over 100 countries, operating from 52 plants across 32 countries. We are a technology leader in bakery ingredients, supplying bread improvers, dough conditioners and bakery mixes to industrial and craft bakers across the globe. The business employs experts who have extensive knowledge and understanding of the functionality of yeast and bakery ingredients and of the raw materials and processes to produce them. In addition to bakers' yeast, AB Mauri supplies specialty yeast products to a wide range of other markets, providing associated technologies and fermentation capability to the alcoholic beverages, bioethanol and animal nutrition markets.

Mauri ANZ

Mauri ANZ is a baking ingredient company, with production and milling capacity in Australia and New Zealand. Our product portfolio includes bakers and speciality flours, yeast, dough improvers and pre-mixes for cakes and breads.

New Food Coatings

We also have a 50% ownership in New Food Coatings, one of the leading suppliers of customised breaders, batters, seasonings, sauces and functional ingredients to the food manufacturing and food service markets across Australia, New Zealand and south east Asia.

Operating review

Ingredients had a very strong year with substantial increases in both revenues and profits and, significantly for the future development of these businesses, higher investment in both production capacity and capability.

Revenues were well ahead of last year primarily due to pricing action to recover large increases in raw material and other input costs which were apparent both this year and in the prior financial year. Revenues in the first half of the financial year were ahead of the same period last year by 27% at £1,088m. In the second half of this financial year, revenues were 6% ahead at £1,069m.

Profitability this year was well ahead of the last financial year as the benefits of pricing were felt, with volumes proving generally resilient and a particularly strong performance by AB Mauri, our yeast and bakery ingredients business. In the first half of the financial year, Ingredients' adjusted operating profit was 48% higher than the same period a year ago at £102m; in the second half of the period, adjusted operating profit was 14% higher at £112m.

AB Mauri had a very strong year with significant increases in both revenues and profit. Price increases lagged prior year input cost inflation as customer contracts came up for renewal. As these contracts were repriced, the benefits came through strongly with little impact on volumes. Demand for yeast remained good, both from industrial bakers and from consumers who returned to home baking during the pandemic. Sales and profitability were particularly strong in the US. Elsewhere, hyperinflation continued in Argentina, Venezuela and Turkey with a consequent need for frequent repricing. Transition of our China business to our joint venture was completed.

We continue to invest in effluent treatment plants at many sites to deliver on our commitment to maintain appropriate standards of water quality, this investment being significant in recent years. More broadly, the company's water strategy focuses on reducing its water-intensity ratio defined as the quantity of water consumed per tonne of product produced, excluding by-products. AB Mauri has reduced its overall water-intensity ratio by 25% since 2017/18.

ABF Ingredients, our portfolio of specialty ingredients businesses, delivered a solid increase in revenues derived from pricing taken to offset input cost inflation, partially offset by a small decline in volumes, particularly in the second half of the period as customers destocked following the stabilisation of supply chains. Profits were slightly lower year-on-year as we continue to invest in these growth businesses to enhance capability in both research and development and in commercial activities.

Specifically, AB Enzymes, specialising in food and feed enzymes, had flat sales with pricing offsetting lower volumes caused by destocking. Ohly, specialising in yeast extracts, delivered good revenue growth driven by robust demand from food and bionutrients customers. SPI Pharma, specialising in pharmaceutical excipients, continued to progress with pricing and volume growth and an improvement in manufacturing efficiency. ABITEC, specialising in lipids, delivered a modest increase in sales driven by a solid performance in the Pharma and Nutritional Science sectors. Fytexia, our life sciences businesses acquired last year, continued to perform well. PGPI, which specialises in extruded proteins, saw volumes fall due to lower consumer demand for nutrition bars in the US.

Investment continued, with major projects including a powder packing line for AB Enzymes at Rajamaki, Finland, and increased capacity at Ohly's fermentation and spray dryer operations in Hamburg. In Mauri ANZ, investment in our animal feed mill in Hope Valley in Western Australia was completed and commissioned. Our specialty yeast plant in Hull has now been commissioned.

Celebrating the centennial of an iconic brand in bakery ingredients

In Argentina this year we celebrated the 100th anniversary of Calsa, AB Mauri's consumer yeast brand. Calsa is well known there for its high quality, innovation and customer service, a reputation which we have developed over the past century.

It is this consistency that has made our *levadura fresca* product, or fresh yeast, a household name in the country since its origins in 1923. Calsa, which was created as a high-quality yeast for legendary Argentine bakery Virgen, has evolved to become AB Mauri's flagship product in Argentina.

Calsa's dedication to the skilled craft of bakery has endured for decades, particularly in the 1960s, when the brand featured a much-expanded product, and in the 1970s when we introduced a school of bakery. With the launch of this educational initiative we deepened our business strategy, thereby delivering on Calsa's ultimate mission and purpose: to help develop the artisan bakers of tomorrow. The bakery school still serves as a trusted mentor to home and commercial bakers across Argentina.

Fast-forwarding to the 1990s, Calsa underwent further significant development with the addition of a premium lineup of silver-branded bakery and pastry ingredients which has proved important to its current success.

Today the collection is led by Calsa's traditional fresh yeast as well as other innovative products featuring added sourdough, better kneading and mixing capabilities, and more.

Calsa continues to lead the industry by staying true to the purpose established a century ago, prioritising what is important for artisan and home bakers in Argentina. We continue to nurture this reputation through the creation of the freshest, highest-quality handmade bakery products and our focus on consistent and well-executed service to customers.

An advert celebrating the 100th anniversary of Calsa, our consumer yeast brand

Ohly project engineers looking at site plans

Capacity expansion at Ohly's Hamburg plant

After multiple years of sales and volume growth at our Hamburg plant, where we produce innovative yeast extracts, we implemented a significant programme of investment to increase capacity and efficiency to enable us to continue to service increasing customer demand.

This investment will also improve environmental performance and enhance our ability to tailor products to customer needs.

Ohly's strong growth has been driven by our product-led commercial teams, who have developed deeper insights into both their sectors and customers' needs in key markets such as food, health and nutrition, animal health, and bionutrients.

We have invested in a state-of-the-art drying tower which, once complete, will enable us to dry a significant proportion of our yeast extract products on-site, reducing the distance our products have to travel during processing. This new equipment will also reduce the amount of electricity and water used during the drying process by 10%, enhancing our efficiency and improving our environmental footprint.

We have also invested in a new on-site fermentation facility. This cutting-edge system has been designed specifically for the manufacture of our products and will increase production capacity by 50%. The investment should also enable us to run our fermentation process using approximately 40% less water, 30% less natural gas and 25% less electricity.

These two investments will enable us to meet customer demand, which has nearly doubled over the last seven years. It will also provide us with the capability to tailor our products to these markets, as well as the potential for further innovation.

Operating review

Agriculture

AB Agri is an international agri-food business and a leader in the UK supplying farm performance services, animal feed, speciality ingredients and supplements to farms, feed manufacturers, food producers and retailers.

Revenue

£1,840m

2022: £1,722m

Actual currency: up 7%
Constant currency: up 7%

Adjusted operating profit

£41m

2022: £47m

Actual currency: down 13%
Constant currency: down 15%

Adjusted operating profit margin

2.2%

2022: 2.7%

Operating profit

£32m

2022: £41m

Actual currency: down 22%

Return on average capital employed

8.4%

2022: 10.3%

An AB Vista laboratory technician preparing testing solution for feed sample analysis using our automated analyser technology

About Agriculture

AB Agri employs more than 3,000 people around the world. We sell products and services into more than 100 countries and our global operations continue to grow.

We have an expert understanding of agriculture and animal nutrition and we combine data and technology with industry expertise to enable the production of nutritious and affordable food.

Our core capabilities include:

Creating innovative nutrition and technology-based products – we are a major investor in innovation of speciality feed ingredients for livestock, equine and pet foods. We develop pioneering ingredients including feed additive products, high-quality bespoke vitamin and mineral pre-mixes, starter feeds and alternative proteins.

Making animal feed – AB Agri is one of the UK's largest compound feed businesses for pig and poultry customers and one of the UK's largest marketers of co-products from the food and drink industries for dairy and beef farmers. We have international manufacturing capabilities extending into Europe and China and plan to increase global manufacturing further.

Delivering farm performance services for the agri-food industry – our data and technology platforms deliver targeted insights that help create continuous improvement for agricultural supply chains. We work with major food processors, retailers and directly with farmers, enabling them to:

- increase productivity and yields sustainably;
- improve animal wellbeing and husbandry; and
- develop quality assurance and operate in a more sustainable way.

Our products, insights and technological solutions enable our customers to produce high-yielding, safe and nutritious food using fewer chemicals whilst safeguarding natural resources and reducing environmental impact.

We also have a 50% ownership in Frontier, the UK's largest arable farm inputs and grain marketing business. Its customers are some 25% of arable farmers in the UK and many UK food producers and processors. It supplies seed, crop protection products and fertiliser to farmers, as well as providing specialist agronomy and crop marketing advice. Frontier also works with farmers to increase the biodiversity of their farms and implement practices which help productivity and carbon reduction and sustainability. Its food customers look to Frontier for reliable supplies of quality agricultural products as well as procurement advice and logistics service.

Operating review

AB Agri revenues were up 7% against the same period last year driven by pricing taken to mitigate input cost inflation, partially offset by lower volumes in the UK and China compound feed businesses. By period, revenue in the first half grew 15% compared to the same period a year ago but fell by 1% year-on-year in the second half, largely reflecting movements in input commodity prices. As a result of these challenging market conditions, adjusted operating profit reduced to £41m despite a modest recovery in the second half of the financial year.

There was a decline in the size of the European pig and poultry sectors as a result of disease and high cost of inputs, reducing sales volumes and margins in our compound feed and starter feed businesses. The dairy sector was more resilient, and we saw higher revenues and profits in our businesses serving that sector. In China, lockdowns caused by the pandemic depressed demand for pork products and reduced pig herd sizes, resulting in a decline in that market. AB Vista, our international feed additives business, traded robustly with sales and profits both slightly higher. The performance at Frontier, our joint venture specialising in farm crop inputs and grain marketing, was only slightly lower than the record results achieved last year as grain and fertiliser trading normalised.

We believe there is an opportunity to develop a unique full service offer to the dairy sector. In August 2023 we completed the acquisition of National Milk Records for £48m which provides services to the dairy supply industry including testing services and management information which are complementary to AB Agri's existing services. This follows our acquisition in November 2022 of Kite Consulting and Advance Sourcing which also serve customers in this sector.

AB Vista's evolution from enzymes to a feed additive business

AB Vista is a leader in feed enzymes and one of the largest suppliers of yeast and natural betaine to the global animal nutrition industry. We recently broadened our portfolio through acquisitions and in-house product development into the highly profitable additives market.

We are focused on better protecting animal gut health in livestock agriculture through additive solutions to help animals better cope with environmental and biological challenges that could otherwise result in both ill health and reduced productivity.

We launched Signis, an AB Vista product that is proven to accelerate the fermentation of fibre in the gut. We also acquired the intellectual property for Progres, a patented natural feed material derived from coniferous trees. Developed in Finland, where resin has been used as a natural treatment for centuries due to its natural antiviral, antibacterial and anti-inflammatory properties, Progres is the only natural feed material on the market with a proven direct effect on intestinal integrity. Its active ingredients, resin acids, reduce the damage caused by inflammation, with proven application so far in poultry and livestock. Having acquired Progres, we can now leverage our global supply chain to bring this product to new markets while continuing to develop our portfolio to support our customers in the journey to produce feed and food more responsibly.

An AB Vista laboratory technician preparing testing solution for manual analysis of our phytase products

One of our AB Agri consultants with a client farmer on their farm in Somerset

Expanding AB Dairy through acquisition

As the global population increases, the need to provide nutritious, affordable protein that can be produced sustainably has never been greater.

The dairy industry stands to benefit from this demand and milk, as one of the lowest-emitting and affordable animal proteins, is particularly well positioned. There is also ample scope to improve productivity through the integration of insights and technology to inform nutrition, genetics and feeding strategies.

In the UK, data is routinely collected across a range of inputs, such as diet and genetics, and outputs such as milk production volumes and quality. However, this data is yet to be collated and interpreted in a way that gives farmers a deeper understanding of optimal dairy cow performance. Building on our 30 years' experience supplying feed and providing nutritional expertise, we have acquired three businesses to help the industry respond to these challenges and enable more sustainable and profitable dairy farming.

Kite Consulting is a specialist dairy consultancy, providing practical and strategic advice on dairy farm performance across the food supply chain from farmers and food processors right through to retailers. Kite is known for its technical and business consultancy service, which supports dairy farmers in their efforts to improve the efficiency of their business and herd, and for its sustainability advisory service, which helps them reduce the carbon footprint of dairy production.

International Farm Comparison Network (IFCN) is a global dairy research network, providing globally comparable economic data and forecasts through partnerships with researchers, dairy companies and organisations in over 100 countries. Its dairy farm economics model is accepted as the global standard for comparing and understanding dairy systems, helping to secure profitability and sustainability in dairy farming by enabling users to understand the drivers that contribute to better performance.

National Milk Records (NMR) provides a range of milk quality, herd health and genomic testing services to farmers and milk buyers, as well as providing an independent source of data for third parties such as vets, farm consultants and breed societies. Data is used to provide the phenotypic database for UK genetic evaluation, and the milk recording database is used to provide the basis of food provenance schemes run by major supermarket retailers.

Together, these businesses provide unrivalled capability to combine milk, health, genomics and dairy industry insights, as well as the ability to help farmers consistently use these insights to make more precise and timely decisions.

Operating review

Sugar

ABF Sugar produces a range of food, feeds, fuels and other products from sugar cane, sugar beet and wheat in Africa, the UK, Spain and China.

Revenue

£2,547m

2022: £2,016m

Actual currency: up 26%
Constant currency: up 29%

Adjusted operating profit

£169m

2022: £162m

Actual currency: up 4%
Constant currency: up 8%

Adjusted operating profit margin

6.6%

2022: 8.0%

Operating profit

£119m

2022: £164m

Actual currency: down 27%

Return on average capital employed

9.7%

2022: 10.3%

British Sugar refinery technician monitoring sugar crystallisation

About Sugar

ABF Sugar is a group of agribusinesses which together employ 30,000 people and operate 20 plants in nine countries, with the capacity to produce some 4.5 million tonnes of sugar annually. We farm more than 330,000 hectares worldwide by ourselves, and by over 25,000 growers.

In Africa, we have sugar cane operations in Eswatini, Malawi, Mozambique, South Africa, Tanzania and Zambia, and packing operations in Rwanda. We are the largest sugar producer in Spain and in the UK we are the sole processor of the beet sugar crop and one of the largest bioethanol producers. We also have a sugar business in China.

Our sugar-making plants are efficient bio-refineries that enable us to produce a range of products including sugar, animal feed, biofuels and a number of speciality products. We have the market leading consumer brand in over half our markets, including Silver Spoon in the UK, Azucarera in Spain, Bwana Sukari in Tanzania, White Spoon in Zambia and Illovo in multiple markets. We are also a large-scale power generator, with renewable sources providing 60% of our own energy use as well as significant renewable energy exports into national grids.

Although we have a global portfolio, we operate on a local basis, working together to do what is right in each location and market. As we continue to evolve to meet the changing needs of customers, growers and others, our role is to ensure we use resources responsibly, build strong rural economies and support local communities.

We also have a 42.5% ownership in Czarnikow Group Limited (CZ), a global supply chain management and advisory company specialising in the food and beverage sector.

Operating review

Sales were well ahead of last year with a strong performance by Illovo, our African sugar business, which delivered both higher sugar production and strong pricing actions. Illovo also made good progress in developing new and higher margin routes to market through pre-pack branded sugar facilities. In Europe, production was lower due to adverse weather conditions, but the resulting impact on profitability was partially offset by good co-product sales.

Revenues were strongly ahead of the prior year driven by higher sugar pricing, a recovery in production and sales in Eswatini in Africa following strike action last year, and much higher sales from Vivergo, our bioethanol plant in Hull. European sugar prices moved higher this year, building on the price levels seen in the previous year and driven by lower European sugar production and higher world market prices. Prices in Africa also increased. Sales volumes increased modestly, with higher volumes at Illovo more than offsetting declines at British Sugar and Azucarera. Total production, at 2.8 million tonnes, is 8% down on last year reflecting lower volumes as a result of adverse weather affecting European crops, partly mitigated by strong co-product performance and partially offset by higher production in Africa driven by the recovery in Eswatini and good factory performances in Malawi and South Africa. By period, revenue in the first half increased 27% to £1.2bn against the same period a year ago; in the second half, revenue rose 31% to £1.4bn.

Adjusted operating profit was modestly ahead of last year at £169m. Overall, the contribution from higher sales prices was partially offset by higher costs for beet, cane and energy. Specifically, profit was impacted by the need for British Sugar to buy and import sugar to make good a shortfall in beet sugar production. Overall profits were held back by the substantial trading losses incurred by Vivergo in the first half of the year. First half Sugar adjusted operating profit was 5% ahead of the same period last year at £86m while second half adjusted operating profit was 11% higher at £83m.

British Sugar production levels were exceptionally low at 0.74 million tonnes, 27% lower than the prior year's campaign, the result of a sequence of unusually poor weather conditions which reduced the crop size and lowered beet yields and sugar content. The business secured alternative sources of supply in order to fulfil customer contracts but profitability was significantly reduced as a consequence in the second half of the year. In the course of the year energy costs remained at elevated levels, but were partially offset by strong pricing for electricity produced and other co-products. Profitability for the year at British Sugar was lower as a result of the combination of these factors.

Azucarera, our Spanish sugar business, benefitted in the course of the year from the higher prices, partially offset by elevated costs for beet, raw sugars and energy. Beet sugar production was lower than the prior year due to hot and dry weather, and additional purchasing of raw sugars for refining was required in order to support sales. Overall production was down 20% at some 0.45 million tonnes.

Our Illovo Sugar Africa business performed very well. The business continues to develop sales and higher margin routes to market for pre-packed branded sugar in Malawi, Tanzania and Zambia. Overall, Illovo sugar production was 1.53 million tonnes compared to 1.45 million tonnes in the previous financial year reflecting the recovery in production in Eswatini and good production in Malawi and South Africa partially offset by the impact of flooding in Mozambique. The combination of higher volumes and strong pricing resulted in both sales and profit being well ahead of last year. Construction of our new sugar mill in Tanzania continues and will increase our production capacity considerably in that country.

At the end of February, severe flooding in Mozambique affected our cane estate at Maragra and most of our partner-grower operations. The Maragra mill will not open for sugar production this season and as such we have taken a non-cash exceptional impairment charge of £35m in these accounts to write down the net asset value of this business.

The trading performance of AB Sugar China was below last year as a result of lower demand caused by lockdowns earlier in the year. More recently the relaxation of restrictions has caused sugar prices to recover strongly. However, trading remains difficult and we have reviewed our outlook for this business, including the forecast for the evolution of beet crop area and yields. As a result, we have taken a one-off non-cash adjustment of £15m as an exceptional impairment charge this year.

Vivergo incurred substantial losses in the first half due to high wheat and energy costs and low bioethanol prices. The second half of the year saw much reduced losses and a significant improvement in margin and operating performance, particularly in the fourth quarter.

Sugar made good progress in its decarbonisation programme in the financial year. It completed 17 decarbonisation projects across various sugar processes, which contributed to a 4% reduction in greenhouse gas emissions compared with 2022. Among the projects completed are modifications in the UK to replace coal with natural gas in the dryers at our Bury St Edmunds processing plant, improvements to gas turbine performance at our Wissington plant, the elimination of heavy fuel oil at Cantley, and the installation of more efficient slicer machines at Bury St Edmunds. In addition, Sugar has also published its transition plan to a low carbon economy by 2030.

Pulp processing improvement programme at British Sugar

At British Sugar, one of the most valuable co-products we produce is animal feed. We make and sell over 500,000 tonnes of feed a year from sugar beet pulp, the fibrous material left over from the sugar-making process.

To produce the feed, the wet pulp needs to be dried. The first step of this process involves mechanically squeezing the pulp to remove as much residual water as possible, before drying it at a high temperature in rotating drums which uses a lot of energy. We have therefore been working to find ways to increase the efficiency of this mechanical squeezing process. This has included an investment programme to transform our systems, increasing profitability and reducing energy costs across our UK sites.

In September 2022, we upgraded the sugar beet pulp press station at our Wissington factory to include a new, larger, self-draining press as well as making improvements across three other pulp presses. These improvements increased the quantity of water squeezed from the pulp, reducing the energy required to dry it.

In just over a year of operation the improvements at Wissington alone have delivered a number of substantial efficiencies, including:

- a 6% overall improvement in the dry content of the pulp;
- a reduction in gas usage of 12% at site and 6% across the business; and
- a CO_2 emission reduction of more than 5,000 tonnes per annum.

This strategy is being replicated across all other sites to deliver considerable savings and significant carbon reductions.

An operator at our Wissington plant holding pressed pulp and dried animal feed from the pulp processing station

Success in Azucarera's grower base in northern Spain

We have transformed our relationship with sugar beet growers supplying Azucarera's factories in northern Spain to deliver an impressive 70% increase in growing area for our 2022/23 campaign.

Over the last five years we have developed a commercially viable model that delivers a tailored, grower-centric proposition to build confidence in growing beet. The approach is about much more than price: it is focused on developing a collaborative model that encourages all parties to work together to minimise risk and overcome barriers to growing the crop successfully. Our team negotiates directly with growers to agree a tailor-made model that works for them. This model encompasses all aspects of the growing process including buying the inputs needed to develop the beet crop, selecting the service providers, and defining the responsibilities and workload. This approach means all parties are aligned to deliver the best possible outcomes, resulting in a more equitable share of risk between us, the growers and service providers.

Our collaborative model also gives growers access to Azucarera's significant data capabilities, which provide valuable insights that can improve yields. Our 'Visor' platform gives growers access to real-time monitoring of crop health, of irrigation levels and of the evolving sugar content in the crop. Visor aggregates data across our grower sites, offering personalised advice and best practice to individual farms to improve beet yields. Equally, Visor gives Azucarera a significant competitive advantage as growers are incentivised to work with us in order to access this powerful monitoring tool that would otherwise be unavailable to them.

The success is testament to our team's commitment to collaboration. By promoting a grower-centric approach, underpinned by data and technology, we have significantly increased the growing area and fostered trust and confidence among our partners to grow beet more efficiently and more sustainably.

One of our Azucarera employees demonstrating the Visor platform to a Spanish sugar beet farmer on their farm

An Illovo employee with a customer at their container store at the Thabwa Trading Centre in Chikwawa district, southern Malawi

Optimising sugar distribution in Illovo Malawi

In Malawi, we have successfully redesigned Illovo Sugar's routes to market to put customers' needs at the heart, helping us to improve sugar margins and connections with distributors and stockists. This helped increase sugar sales to both consumers and industrial customers across the country.

We did this by developing and implementing a standardised process across the country, with one of the most important changes being the introduction of our improved delivery network. In delivering products to customers instead of them having to travel to collect stock, this eliminated price disparities arising from transportation costs being added to the selling price of our sugar.

We also expanded our geographic footprint by appointing new distributors, opening new container shops in strategic locations and significantly scaling up our secondary distribution. This combination of improved delivery and an expanded footprint has transformed market penetration and ensures easier and more reliable access to Illovo products in rural areas.

These improvements contributed to a significant increase in our domestic sales, which have increased by 40% over the last three years.

Looking ahead, we are committed to refining our processes to promote closer and stronger relationships with our customers, improve the availability of sugar in the domestic market and grow volume and value for our stakeholders.

Operating review

Retail

Primark is one of the largest clothing retailers in Europe, with the highest sales by volume in the UK and a growing presence in the US. In total, we have 432 stores in 16 countries across Europe and the US.

Revenue

£9,008m

2022: £7,697m

Actual currency: up 17%
Constant currency: up 15%

Adjusted operating profit

£735m

2022: £756m

Actual currency: down 3%
Constant currency: down 3%

Adjusted operating profit margin

8.2%

2022: 9.8%

Operating profit

£717m

2022: £550m

Actual currency: up 30%

Return on average capital employed

12.0%

2022: 12.9%

Womenswear in our Oxford Street East store

About Retail

About Primark

Primark is a leading international retailer with 18.2 million sq ft of selling space across 432 stores in 16 countries with more than 76,000 colleagues. Founder Arthur Ryan opened our first store in 1969 in Mary Street and this remains our flagship Dublin city centre store and home of the global headquarters. Today Primark has stores in the UK, Ireland, Europe and the US with ambitious expansion plans: we expect to trade from 530 stores by the end of 2026, including from 60 in the US. We have expanded but remain true to our roots: offering unbeatable value alongside great quality products.

We target a wide customer base, offering quality essentials and affordable fashion across women's, men's and kidswear, as well as beauty, homeware, accessories and licensed ranges with some of the biggest names in entertainment, sport and food. Through our Primark Cares strategy, we have set open and measurable targets relating to product, planet and people and we are evolving how we operate. This is alongside our existing commitment to high ethical trading standards. Our intention is to use our scale for good, deploying it to have the most benefit across our end-to-end supply chain, so ultimately enabling customers to access more sustainable products affordably.

Primark is a retail store business and the store model centres on finding the right-sized stores in the right locations. We seek to continually improve our in-store experience, creating exciting retail destinations with additional services including beauty, food and beverage and our vintage concession WornWell. We focus on cost alongside price leadership; keeping our operating costs low and maximising efficiencies across our supply chain and operations to keep prices competitive and maintain margins.

Digital is a core enabler of how we showcase our offering to customers and drive footfall into stores. We have now launched our enhanced customer website into all our markets, significantly improving our customers' digital experience. The new site has increased traffic in all markets and we believe it is driving incremental growth in store sales. We have also launched a Click + Collect trial across selected stores in the UK to offer customers more choice and convenience to browse and order online before coming into store to collect their purchase.

Operating review

Primark revenues rose strongly in this financial year, up 15% and exceeding our expectations a year ago. This reflects a sales increase in all our markets driven by a number of factors, including carefully selected price increases taken to partially offset high and volatile input cost inflation, well-received product ranges and the resulting appeal of our offer to new and existing customers. Good footfall, strongly performing new stores and the rollout of our enhanced customer website also contributed to the strong sales performance. Sales increased in both halves of the year: in the first half, by 17% to £4.2bn against the same period in the prior year; and in the second half, by 14% to £4.8bn.

We believe that our product offer was a source of differentiation and competitive advantage throughout the year. Cold weather essentials and other seasonal product lines, including our well-received velvet plush leggings, drove strong sales leading into a record Christmas season which included a resurgence in women's partywear, tailoring separates and beauty products as a return to festive socialising gathered pace. In the new year sales of beachwear and luggage were exceptionally strong as customers looked early to holidays. Our summer trading was good, led by our boho-inspired design trend. Throughout the year we further broadened our ranges and collaborations to appeal to customers trying Primark for the first time alongside existing customers. We expanded our Edit collection, our more premium essentials range for women, across more stores which sold well. We also continued our successful UK and European collaborations with Stacey Solomon, Kem Cetinay, and Paula Echevarria, and launched our first truly international partnership with Rita Ora whose first collection sales have surpassed expectations. Sales of licensed products grew significantly year-on-year, in particular over Christmas across our growing portfolio of brand partners including Disney, Netflix, The Grinch, and US sports partners NFL and NBA. Our summer Barbie collection with Mattel also proved very successful.

Trading was influenced in the second half of the year by weather. We saw good sales through the early summer with the exception of Iberia which suffered unusually poor weather in May. In July, there was very poor weather in the UK and Ireland and heatwaves in Southern Europe, followed by warm conditions in August and September which coincided with the launch of our Autumn / Winter ranges. Despite these unseasonal conditions, we generally traded well with our core product ranges remaining in robust demand and partially offsetting inevitable volatility in sales more dependent on fashion and season.

Like-for-like sales growth was 8.5% for the year. In the first half, like-for-like sales rose by 10% driven by higher average selling prices and higher unit volumes partially offset by smaller basket sizes. Footfall increased in both the UK and Europe, against a comparative period which featured some disruption from the pandemic. In the second half of the year like-for-like growth was lower than in the first half at 7%. This growth was driven by a slightly greater benefit from selective pricing taken to part-mitigate inflation, the benefits of which were partially offset in turn by lower unit volumes, smaller basket sizes and slightly lower footfall. Space growth contributed sales growth of 6%, driven by the increase in selling space across a number of our markets, in particular Italy, France and the US, and higher sales densities in most new stores.

Adjusted operating profit margin for the full year was 8.2%, down on the previous financial year's 9.8%. Adjusted operating profit margin in the first half was 8.3%, down on the same period a year ago due to our decision not to fully recover all the inflation in input costs. In the first half the higher costs of bought-in goods, higher freight rates, higher labour costs and higher energy costs outweighed the benefits of our selective price increases and an improvement in store sales densities due to higher footfall. In the second half, compared with the same period a year ago, the cost of bought-in goods was higher again including a more significant impact of the strength of the US dollar against sterling and the euro when we placed orders for our Spring / Summer ranges several months earlier. This higher cost of goods was offset somewhat by the benefit of like-for-like sales growth and sales from new store openings and by the benefit of additional pricing being implemented in the spring and summer ranges. Freight costs fell in the fourth quarter, but labour costs were higher than the same period a year ago. Second half operating profit margin was 8.0%, slightly below the first half of the year, and also held back by higher than expected stock loss and a modest amount of German restructuring costs, albeit helped by lower markdowns.

In the UK, sales increased by 11% against the previous financial year, driven by like-for-like growth of 10% helped in particular by our new customer website that has now been running for more than a year. This sales performance was achieved despite unhelpful weather impacts in the third and fourth quarters which resulted in slightly lower footfall in contrast to the first half of the year when footfall was significantly higher. Primark's market share[1] grew in the financial year, increasing from 6.4% last year to 6.7% this year.

In Europe excluding the UK, sales increased by 18% on the previous financial year, with like-for-like growth of 8% despite weaker trading at times due to unseasonable weather. Our store estates in all the countries in which we operate delivered like-for-like sales growth, with good performances in Iberia, France, Germany, Belgium, the Netherlands and Eastern Europe. Italy delivered strong total sales growth and continues to operate on high sales densities. We opened 17 stores in the European region in the period to strong customer demand and good resulting footfall. Sales densities in most of these new stores continue to be higher than average. Primark's share of the total clothing, footwear and accessories market by value increased in both Spain and France. In Germany we closed two stores in the period and, after period end, we closed one more store and agreed two further closures. In addition we have started our rightsizing programme with two stores in the period and the signs are encouraging. Two further stores were resized in September after the period end. We continue to consider further resizing. We are also developing plans to open new stores smaller than average in new locations with merchandise selected to appeal to local customer demand.

In the US, total net sales were 24% higher than last year driven by space expansion. We opened eight new stores in the period, largely in the Northeast, taking the estate to 21 stores trading from 0.9 million sq ft and are on track to meet our US store expansion target of around 60 stores by the end of 2026. We are pleased with trading in our new stores which are benefitting from our growing knowledge of the US consumer and the wider retail market. We have refined the design, size and layout of our stores and continue to tailor our ranges to suit the US consumer. We continued to expand our footprint beyond the Northeast with further progress in the new store pipeline and two leases signed recently in Texas. Investment in infrastructure to support this expansion continues with work ongoing at our new Jacksonville logistics centre where we expect to be operational in the spring.

Further progress has been made implementing our wide-ranging sustainability strategy unveiled two years ago, itself an evolution of an earlier and long-standing ethical trade and sustainability programme. During the year we further embedded the processes and capabilities needed to drive and accelerate change both internally and across our value chain. Some 55% of all the clothing units we sold in the financial year contained recycled or more sustainably sourced materials, up from 45% last year and up from 25% at launch two years ago. This represents good progress in the delivery of our commitment that all our clothes will be made from recycled or sustainably sourced materials by 2030. Within this, 46% of our cotton clothing now contains cotton that is organic, recycled or sourced from our Primark Sustainable Cotton Programme (PSCP), up from 40% last year. Our commitment to reduce our carbon emissions across our value chain by 50% by 2030 was validated by the Science Based Targets initiative (SBTi). While carbon emissions increased this year by 11% compared to our baseline 2018/19 financial year, this is as expected: Scope 1 and 2 emissions reduced but there was an increase in our Scope 3 emissions due to an increase in the volume of materials used to produce the higher number of products sold in the period year-on-year. In the short term, this trend is likely to continue, but emissions will decline in time as we increase the use of more sustainably sourced materials across our product ranges. In our own store estate, some 70% of our stores are now powered by renewable or low-carbon electricity and 141 stores have switched to energy-efficient lighting.

Primark continues to build and invest in transforming its digital capability. This year we successfully rolled out our new and improved website to all 16 markets. Since launching the new website, we have seen a positive customer reaction and strong traffic uplift in all trading markets, led by the UK and the Republic of Ireland which were the first two countries to move on to the new platform. Usage of the stock checker facility ranged broadly between 15%-20% of website sessions across our markets. We are also putting more focus on increasing traffic growth to www.primark.com through organic search, CRM and selected performance marketing trials and, overall, working in closer alignment with our already strong social media engagement. We believe our digital platform is already beginning to support good uplifts in footfall and that it is contributing to store like-for-like sales across our markets.

In April we announced the expansion of our Click + Collect trial to an additional 32 stores in London, taking the total number offering this service to 57 stores, one third of our UK estate. On 13 September 2023 we extended the service to include womenswear, alongside the existing offer on kidswear. Although this remains a trial, we are encouraged by the early results. In addition, we implemented self-checkouts in 22 stores in the period. This service has seen high utilisation and customer engagement and the roll-out continues.

Retail selling space overall increased by just under 1 million sq ft since the last financial year end and on 16 September 2023 we were trading from 432 stores and 18.2 million sq ft of selling space. We added 27 stores in the period: eight in the US; six in Central and Eastern Europe with three in Poland, two in Romania and our first store in Slovakia marking our 15th and 16th market; four in Italy and France respectively; three in Spain; and two in the UK. As referred to above, two stores in Germany were closed during the year. We fully reopened our Bank Buildings store in the heart of Belfast, which was damaged by fire in 2018, and closed our temporary store in Donegal Place. We also re-started our store refurbishment programme.

We remain on track to grow to 530 stores by the end of 2026 and have visibility for continued footprint expansion beyond.

1. Kantar, Primark market share of the total UK clothing, footwear and accessories market including online by value, 52-week data to 16 September 2023.

New store openings in the year ended 16 September 2023:

France
Brest, Coat Ar Gueven S.C.
L'Atoll Angers
Mulhouse, Ponte Jeune
Saint-Etienne, Centre Deux S.C.

Slovakia
Bratislava – Eurovea

Italy
Caserta Campania
Bari Casamassima
Turin Le Gru
Venice Nave de Vero

Spain
Lanzarote Arrecife
Melilla
Toledo Luz de Tajo

Poland
Bonarka S.C., Krakow
Katowice Silesia City Centre
Magnolia Park S.C., Wroclaw

UK
Craigavon –Rushmere S.C.
Salisbury

Romania
AFI Palace, Bucharest
Park Lake, Bucharest

US
Arundel Mills, Baltimore, MD
Crossgates, Albany, NY
City Point, Brooklyn, NYC
Green Acres, Long Island, NY
Jamaica Ave, Queens, NYC
Jersey Gardens, Newark, NJ
Roosevelt Field, Long Island, NY
Walden Galleria, Buffalo, NY

	Year ended 16 September 2023		Year ended 17 September 2022	
	# of stores	sq ft 000	# of stores	sq ft 000
UK	**192**	**7,725**	191	7,620
Spain	**59**	**2,390**	56	2,305
Germany	**30**	**1,605**	32	1,841
France	**24**	**1,203**	20	1,044
Republic of Ireland	**37**	**1,165**	37	1,121
Netherlands	**20**	**1,016**	20	1,016
US	**21**	**873**	13	563
Italy	**15**	**747**	11	552
Belgium	**8**	**403**	8	403
Portugal	**10**	**383**	10	383
Austria	**5**	**242**	5	242
Poland	**5**	**197**	2	77
Czechia	**2**	**89**	2	89
Romania	**2**	**75**	–	–
Slovenia	**1**	**46**	1	46
Slovakia	**1**	**39**	–	–
Total	**432**	**18,198**	408	17,302

Broadening our reach and attracting new customers through expanded ranges, still with value at their heart

Primark was founded with the aim of making great quality fashion affordable for everyone.

The Edit – our collection of quality investment pieces for women featuring more premium fabrics, blends and detailing – continues to go from strength to strength following its successful launch in Autumn/Winter 21. This range caters for customers seeking more premium products at the value Primark is famous for and has been extended to include products such as jewellery and elevated knitwear with cashmere and merino wool content. Due to its success, the collection has gone from being offered in selected stores and is now in more than 60% of our stores internationally.

The Edit's ultimate heavyweight t-shirt is a bestseller. It comes in six colours and sells for £12/$16/€14, representing incredible value versus other comparable heavyweight t-shirts on the high street. And this t-shirt is, of course, only part of our offering. We have a comprehensive selection of t-shirts across our ranges, which start with our essential t-shirt at £3/$4.50/€3.50 through to our more premium styles.

Alongside The Edit, we have also broadened our offer through collaborations. In September 2023 we launched our collaboration with global superstar and style icon Rita Ora. The first in a series of collections with Rita, it was made available in all our stores across all our markets. This more trend-led collection appeals to the style conscious and fashion-led consumer, and while it retails at slightly higher prices, it offers excellent value-for-money by giving customers the opportunity to shop Rita's famous style for less.

Spring Summer 23 shot from Primark's 'The Edit' collection

Our 'Supporting Women for Life' collection, making specialist collections more accessible and affordable

At Primark, we want all our customers to feel seen, included and understood but after listening to them, we realised many of the products women rely on during key moments of their lives were, for many, out of budget.

For example, post-surgery bras for breast cancer patients were often expensive and not widely available on the high street. Period underwear, which has become more popular in recent years, was in many cases prohibitively expensive. We challenged ourselves to think about the different products we could create for women offering the same functionality but at Primark prices. As a result, we created our Supporting Women for Life collection, offering a range of more specialist clothing, lingerie and nightwear at affordable prices.

We started with our maternity range in January 2021, when maternity wear was not widely available on the high street and often sold online only. We followed with period underwear, designed as an alternative to single-use sanitary products. Since then, we have launched a dedicated breast cancer range comprising leisurewear, underwear, nightwear and accessories for women. We extended our underwear sizing across all our ranges to include fuller bust and bigger brief sizes, and to include a greater variety of skin tones. We also introduced innovative new fabrics – for example, our menopause collection contains anti-flush technology and cooling yarns across nightwear, underwear and base layers, which to date have only been available at a premium price elsewhere.

Today, our Supporting Women for Life collection is made up of six ranges, representing almost £100m in sales and growing. We are continuing to work with our customers, colleagues and specialist organisations to better understand consumers' needs and experiences and will continue to bring to market more inclusive and specialist products at accessible prices for women at their different stages of life.

Some of the products in our 'Supporting Women for Life' range

Using self-checkouts to enhance customers' in-store experience

At Primark, we think about every stage of a customer's journey with us and we know how important it is that they have a good experience, including when they pay in-store.

With more customers using card and contactless payments and self-checkouts becoming commonplace, we took the decision to launch a trial to understand the benefits these technologies might bring to our customers, colleagues and business.

We started with self-checkouts in two UK stores, Sheffield and Northampton, which had higher-than-average numbers of card transactions. The initial response from both customers and colleagues was very positive, with high adoption rates from customers who were given the option to use either the self-checkouts or the staffed checkouts as before.

We then extended the trial to three additional UK stores of different sizes, formats and locations. With an average overall satisfaction rating of 88%, speed, convenience and reduced queue times were cited as the biggest draws for the service.

The benefits to the business are already apparent and have the potential to be very significant. These innovations free up colleagues to focus on where they are most needed – for example re-stocking the shop floor, helping customers or manning fitting rooms – relieving recruitment pressures faced by the business in a tight labour market.

Due to the initial success of the trial, we have added self-checkouts to 22 stores across the UK, the US, Ireland and Poland, both incorporating them into existing stores and fitting them in new ones. Today, around two thirds of our customers choose to use our self-checkouts when they have the option to do so, with many customers saying they prefer this check-out method.

We are excited by the benefits that self-checkouts can bring to the business and are rolling them out more widely to new and existing stores.

Self-checkouts in Magnolia Park, Wroclaw, Poland

An overview of our growth and success in Spain

As part of our expansion strategy, we continue to explore not just new markets and regions but also the potential of our more established markets. Our presence in Spain, which was our first market outside the UK and Ireland, is a great example of this organic growth.

Since opening our first store in Madrid in 2006, Spain has grown to become our second biggest market in terms of both store numbers and sales. We have 59 stores in Spain and employ more than 9,500 colleagues with 2.4 million sq ft of selling space.

The Primark offer has resonated with Spanish shoppers who love us for our style credentials and everyday affordable essentials for the whole family. In particular, our kids collections and licensed collections have been received really well, as customers love the quality and choice we offer at such affordable prices. Our collaboration with Spanish influencer Paula Echevarría has proven notably successful and helped to attract new customers in this market. We have also tailored our in-store experiences to local tastes and culture, partnering with other domestic brands such as Llaollao frozen yoghurt, Granier cafés and Hello Nails beauty.

We have enjoyed strong growth in Spain and that track record gives us confidence as we continue to invest and grow our presence there. We will invest €100m in our Spanish business between April 2023 and the end of 2024 in both new store openings and upgrading existing stores.

In this financial year, we have opened three stores to a strong customer response: the first in April, in the city of Toledo; the second in June on the Canary Island of Lanzarote; and last but not least in September a store in the autonomous city of Melilla on the North African coastline.

Looking ahead to next year, we have plans for more new stores. Madrid remains as important to us today as it was 17 years ago when we first came to Spain. It is the city with the second highest number of Primark stores, after London. Today, there are eight stores across the city and we plan to open as many as four more in the next financial year, including our second flagship store in Madrid, in the iconic Cine Salamanca building.

We continue to invest in and improve our existing stores too. With a strong pipeline of store extensions and upgrades, our Spanish customers can continue to expect to see the very best of Primark.

Our Spanish flagship store in Gran Vía, Madrid

Financial review

Group performance

Group revenue was £19.8bn, 15% ahead of last year at constant currency, with sales growth in each of our businesses, benefitting from the build of price increases taken to offset inflation. However, as expected, adjusted operating profit margin declined, from 8.4% last year to 7.7% this year as a result of the overall inflation. The Group generated an adjusted operating profit of £1,513m, an increase of 5% at actual rates ahead of last year, a strong result given the scale of input cost increases.

Statutory operating profit for the Group of £1,383m was 17% ahead, after charging exceptional items of £109m (2022 – £206m).

For the full year the average rates used to translate the income statement resulted in a translation gain of £17m, primarily driven by the strengthening of the US dollar, particularly in the first half compared to the first half of 2022. The weakness of sterling against some of our trading currencies also drove a benefit on translation of our non-sterling earnings.

Segmental summary

	Revenue			Adjusted operating profit		
At actual rates	2023 £m	2022 £m	Change %	2023 £m	2022 £m	Change %
Grocery	**4,198**	3,735	+12.4	**448**	399	+12.3
Ingredients	**2,157**	1,827	+18.1	**214**	159	+34.6
Agriculture	**1,840**	1,722	+6.9	**41**	47	-12.8
Sugar	**2,547**	2,016	+26.3	**169**	162	+4.3
Retail	**9,008**	7,697	+17.0	**735**	756	-2.8
Central	**–**	–	–	**(94)**	(88)	-6.8
	19,750	16,997	+16.2	**1,513**	1,435	+5.4

The segmental analysis by division is set out in the operating reviews. The segmental analysis by geography is set out in note 1 on page 140. Of note is the increase in adjusted operating profit in North America which is driven by the success of our Grocery and Ingredients' businesses there.

Adjusted earnings per share

	2023 £m	2022 £m	Change %
Adjusted operating profit	**1,513**	1,435	+5.4
Net finance income/(expense) before lease interest	**11**	(11)	+200.0
Other financial income	**40**	13	+207.7
Lease interest	**(91)**	(81)	-12.3
Adjusted profit before tax	**1,473**	1,356	+8.6
Taxation on adjusted profit	**(346)**	(302)	-14.6
Adjusted profit after tax	**1,127**	1,054	+6.9
Adjusted earnings attributable to equity shareholders	**1,103**	1,034	+6.7
Adjusted earnings per share (in pence)	**141.8p**	131.1p	+8.2

Net finance income and other financial income

Finance income increased as a result of higher interest rates earned on our cash deposits. Other financial income increased this year as a consequence of the higher surplus in the Group's UK defined benefit pension scheme at the beginning of the financial year. Lease interest increased during the year because of more leases being entered into from our continued store expansion programme, particularly in the US, Italy and France.

As a result, on an adjusted basis, profit before tax was up 8.6%, to £1,473m.

Taxation

This year's tax charge on the adjusted operating profit before tax was £346m, with an increase in adjusted effective tax rate to 23.5% from 22.2% last year. This rate includes the impact on the blended tax rate for the full year of the increase in UK corporation tax rate from 19% to 25% in April 2023.

The Group is exposed to a range of uncertain tax positions. The provision at the financial year end for these tax positions was £55m (2022 – £102m). The reduction in the provision is due to the conclusion of UK tax audits covering several businesses and years. This reduction in the provision between last financial and this financial year was due to partial utilisation and also translated into a one-off benefit to the effective tax rate for the year.

We expect the Group's effective tax rate in 2024 to be broadly in line with 2023. This includes the full year impact of the increase in the UK corporation tax rate in April 2023 and changes to the mix of profits by jurisdiction.

Adjusted earnings per share increased by 8.2% to a record 141.8p per share. This increase follows from the higher adjusted profit and the higher financial income, more than offsetting the slightly higher adjusted effective tax rate. The adjusted earnings per share also benefit from the reduction in weighted average number of shares, from 789 million for 2022 to 778 million for 2023, as a result of the buyback programme.

Basic earnings per share

	2023 £m	2022 £m	Change %
Adjusted profit before tax	**1,473**	1,356	+8.6
Acquired inventory fair value adjustments	**(3)**	(5)	
Amortisation of non-operating intangibles	**(41)**	(47)	
Exceptional items	**(109)**	(206)	
Profits less losses on sale and closure of businesses	**(3)**	(23)	
Profits less losses on disposal of non-current assets	**28**	7	
Transaction costs	**(5)**	(6)	
Profit before tax	**1,340**	1,076	+24.5
Taxation	**(272)**	(356)	+23.6
Profit after tax	**1,068**	720	+48.3
Earnings attributable to equity shareholders	**1,044**	700	+49.1
Basic earnings per share (in pence)	**134.2p**	88.6p	+51.5

Profit before tax of £1,340m was 24.5% ahead of last year, benefitting from the lower level of exceptional items in 2023.

Exceptional items

	2023 £m	2022 £m
Grocery – Impairment	**41**	–
Sugar – Impairments	**50**	–
Retail – Impairments, rightsizing and fair value writedowns	**18**	206
	109	206

The income statement this year included a non-cash exceptional impairment charge of £109m. In Grocery, the Don business has been impacted by inflationary pressures, a surplus supply of fresh pork in the market, labour constraints, equipment reliability causing production shortfalls and additional transportation costs following the unforeseen liquidation of its distribution partner. As a result we recognised impairment write-downs of £39m against property, plant and equipment, £1m against right-of-use assets and £1m against intangible assets.

In Sugar, the China Sugar North business recognised a £15m impairment write-down against property, plant and equipment. This business was held for sale in the previous year but that process was halted in the second half of the year. Due to severe flooding in Mozambique, the related damage to the sugar crop fields and the inability to plant for the foreseeable future Illovo Mozambique recognised £25m impairment write-downs against property, plant and equipment, £7m against current biological assets, £2m of personnel costs and £1m write-down against inventory.

In Retail, the German Primark portfolio recognised exceptional impairment charges relating to stores that were impaired in the previous year: £13m as a result of additional right-of-use assets being recognised due to rent indexation adjustments on right-of-use assets that were impaired, a further £5m non-cash exceptional charge for the right-sizing of four stores and the fair value write-down of a store.

The prior year exceptional impairment charge of £206m comprised non-cash write-downs of assets in Primark Germany, £72m against property plant and equipment and £134m against right-of-use assets.

Total tax charge for the year was £272m. This includes the positive benefit of deferred tax on exceptional items from the prior year, when a £63m exceptional charge was included in the Group's total tax charge reflecting the de-recognition of the deferred tax assets relating to Primark Germany. A significant proportion of that asset had been deemed to be irrecoverable and was written off as an exceptional tax charge last year. As a result of further work undertaken this year it has been determined that more of this deferred tax asset is recoverable and so, an exceptional non-cash tax credit of £58m was recognised in the first half.

Earnings attributable to equity shareholders were £1,044m and basic earnings per share were 134.2p, 52% ahead of last year.

Cash flow

	2023 £m	2022 £m
Adjusted EBITDA	**2,361**	2,261
Repayment of lease liabilities net of incentives received	**(246)**	(275)
Working capital	**(216)**	(729)
Capital expenditure	**(1,073)**	(769)
Purchase of subsidiaries, joint ventures and associates	**(94)**	(154)
Sale of subsidiaries, joint ventures and associates	**4**	–
Net interest paid	**(74)**	(97)
Taxation	**(341)**	(304)
Share of adjusted profit after tax from joint ventures and associates	**(127)**	(112)
Dividends received from joint ventures and associates	**107**	93
Other	**(32)**	2
Free cash flow	**269**	(84)
Share buyback	**(448)**	–
Dividends	**(345)**	(380)
Movement in loans and current asset investments	**(10)**	196
Cash flow	**(534)**	(268)

There was free cash inflow in the year totalling £269m as a result of the operating profit generated by the Group, despite cash outflows driven by higher capital expenditure than the prior year and a working capital outflow.

The capital expenditure increase was driven by the number of large capital projects and a step up following low levels of the last few years. The increase of the investment in our food businesses primarily relates to projects to build capacity. In Primark the increase reflects the acceleration of our new store programme and expenditure to expand our capabilities in warehouse automation and technology. We expect this higher level of investment to continue over the medium term.

The main factors driving the increase in working capital were twofold: the impact of inflation across all our food businesses and higher inventories, particularly in our Sugar and Primark businesses. As a reminder Primark inventories a year ago were too low and reflected the logistics and supply chain difficulties experienced in the prior year. We do expect a working capital inflow in 2024 as Primark inventory levels normalise.

Cash tax increased in the year driven by the increase in profit before tax. We expect a reduced level of cash tax in 2024 due to the reallocation of historic overpayments and favourable settlements of historical enquiries and returns.

There was cash outflow of £448m for our share buyback programme, with the remainder of the £500m programme completed after the year end. We also paid £345m for total dividends in this financial year, which reflects the final 2022 dividend and interim 2023 dividend. The £380m paid in the prior year included a special dividend that was declared in respect of the 2021 financial year.

Acquisitions and disposals

The spend on acquisitions this financial year was £94m. The most significant of these were the acquisitions of National Milk Records, Kite Consulting and Advance Sourcing in Agriculture.

For disposals, a non-cash provision of £6m was included in profit less losses on sale and closure of business in respect of Illovo's investment in Gledhow.

Financing and liquidity

	2023 £m	2022 £m
Short-term loans	**(99)**	(31)
Long-term loans	**(394)**	(480)
Lease liabilities	**(3,160)**	(3,252)
Total debt	**(3,653)**	(3,763)
Cash at bank and in hand, cash equivalents and overdrafts	**1,388**	1,995
Current asset investments	**–**	4
Total net debt	**(2,265)**	(1,764)
Leverage ratio	**0.96**	0.78

At 16 September 2023, the Group held cash balances of £1,388m. In addition, the Group has an undrawn Revolving Credit Facility (RCF) for £1.5bn. This facility is free from performance covenants and was extended in June 2023 for a further year, bringing the maturity to 2028. Our £400m bond, launched last year, at 2.5% is due in 2034, and our final $100m Private Placement notes are due in March 2024.

Total liquidity at year end was £2.7bn, comprising the £1.5bn of cash, less £0.2bn of short-term loans and overdrafts and £0.1bn of inaccessible cash, plus the £1.5bn RCF. This compares to £3.4bn at the end of 2022.

Pensions

The Group's defined benefit pension schemes aggregate surplus increased by 5% to £1,377m at year end compared to last year's £1,314m. The UK scheme, which accounts for around 90% of the Group's gross pension assets was in surplus by £1,397m (2022 – £1,366m). A significant increase in the pension surplus in the prior year was driven by an increase in bond yields reducing liabilities. Details of the assumptions made in the current and previous year are disclosed in note 12 of the financial statements together with the bases on which those assumptions have been made.

The charge for the year for the Group's defined contribution schemes, which was equal to the contributions made, amounted to £95m (2022 – £87m). This compared with the cash contribution to the defined benefit schemes of £36m (2022 – £36m).

The most recent triennial actuarial valuation of the UK scheme was carried out as of 5 April 2023. This last valuation showed a funding surplus of £1,013m. This is a clear improvement on the previous valuation undertaken at 5 April 2020, which showed a deficit of £302m. As agreed with the trustees in September, as a result of this significant increase in the surplus, the Group will receive a cash flow benefit of approximately £70m per year from the abatement of UK employer pension contributions on both the defined benefit and defined contribution schemes. This will take effect from the start of the new financial year.

Dividend and shareholder returns

We announced a share buyback programme of £500m in November 2022. In the financial year we purchased 23.7 million shares for £446m and the shares bought back were cancelled. At the end of the financial year we had 765 million ordinary shares in issue. The weighted average number of shares for the year was 778 million which compared to 789 million for the last financial year. This share buyback has resulted in a positive impact on our reported adjusted earnings per share of 1.8p. Since the financial year end, a further 2.8 million shares were purchased, completing the total £500m buyback programme. The Group has announced the continuation of a buyback programme, targeting an additional amount of £500m over the next 12 months.

This year the Board declared an interim dividend of 14.2p per share (2022 – 13.8p), an increase of 3% compared to prior year. The Board is proposing a final dividend of 33.1p per share. It is also declaring a special dividend of 12.7p per share to be paid as a second interim dividend. Taken with the first interim dividend of 14.2p per share, the aggregate total dividend for the year is 60.0p per share, 37% higher than the total dividend of 43.7p in 2022, which comprised an interim dividend of 13.8p, and a final dividend of 29.9p.

Eoin Tonge
Finance Director

Engaging with our stakeholders

Stakeholder engagement

We engage regularly with stakeholders at Group and/or business level, depending on the particular issue.

As illustrated in our Group business model and strategy section on pages 9 to 11, the role of the Group, and therefore of the Board, is to provide a framework in which the Group businesses have the freedom and decision-making authority to pursue opportunities with entrepreneurial flair and to manage risks at the level at which the businesses operate. We consider this to be an important factor in the success of the Group.

Authority for the operational management of the Group's businesses is delegated to the Chief Executive for execution or for further delegation by the Chief Executive to the senior management teams of the businesses. This is to ensure the effective day-to-day running and management of the Group. The chief executive of each business within the Group has authority for that business and reports directly to the Chief Executive.

While day-to-day operational decisions are generally made locally, the Board not only provides input on the principal decisions and strategy, but also supports individual businesses by facilitating the sharing of best practice and know-how between the businesses.

This approach necessarily involves a high degree of delegation of communication with stakeholders to the management of the Group businesses. Where the directors of the Company have not themselves directly engaged with stakeholders, those stakeholder issues are considered at Board level both through reports to the Board by the Chief Executive and/or Finance Director and also by the senior management of the Group's businesses. Senior management are requested, when presenting to the Board on strategy and principal decisions, to ensure that the presentations cover what impact the strategy/principal decision has on the relevant stakeholders and how the views of those stakeholders have been taken into account.

In the following pages, we set out the key stakeholder groups with whom engagement is fundamental to the Group's ongoing success.

Employees

We employ approximately 133,000 people. Our people are central to our success.

Key matters

- Health and safety
- Diversity, equity and inclusion
- Cost of living
- Culture and wellbeing
- Engagement and development

How the businesses engage with this stakeholder group

- Intranet
- Newsletters
- Surveys
- Email
- Training
- Notice boards
- Health and Safety programmes
- Town halls
- Meetings

How the Board engages and/or is kept informed and takes matters into account

- So as to seek to ensure that the 'voice' of each workforce in the Group is heard at Board level, Richard Reid, as designated Non-Executive Director for engagement with the workforce, meets with employees from a selection of businesses. Each business division also specifically reports to the Board on workforce engagement within that division. The Board also receives two specific updates each year from Richard Reid and the Chief People and Performance Officer in respect of progress on workforce engagement and resulting actions.
- The Group Safety and Environment Manager provides the Board with updates on safety trends and progress against key performance indicators, supplemented by updates from the divisions.
- The Chief Executive and Finance Director continue to engage with Company employees both at the corporate centre and at the regional businesses through town halls in the businesses covering issues such as business updates and ESG topics.

See the letter from Richard Reid on pages 84 and 85, which includes details of some of the outcomes from workforce engagement. See also the 'Our people' section on pages 50 and 51.

Suppliers

As a diversified international Group, we have many complex supply chains.

Key matters

- Responsible sourcing
- Supply chain sustainability
- Payment practices
- Capital strength
- Human and labour rights in our supply chains
- Transparency in supply chains

How the businesses engage with this stakeholder group

- Conversations (face-to-face or virtual)
- Training
- Communication sessions
- Correspondence
- Audits
- Engagement with trade unions and NGOs

How the Board engages and/or is kept informed and takes matters into account

- Senior management of each business division (often with the assistance of specialists from within that division) regularly report to the Board on key relationships and projects with suppliers either as part of their business updates to the Board or through reports to the Chief Executive and Finance Director.
- The Board reviews each business segment every year, including a review of ESG issues, with support from the Director of Legal Services and Company Secretary and the Group Corporate Responsibility Director.

Examples of key matters or projects on which the Board was briefed include:

- the expansion of the Kilombero sugar plant in Tanzania;
- the responsible exit from Myanmar as a source of garments for Primark; and
- human rights and environmental due diligence in respect of our supply chains.

See further details on page 45 in respect of the implementation of a responsible exit from Myanmar as a source of garments for Primark and page 47 in respect of ESG governance.

Customers/Consumers

The buyers of our safe, nutritious and affordable food, and clothing that is great value for money.

Key matters

- Healthy and safe products
- Value for money
- Availability of products
- Customer relations
- Social and environmental impact
- Store environment

How the businesses engage with this stakeholder group

- In-store signage (Primark)
- Face-to-face interactions with staff
- Customer surveys
- Websites
- Labelling
- Social media
- Customer/consumer contact lines
- Market data analysis

How the Board engages and/or is kept informed and takes matters into account

- The Board is regularly updated by each business division on its strategy, including in relation to key customers and key activities impacting customers and consumers.
- The Group Director of Financial Control provides the Board with an annual report on food and feed safety.
- The Chief Executive and Finance Director meet each division quarterly to discuss key commercial matters.

Examples of key matters or projects on which the Board was briefed include:

- changes to fitting rooms at Primark stores to seek to ensure that our customers feel safer and more welcome;
- performance of the Click and Collect trial at Primark;
- self-checkout trials at Primark;
- Twinings marketing trials; and
- increased marketing investment in Patak's, Blue Dragon, Jordans Dorset Ryvita and Mazzetti.

See further details on page 15 about Twinings marketing trials and on page 34 about Primark using self-checkouts to enhance customers' in-store experience.

Communities and the environment

Supporting society and respecting the environment are two of the key ways we live our values and make a difference.

Key matters

- Climate change mitigation and adaptation
- Natural resources and circular economy
- Social impact – including employment opportunities
- Agriculture and farming practices

How the businesses engage with this stakeholder group

- Coaching and training programmes
- Community programmes and schemes
- Dealings with NGOs and other expert programmes and schemes
- Various environmental programmes

How the Board engages and/or is kept informed and takes matters into account

- Senior management of the business divisions report to the full Board on their key ESG matters.
- The Board reviews risk assessments undertaken by the businesses each year which consider, among other things, climate change impacts and risks.
- The Director of Legal Services and Company Secretary and the Group Corporate Responsibility Director present to the Board on broader corporate responsibility issues that sit beyond our direct manufacturing operations e.g. in the supply chains.
- The Board receives updates from the Chief People and Performance Officer and the Group Safety and Environment Manager on operational safety and key environmental matters in our direct manufacturing operations reflecting an additional focus on climate and sustainability.
- The Board receives updates and provides views on key sustainability matters. This included individual sessions with non-executive directors on climate-related financial reporting.

See the Responsibility section on pages 46 to 67 of this Annual Report. See also the sections of our Responsibility Report 2023 providing further details of our businesses' work with people in the supply chains and surrounding communities.

Shareholders and institutional investors

The Company has a mix of individual and institutional shareholders, including bondholders, whose views are valued.

Key matters

- Business and financial performance
- Return on investment
- ESG
- Remuneration

How the businesses engage with this stakeholder group

- Press releases
- Annual general meeting
- Annual Report
- Responsibility Report
- Website
- Results announcements
- Meetings
- Registrar

How the Board engages and/or is kept informed and takes matters into account

- The annual general meeting provides an opportunity for retail shareholders to ask the Board questions.
- The Board also responds either directly or via its in-house company secretarial team to queries raised throughout the course of the year.
- Regulatory News Service (RNS) announcements keep investors updated on business and financial performance and other matters.
- Each year, the Chairman meets with the Company's largest institutional shareholders to discuss their views, issues or concerns.
- The Chief Executive and/or Finance Director meet with investors throughout the year.
- At each Board meeting, the directors are briefed on meetings that have taken place with institutional shareholders and on feedback received.
- The Remuneration Committee Chair meets with investors and analysts to answer queries and respond to feedback around remuneration issues.
- The Responsibility Report is approved by the Board and is produced to provide greater transparency in response to increasing requests for information from investors.
- All shareholders are treated equally and a Relationship Agreement is in place with the Company's controlling shareholders (see pages 116 and 117).

See further details on page 86, which includes details on this year's annual general meeting.

Governments

The Group is impacted by changes in laws and public policy.

Key matters

- Corporate governance and audit reform
- Energy support schemes
- Tax and business rates
- Agricultural and trade policy
- Climate and environment-related matters
- Public health
- Support of businesses and workers

How the businesses engage with this stakeholder group

- Meetings, calls and correspondence
- Responding to consultations and calls for evidence
- Providing data/insights (e.g. supply challenges and international conflict)
- Participation in government schemes
- Parliamentary events
- Industry forums
- Site visits
- Attendance at conferences

How the Board engages and/or is kept informed and takes matters into account

- The Company engages with governments to contribute to, and anticipate, important changes in public policy.
- The Board takes into account the interplay between commercial decisions and government policies and aims in its investment decisions.
- The Board is briefed on engagement with governments, which, using the UK as an example, might cover matters specifically related to energy support schemes, environmental policies including Extended Producer Responsibility, decarbonisation and the Emissions Trading Scheme, high streets and business rates and the impact of international conflicts.

Our refurbished store on Mary Street, Dublin

Principal decisions

In making decisions throughout the course of the financial year, there is a need to ensure that the consequences promote the long-term success of the Company, as well as maintain our reputation for high standards of business conduct.

Provided in this section are some examples of principal decisions that were taken (or implemented) during the year and how stakeholder views were taken into account and impacted on those decisions.

Launch of a £500m share buyback programme.

Which stakeholders most affected?

- Shareholders/Institutional investors

Consideration of stakeholder views/interests and impact on decision-making

The Board took into account views of various investors (including views expressed in meetings with the Chairman, the Chief Executive and/or Finance Director) in reaching the decision in November 2022 to launch a share buyback programme of up to £500m. This included, for example, investor views that the Company's shares were undervalued, that a share buyback would be an appropriate way to return capital to shareholders and that return on investment from a potential buyback should be considered in the same way as an M&A opportunity. Following detailed consideration by the Board and engagement with brokers and external advisers, the first tranche of the programme was launched in November 2022 with Barclays Capital Securities Limited ('Barclays') being irrevocably instructed to buy back up to £250m of the Company's ordinary shares. Feedback received from institutional investors following the launch of the first tranche of the buyback indicated that they welcomed the buyback programme and that, in particular, they were pleased with the quantum.

Following completion of the first tranche of the programme by Barclays, in May 2023 we commenced the second £250m tranche of the share buyback, having irrevocably appointed Credit Suisse International to carry out that tranche. In deciding to launch the second tranche, the Board considered whether the share buyback continued to be value accretive, taking into account external advice.

The share buyback programme announced in November 2022 has now completed and, in total, the Company purchased 26,478,215 of its ordinary shares for a total consideration of £499,999,929. The purpose of the share buyback was to reduce the capital of the Company and all shares repurchased as part of the programme were cancelled.

Whilst some shareholders, particularly retail shareholders, expressed a preference for return of capital by way of an additional (or larger) dividend rather than by way of a share buyback, the Company considered on this occasion that a buyback was the more appropriate way to return capital, taking into account the long-term consequences of the different options.

Investment in Primark's existing store estate alongside its ongoing international expansion.

Which stakeholders most affected?

- Customers/Consumers
- Employees
- Suppliers
- Communities and the environment

Consideration of stakeholder views/interests and impact on decision-making

In line with Primark's commitment to create a great in-store experience for consumers, the Board has approved the investment of substantial sums in extensions and upgrades to existing stores. This is in addition to investment in growing the Primark store estate to 530 by the end of the 2026 financial year as well as in automation of distribution depots.

The upgrades to stores have included the continued roll-out of LED lighting across the UK store portfolio, which will also help Primark progress its ambition to reduce its carbon footprint, and self-service checkouts, which, as well as reducing labour costs, should also reduce queues for customers (in response to customer feedback). We are also upgrading CCTV monitoring in a bid to reduce theft and anti-social behaviour in stores, both of which impact our employees.

During the course of the financial year, Primark has opened stores in two new markets, namely Slovakia and Romania, bringing the total number of countries in which Primark operates to 16 at year end. The decision to expand Primark's footprint in the southern states of the US was also taken. New store openings continue to be met with an enthusiastic reception from customers, as well as providing employment opportunities in the local areas and increasing career options for employees.

Relationships with key landlords continue to be important, as is the use of technology and demographic data to inform decisions about new store locations.

Approval of various projects in our food and ingredients businesses.

Which stakeholders most affected?

- Customers/Consumers
- Employees
- Shareholders/Institutional investors

Consideration of stakeholder views/interests and impact on decision-making

Throughout the financial year, the Board approved significant capital expenditure (or increases to existing approved capital expenditure) by our food and ingredients businesses. This included a new yeast plant for AB Mauri in northern India, a new spray dryer and upgraded yeast production facility for Ohly in Germany, a new sugar factory in Tanzania, a major new water irrigation system in Malawi, an upgrade to a Tip Top bakery and a new animal feed plant in Western Australia (see picture on page 45), a steam reduction project for British Sugar (as part of its pledge to reduce its carbon footprint) and a new factory purchase with plans for localised production for Ovaltine in Nigeria.

The decisions to approve such projects and initiatives took into account customer demand for our products and the additional quantity of products and/or improved quality that such investment should bring about. The decisions also factored in our investors' interest in us making the best use of the Company's capital.

Implementation of a responsible exit from Myanmar as a source of garments for Primark.

Which stakeholders most affected?

- Suppliers
- Communities and the environment

Consideration of stakeholder views/interests and impact on decision-making

Primark places a high priority on the safety and wellbeing of the people who make its clothes and products and of the Ethical Trade team that carries out visits to the factories.

Following the military coup in Myanmar in February 2021 and subsequent calls from global trade unions to disinvest from the country, the situation became both concerning and complex, given that many people in Myanmar are employed in suppliers' factories making garments for major retailers such as Primark.

In September 2022, following its human rights impact assessment, the Ethical Trading Initiative published a report setting out the significant challenges faced by businesses sourcing garments from Myanmar in relation to their ability to conduct the level of due diligence required to meet recognised standards governing human rights and labour rights. The conclusions of this report were combined with information from the Primark Ethical Trade team and the resulting document was then reviewed by the Primark Myanmar Steering Committee. As referred to in our 2022 Annual Report, Primark decided to work towards a responsible exit from Myanmar. Accordingly, Primark stopped placing orders in October 2022 and expects its final orders from Myanmar to ship before the end of the 2023 calendar year.

Following the announcement that it would stop sourcing from Myanmar, Primark doubled the size of the Ethical Trade team on the ground to enable more frequent visits to supplier factories to give the business improved visibility of working and employment conditions. While the exit plan from Myanmar is being implemented, the Primark Ethical Trade team will continue to work with supplier factory management and relevant stakeholders to address any issues as and when they arise.

The decision to exit was not taken lightly. Primark has managed its exit in consultation with partners and stakeholders both in Myanmar and globally, following the UN Guiding Principles on Business and Human Rights and ACT's responsible exit guidelines. It is also working with IndustriALL Global Union and alongside other retail brands to create a framework for responsible business disengagement.

We continue to monitor the Group's small number of food-related sales and co-packing operations in Myanmar (which primarily relate to the supply of food and grocery products to the local population).

Acquisition of National Milk Records.

Which stakeholders most affected?

- Shareholders/Institutional investors
- Customers/Consumers
- Employees

Consideration of stakeholder views/interests and impact on decision-making

In June 2023, following detailed consideration of both the short-term and longer-term benefits of the transaction for AB Agri customers and our investors, we announced the acquisition by AB Agri Limited (an indirect wholly-owned subsidiary of the Company) of the entire issued and to-be-issued ordinary share capital of National Milk Records plc (NMR) for approximately £48m. The NMR business was considered by the Board to be well-aligned with AB Agri's objective of supporting customers across the dairy industry, helping to drive efficiency and increase productivity.

NMR provides complementary services and technology offerings to AB Agri's existing operations across the dairy supply chain. It was considered that the combination will enable a better service to the dairy industry and will ultimately offer products that deliver increased value, efficiency and ultimately profitability for farmers. It was also considered that the acquisition will allow NMR to accelerate and de-risk the delivery of its strategy, as well as creating greater opportunities for NMR's customers, employees and wider stakeholders.

The work done leading to the decision to acquire NMR took into account our customers' desire for increased value and efficiency, as well as the opportunities that this is likely to create for our employees as we strengthen our position in the dairy sector.

Mauri ANZ's new animal feed plant, Weston Animal Nutrition, Hope Valley, Australia

Investing for tomorrow Delivering today

Our purpose is to provide safe, nutritious and affordable food, and good quality clothing that is great value for money.

We live and breathe our values through the work we do every day. They guide our behaviour and help us deliver long-term benefits for our people, suppliers, communities, customers and the environment.

These do not replace each business's own values, but rather consolidate and summarise the most common themes found across the Group.

Non-financial and sustainability reporting requirements

The Group data included in this Report on our environmental and safety KPIs covers the period 1 August to 31 July.

The Companies Act 2006 requires the Company to disclose certain non-financial and sustainability information within the Annual Report and Accounts.

Accordingly, the disclosures required in the Company's non-financial and sustainability information statement can be found on the following pages in the Strategic Report or are incorporated into the Strategic Report by reference for these purposes:

Further information on these can also be found in our 2023 Responsibility Report. Our Responsibility Report is published online and provides additional information relating to the commitments, approach, performance and impact of ABF and our businesses.

We engaged Ernst & Young (EY) to provide independent limited assurance over the 29 ESG KPIs. These are marked with the symbol Δ in these pages and on page 13.

There is also further information on our website at www.abf.co.uk/responsibility, which includes our current and previous responsibility reports, our Modern Slavery Statement and our climate, water and forests reports submitted to CDP.

Materiality and stakeholders

This year, to better support our stakeholders' understanding of our business model and our approach to ESG, this Responsibility section of the Annual Report focuses on the areas that have been identified as material for the Group.

The materiality assessment helps us understand how ESG factors might impact our businesses. This assessment helps us prioritise our activities. We consider the guidance of globally recognised sustainability standards and frameworks when compiling potential material topics and issues. Our stakeholders are a key part of the materiality assessment and we give them the chance to provide input on our ESG agenda and put their views to inform our decision-making.

The list of ABF material topics has been grouped into six areas:

- **Agriculture and farming practices;**
- **People in our supply chains and surrounding communities;**
- **Our people;**
- **Carbon and climate;**
- **Efficient resource use; and**
- **Food and nutrition.**

Looking ahead, we are working to further develop our materiality approach in line with the reporting requirements under the EU's Corporate Sustainability Reporting Directive (CSRD).

For more information please see our Responsibility Report 2023.

Δ EY has provided limited independent assurance over the 2023 metrics. See the 2023 Responsibility Report page 114 for EY's assurance statement.

Our values

We strive to protect the dignity of everyone within and beyond our operations, so that the people who make our products feel safe, respected and included.

We proudly promote and protect a culture of trust, fairness and accountability that puts ethics first. From farms and factories right through to our boardroom, we are committed to embedding integrity into every action.

From the products we make, to the way we preserve the resources we rely on and support the people we work with, we are always learning and incorporating better practices. Across our businesses, we are partnering with industry experts to help us work towards the highest standards.

We work with others to leverage our global expertise for local good. Through collaboration with our stakeholders, we are working to create safer, fairer working environments and promoting thriving, resilient communities.

Our Group ESG governance

The Board has overall responsibility for the general oversight of ESG factors across ABF. It reviews each business segment every year, including a review of ESG issues.

In carrying out its duties, the Board is also supported by:

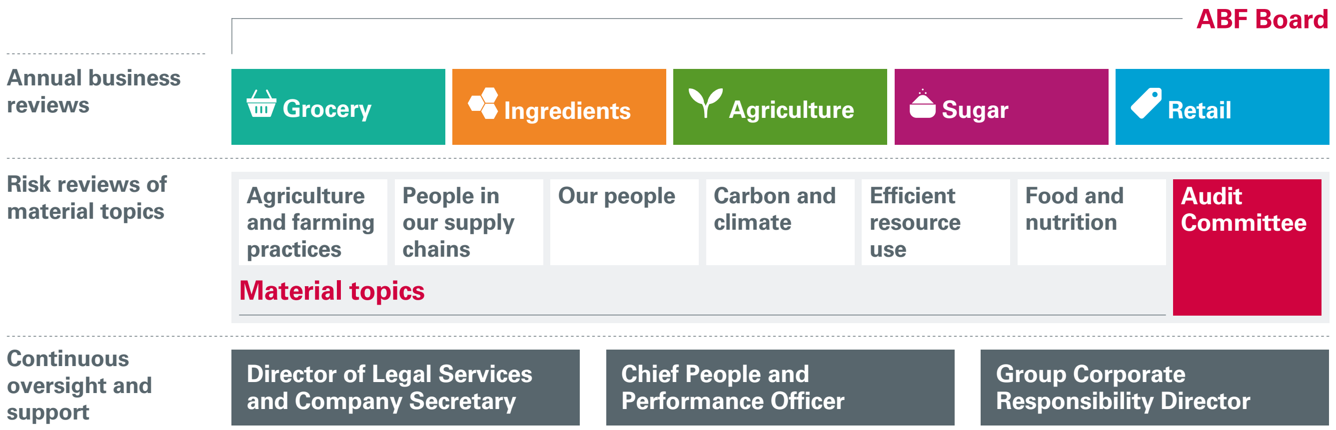
- our Director of Legal Services and Company Secretary who reports to the Chief Executive and has responsibility for ESG issues. He acts as the focal point for communications to the Board and shareholders on ESG matters;
- our Chief People and Performance Officer (CPPO) who reports to the Chief Executive and has responsibility for all employee matters, including safety, mental health, financial wellbeing, employee development, workforce engagement and diversity, equity and inclusion (DEI), as well as initiatives within procurement in our supply chains, the coordination of environmental reporting across our operations and how we ensure security for our people and assets; and
- our Group Corporate Responsibility Director who leads the Group's Corporate Responsibility Hub team.

The Corporate Responsibility Hub is a central resource available to all our businesses, which provides support to them as required on environmental and human rights issues. It provides a network that brings together professionals across the Group working in these areas, the Corporate Responsibility (CR) Leads, so that they can share knowledge and best practices with each other.

Within the remit of the CPPO, other teams have been assigned dedicated focus areas, including DEI and health, safety and environment (HSE) and procurement.

All our businesses operate within a clear governance framework defined by the Group. However, our devolved business model gives businesses autonomy to operate in ways that aim to create enduring economic, environmental and social value. In addition to individual business leaders, divisional CEOs also have responsibility and are accountable for their ESG programmes. This covers their ESG risks, opportunities and impacts. They can draw on specialist support from the Corporate Responsibility Hub and the Director of Legal Services and Company Secretary, the CPPO as well as specialist legal advice from the team led by the Associate General Counsel for ESG.

Governance structure



Agriculture and farming practices

ABF is a diversified group, with a wide range of food and ingredients businesses as well as our retail brand, Primark. Our businesses depend upon agricultural systems for most of the raw materials we use in our products, and we recognise the need to support more sustainable farm management practices.

We have a strong association with the UK agricultural sector, where our businesses collectively form the largest end-to-end food producer. Globally, we are also a significant purchaser of cotton, sugar beet, sugar cane, tea and cereals.

Global agricultural systems are under increasing pressure to provide for a growing population while responding to the challenges and effects of climate change. Extreme weather events, increasing water stress, biodiversity loss and soil degradation are all adding to pressures within the system.

We expect our businesses to go further than legal compliance by continuously considering and implementing other appropriate activities, voluntary commitments and internationally recognised management systems to reduce their environmental and social impacts and risks. This encompasses the responsible stewardship of our environment in line with the following requirements:

- Group Environment Policy;
- Group Animal Health and Welfare Policy; and
- Group Supplier Code of Conduct.

Our businesses support a wide range of social and environmental interventions at farm level. These span management models including certified organic production, standards to promote wildlife biodiversity, engagement with smallholder growers in developing markets, and the adoption of integrated farm management systems built on the principles of sustainable intensification.

For example, Primark launched its Sustainable Cotton Programme in 2013, with farmers in the programme trained on techniques to help improve efficiency, increase soil quality and reduce their use of agrichemicals. It also aims to address a wide range of social development issues related in income improvement.

While it is not possible for our businesses to intervene in every farm supply chain, collectively we support many farm-focused intervention programmes. The objective of these is to shape management practices to promote systemic commercial, social and environmental resilience for the long term. Science, technology and data are essential to achieving this aim.

Many of the farm management standards our businesses support align with the core principles of Integrated Farm Management (IFM). They require the incorporation of a range of management practices across a number of designated criteria in the context of improving overall supply chain efficiency and driving more sustainable farm productivity. Requirements typically include, for example, the safe handling of agrochemicals and improving soil structure, as well as the provision of land management practices to sustain habitats for wildlife biodiversity. IFM can make a significant impact on a range of measures.

A Jordan's Farm Partnership grower tending the infield crop alongside woodland habitat

The UN Sustainable Rice Platform (SRP) Standard, for example, requires Alternate Wet and Dry farm management techniques to reduce water use in the rice sector by around 30% and, by association, GHG emissions by up to 50%. Westmill has committed to source 20% of all the rice it purchases from farms in Pakistan and Thailand to follow this Standard.

Our businesses also supply a range of products and services to the agricultural sector that facilitate efficient farm management and regenerative approaches such as cover-cropping to improve soil structure and water retention.

We support the adoption of regenerative farm management techniques alongside the responsible use of precision science and technology to maximise efficiency, reduce greenhouse emissions and limit biodiversity losses while maintaining commercially productive agricultural outputs. For example, Illovo – Africa's largest sugar producer – manages cane lands and farming activities in South Africa according to the SUSFARMS® environmental management system. Allied Mills and British Sugar require the farms they purchase from to meet the Combinable Crops Standard specified under the Red Tractor mark. In Jordans Dorset Ryvita, the Jordan's Farm Partnership programme is run across 15,000ha in conjunction with both LEAF (Linking Environment And Farming) and The Wildlife Trusts.

We believe in the importance of high animal health and welfare standards. This is captured in our Group Animal Health and Welfare Policy, which applies to all our businesses.

For more information please see our Responsibility Report 2023.

People in our supply chains and surrounding communities

Respect for the working conditions and labour standards of the workers in our businesses' supply chains is important to us. We also recognise the potential contribution we can make to surrounding communities.

Human and labour rights in our supply chains

Our businesses use the United Nations Guiding Principles on Business and Human Rights (UNGPs) as a reference point to guide their activities in implementing human rights due diligence processes. The OECD's Guidelines for Multinational Enterprises, Due Diligence Guidance for Responsible Business Conduct and various sectoral guidance documents all provide valuable models and reference material.

Our Group Supplier Code of Conduct is an essential requirement of the responsible business conduct of our businesses. This document is based on the core conventions of the International Labour Organization (ILO) and on the Base Code of the Ethical Trading Initiative, of which Primark is a member. All businesses within the Group are responsible for managing their relationships with suppliers and satisfying themselves that suppliers operate in line with the principles contained in the Supplier Code of Conduct.

In their application of the Supplier Code of Conduct, our businesses continue to develop and improve human rights due diligence processes in their supply chains as laid out in the UNGPs. Knowledge of where potential negative human rights impacts might exist, combined with supply chain mapping, helps them to monitor and identify actual issues, to seek remedy or even to anticipate and prevent them before they arise, prioritising those that are most salient. Our devolved business model enables our businesses to take the most appropriate approach based on their specific supply chains and the nature of their supplier relationships. In many cases we find that suppliers have their own programmes that meet our expectations in this area, but where this is not the case our businesses seek to use their leverage or collaborate to drive change.

Our businesses use a number of data platforms to assess and monitor potential human rights risks. Many businesses monitor their risk through audits carried out by internal teams or third parties. For example, Primark's Ethical Trade auditing and monitoring programme is one of Primark's most important resources for identifying risks. Some businesses also engage workers and their representatives directly outside of the audit process to understand what issues they face.

Our businesses seek to use the leverage they may have with their suppliers to secure access to an effective remedy for workers facing negative human rights impacts in their supply chains. For example, in India, Primark's Ethical Trade and Environmental Sustainability team has developed a comprehensive programme called the India Worker Empowerment Programme to address the root causes and manifestations of key human rights risks.

Our businesses have or are developing grievance mechanisms to give workers a voice on the issues they face in the workplace. Examples include ABF Sugar's 'We Listen, We Act, We Remedy' toolkit. Primark has multiple approaches to achieve effective grievance mechanisms, these include the Amader Kotha programme in Bangladesh, where a hotline is available to workers in garment factories.

Different stakeholders including NGOs, trade unions, governments, other businesses (subject to relevant competition and anti-trust laws) and industry bodies inform our approach to human rights due diligence. We work with these organisations due to their expert knowledge and we acknowledge their contribution.

Transparency about who and where our businesses source from enhances our understanding of human rights risks and, where necessary, encourages collaboration to resolve issues both locally and across our sectors. Some of our businesses, including Primark, Twinings and ABF Sugar, publish global sourcing maps and provide information about their processes, progress and challenges through corporate reports, websites, stakeholder engagement activities and submissions to ESG benchmarks.

In line with our Group Supplier Code of Conduct, our businesses prohibit all forms of modern slavery, including forced labour and human trafficking. For more information, see our Group Modern Slavery Statement 2023. Alongside our Group statement, some of our businesses publish separate modern slavery statements.

Supporting communities

ABF Sugar continues to invest in its relationships with communities and key stakeholders. For instance, Illovo recognises that its sugar estates are a key part of the communities they are located in, and this is reflected by its activities to support those communities, such as by providing clinics, schools and local services to support its employees and in some cases also to support their families and neighbouring communities.

For more information please see our Responsibility Report 2023.

A cotton farmer in Primark's Sustainable Cotton Programme, India

Our people

We employ over 133,000 people and have operations in 55 countries across Europe, Africa, the Americas, Asia and Australia. The people across our businesses are united by our purpose, culture and passion for delivering for our customers. We empower them to innovate and support them to grow and develop.

Health, safety and wellbeing

Our businesses strive to safeguard the wellbeing, health and safety of our people, contractors and visitors to our sites and when they are travelling for business. Safety is non-negotiable.

Loss of life in our operations is unacceptable and we expect all colleagues to return home after work as well as when they arrived. As such, we are deeply saddened to report three fatalities this year and recognise the irreplaceable loss this has caused their families, friends and colleagues. One contractor in Spain was fatally injured during an off-site traffic accident. An employee was involved in a fatal incident with a forklift truck in one of our bakeries in Australia. An employee in Malawi was fatally injured while working on an overhead electricity line.

Following these tragic events, our priority was to support the families and colleagues of those who died. We investigate all fatalities and serious accidents thoroughly, share the learnings with safety and operational colleagues across the group and have reinvigorated our focus on working with moving vehicles and electricity to minimise the risk of such events from happening again.

All our businesses must comply with our Group Health, Safety and Wellbeing Policy. Many of them supplement this with additional policies of their own. Responsibility for ensuring compliance with the Health, Safety and Wellbeing Policy is devolved to the chief executives of the various businesses. Each business also has a nominated director with specific accountability for health, safety and wellbeing.

A growing number of our businesses are investigating the potential of human behavioural and psychological techniques, some of them based on neuroscience, to help employees and contractors stay focused on health, safety and wellbeing.

Across the Group, we have identified the following key on-site and off-site safety risks:

- harm from moving vehicles;
- falls from height;
- machinery safeguarding;
- the storage and handling of hazardous materials;
- manual handling of heavy and awkward loads;
- working in confined spaces; and
- the management of contractors.

Supporting our people's mental health and their sense of general wellbeing also remains a priority. We continue to invest in our support across the Group, including programmes designed to raise awareness and provide practical assistance. In response to rising living costs this year, we have continued to focus on ensuring financial wellbeing tools and resources are available internationally.

We engage independent HSE specialists to provide us with an objective opinion of our safety performance, through a compliance and risk management audit programme.

Of our factories and retail stores, 69% have operated for one or more years without an on-site employee injury.

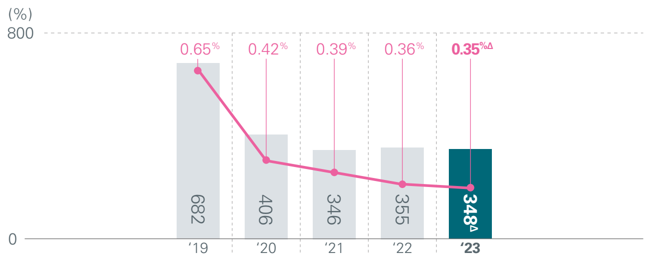
This year, the Group's on-site employee Lost Time Injury (LTI) rate has reduced slightly from 0.36% in 2022 to 0.35%. The number of onsite employee LTIs has also reduced by 2% from 355 to 348. Primark has reduced its on-site employee LTI rate again this year by 15% from 0.40% of employees experiencing an LTI to 0.34%.

The on-site contractor LTI rate this year has increased from 0.14% to 0.33% and the number of on-site contractor LTIs has increased significantly by 85% from 41 to 76. Of this year's on-site contractor LTIs 80% are attributed to our Retail and Sugar segments. The two segments are working hard to address the reasons for these incidents.

For more information please see our Responsibility Report 2023.

Lost time injuries and lost time injury rate

Number of employees having an LTI during the year



Engagement and development

Our employees can provide feedback to their business through discussions with their line manager and leaders, engagement surveys, and other mechanisms that support two-way communication. The work and focus of Richard Reid, our Non-Executive Director for engagement with our workforce, enables the Board to ensure that our businesses have cultures of openness so our people can share their views, that their voice is heard and acted upon. Read more about workforce engagement on pages 84 and 85.

Our businesses strive to attract and develop the most talented people. We enable this by creating opportunities for professional and personal development, and by fostering environments that enable our people to showcase their diverse and unique skills.

We offer a variety of learning opportunities and development programmes to help our people gain the skills our businesses need, including apprenticeships and mentoring. Our people are supported to build a rewarding career with us, we help them explore their own aspirations by building awareness of what their business and the wider group has to offer.

Diversity, equity and inclusion (DEI)

We celebrate diversity in all its forms. Our businesses are focused on widening and deepening their talent pools, attracting new recruits and connecting with the diverse communities they serve. We believe engaging with a diverse talent pool gives us a competitive edge and enhances our ability to deliver long-term success.

Many of our businesses have their own diversity policies, alongside the Board Diversity policy which applies across the Group, DEI teams and dedicated programmes to support their people, be they women, people from ethnic minorities, those working with disabilities or people who identify as LGBTQIA+.

Our Group DEI Network brings together people from across our businesses to share knowledge, best practices and ideas. We have over 300 DEI advocates across the Group, who benefit from access to masterclasses and self-study kits across a range of topics, including allyship, handling difficult conversations, neurodiversity inclusion, disability inclusion, racial and ethnic diversity and anti-racism, female careers and leadership, gender identity and LGBTQIA+ inclusion.

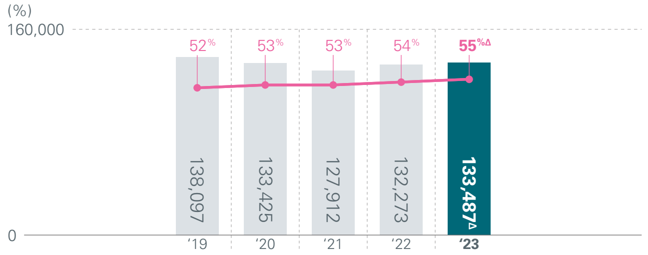
To create a more inclusive workplace, we ensure leaders and line managers have the skills they need to set the tone, model appropriate behaviour and put in place targeted campaigns relevant to local circumstances. We provide unconscious bias and cultural awareness training and tools to all our businesses.

Our 'Women in ABF' network was established over 10 years ago and continues to grow and evolve. It provides support for our women to develop skills, business awareness and networks that will enhance their current performance and future careers across the Group. Virtual events with external and internal speakers and networking opportunities are available to women across the Group.

To further address gender and ethnicity imbalances, we need to prioritise attracting a broader range of talent using more inclusive and effective processes. We are addressing the barriers that have historically discouraged talent from being attracted to or joining ABF or from reaching the top of our organisation. We continue to support female talent with bespoke development interventions to further strengthen our succession pipeline for senior roles across the Group.

Overall, the gender balance of the Group is fairly equal, with women making up 55%Δ of our total global workforce. We voluntarily report on our overall gender pay gap for employees in Great Britain (GB) on page 110 of this Annual Report. Each of our GB-based businesses with over 250 employees also report on their own gender pay gap, with these reports published on their websites. These reports share some inspirational business-level insights about the actions being taken to enable all employees to successfully grow their careers with us.

Number of employees, highlighting percentage of women in workforce



Considering the most senior levels, those reporting to the divisional chief executives and Group functional directors, our gender balance as reported to the FTSE Women Leaders has improved to 28.1% from last year. We also see an increase in the number of women in senior management roles to 38%. It is pleasing to see the outcome from the focus we have given to addressing gender imbalances, we commit to a continued focus on ensuring women are represented in our most senior roles.

For more information please see our Responsibility Report 2023.

Gender metrics

Associated British Foods plc Board directors are not included in the table below. We currently have three women and six men on the Company's Board. The Board is pleased that our composition continues to meet the recommendations of the Parker Review and that, by the time of the annual general meeting, we will also have met the recommendations of the FTSE Women Leaders Review and the new targets on gender and ethnic diversity in the Listing Rules.

	Total employees*	Men in workforce	Women in workforce	% women who are in workforce	Number of senior management roles**	Number of men in senior management roles	Number of women in senior management roles	Percentage of senior management who are women
Grocery	15,788	10,164	5,624	36%	795	470	325	41%
Sugar	30,975	24,849	6,126	20%	246	171	75	30%
Agriculture	3,052	2,028	1,024	34%	454	263	191	42%
Ingredients	6,257	4,583	1,674	27%	562	387	175	31%
Retail	76,857	17,466	59,391	77%	253	131	122	48%
Central	558	350	208	37%	71	55	16	23%
Total	**133,487Δ**	**59,440**	**74,047**	**55%Δ**	**2,381**	**1,477**	**904**	**38%**

* Full-time, part-time and seasonal/contractors.

** Includes directorships of subsidiary undertakings.

See our Responsibility Report 2023 for definitions.

Anti-Bribery and Corruption Policy

Our approach to governance is to respect not simply the letter, but also the spirit, of our policy and always act with integrity. To ensure the effective implementation of our Policy and procedures, each business has its own designated Anti-Bribery and Corruption Officer and we have monitoring systems in place at various levels within the Group including global risk assessments.

In addition, all relevant employees are required to complete an e-learning course on the subject when they join the Group and at regular intervals thereafter and those who work in higher risk roles are required to attend regular face-to-face training.

A copy of the ABF Anti-Bribery and Corruption Policy is available on the ABF website.

Speak Up

Our Speak Up Policy provides a route for our employees to raise concerns confidentially about inappropriate behaviour at work.

Speak Up empowers our people to tell us whenever they see anything inappropriate, improper, dishonest, illegal or dangerous and ensures that their concerns will be handled confidentially and professionally. Speak Up includes both a telephone line and a web reporting device managed by a leading independent provider, People Intouch.

We encourage all individuals working for ABF in any of our businesses in any country and in any capacity to Speak Up, including employees at all levels, directors, officers, part-time and fixed-term workers, casual and agency workers, seconded workers and volunteers. Speak Up also enables issues to be raised by third parties.

Any contact made is disseminated to the appropriate management team responsible for investigating the issues raised. A thorough investigation is then undertaken and any remediation agreed.

In the year to 31 May 2023, 216 notifications were received, of which:

- 24% were resolved, with outcomes ranging from reviews of processes and support for individual employees to, where necessary, disciplinary procedures being followed;
- 60% were investigated as appropriate and required no action; and
- 16% remain under investigation.

A copy of the ABF Speak Up Policy is available on the ABF website.

Carbon and climate

As a Group, we recognise that climate change represents a material risk throughout our supply chains and poses challenges to some of our businesses worldwide. However, we also recognise that climate change and the transition to a lower-carbon world presents opportunities.

We wholly support policies that are aligned with the goals of the Paris Climate Agreement to limit the rise in global temperatures to well below 2˚C above pre-industrial levels, and to pursue efforts to limit the temperature increase even further to 1.5˚C.

As a Group, we have an ambition to achieve net zero by 2050 or sooner. Beyond that broad ambition we do not set groupwide climate-related plans or targets. In line with our devolved business model, our businesses set plans and targets that are appropriate to their operations and supply chains. Our businesses are all committed to cutting GHG emissions and several of our businesses have set specific reduction targets.

ABF Sugar, Primark, Twinings Ovaltine and UK Grocery have each set a specific emissions reduction target. Primark has set a target in line with the Science Based Targets initiative ('SBTi'), while ABF Sugar is in the process of validating their reduction target against the SBTi. We expect this to be completed by the end of the calendar year.

Achieving net zero across ABF by 2050 will depend on a number of factors that are beyond our control. However, based on our track record and progress against our plans so far, we are confident in our ability to deliver on this objective.

Reducing GHG emissions

Our businesses are targeting reductions in GHG emissions through carbon reduction plans, energy efficiency and growing their use of renewable energy. ABF Sugar and Primark have transition plans in place.

Energy efficiency has long been a driver of better performance for our Group, and we remain focused on finding ways to produce more from less energy. Much of our electricity is purchased from third-party power generation companies via national grids, and our businesses understand the benefits of transitioning to renewable energy tariffs for their purchased electricity. Many are doing so as soon as it becomes operationally and commercially feasible. In 2022/23, 29% of the electricity we bought came from renewable sources, which is a 62% increase in the amount of purchased renewable electricity compared with last year.

Several of our businesses are also contributing to decarbonisation by exporting renewable energy, contributing 909 gigawatt hours (GWh) this year to national grids.

This year our businesses consumed 21,183 GWhΔ of energy which is a 1% increase compared with last year. Of this total consumed, 58%Δ was derived from renewable sources. These are predominantly biomass fuels from by-products generated as part of the production process within our agricultural based businesses. In the main, the renewable energy we generate comes from bagasse, the renewable plant-based fibrous residue that remains after the extraction of juice from the crushed stalks of sugar cane. Some renewable energy is derived from the anaerobic digestion of a range of waste materials.

Our Scope 1 and 2 (location-based) emissions decreased by 6% this year from 3.11 million tonnes of CO_2e to 2.91 million tonnes of CO_2e Δ. This decrease has been driven primarily by a reduction in imported electricity and a change in the fuels used on-site.

In compliance with UK reporting requirements, we have provided in the table on the following page our UK energy and GHG emissions data. The principal energy efficiency measures undertaken this year to reduce our carbon emissions include a large-scale project to replace fluorescent lighting with LED lighting across stores in eight of Primark's markets; embedding the use of energy monitoring systems; and upgrades to production machinery such as evaporators, pulp presses and boilers to improve efficiencies across our UK businesses.

For more examples of energy efficiency actions, see our Responsibility Report 2023.

Streamlined energy and carbon reporting

	2022			2023		
	UK only	Non-UK	Total	UK only	Non-UK	Total
Scope 1: 000 tonnes of CO_2e	1,093	1,315	2,408	**1,053**	**1,219**	**2,272Δ**
Scope 2 Location method: 000 tonnes of CO_2e	90	609	699	**92**	**551**	**643Δ**
Scope 2 Market method: 000 tonnes of CO_2e	124	596	720	**108**	**527**	**635Δ**
Total scopes 1 and 2 location method: 000 tonnes of CO_2e	1,184	1,923	3,107	**1,145**	**1,770**	**2,915Δ**
Scope 3 – Indirect emissions from use of third-party transport: 000 tonnes of CO_2e			637			**656Δ**
Scope 3 – Primark's scope 3 emissions: 000 tonnes of CO_2e			6,452			**7,019Δ**
Total Scope 3: 000 tonnes of CO_2e			7,089			**7,675Δ**
Biogenic carbon emissions: 000 tonnes of CO_2e	14	3,865	3,879	**108**	**4,152**	**4,260Δ**
Intensity ratio: Scopes 1 and 2 emissions per £1m revenue						
Scopes 1 and 2 location method: tonnes CO_2e/£1m	–	–	183	**–**	**–**	**148**
Energy consumed: GWh	4,777	16,269	21,046	**4,625**	**16,558**	**21,183Δ**

Biogenic emissions are those from the combustion or fermentation of biomass/biofuels on our sites.

We calculate and disclose our GHG emissions based on the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard Revised Edition, except for alignment with the GHG Protocol's approach for determining our organisational boundary and limitations with our Scope 3 disclosures. See our Responsibility Report Appendix for detail on our current treatment of emissions from joint ventures and Scope 3 limitations. We use carbon conversion factors published by the UK's Department for Business, Energy and Industrial Strategy (BEIS) in June 2022, other internationally recognised sources, and bespoke factors based on laboratory calculations at selected locations. Scope 2 market-based emissions have been calculated in accordance with the GHG Protocol Scope 2 Guidance on procured renewable energy. Since 2021, we have excluded Primark's third-party transport emissions from the Group figure as these are accounted for in the reported Primark Scope 3 emissions. Aligned with the GHG Protocol, biogenic CO_2 emissions are specifically excluded from Scope 1 emissions and are separately reported.

Many of our businesses are in the process of calculating their wider Scope 3 emissions, focusing initially on their supply chains. Primark completed this process in 2021 and is currently implementing plans to support its suppliers and partners to reduce their GHG emissions in line with its reduction target. ABF Sugar completed this year a project to calculate its Scope 3 emissions and it is also in the process of validating its Scope 3 reduction target with the SBTi.

Primark reports 7.02 million tonnes of CO_2e Δ this year for their full Scope 3 emissions. For the rest of the Group, we currently report emissions from third-party transport for which we are responsible. These equate to 655,545 tonnes of CO_2e Δ which is a 3% increase compared with last year. This increase has been driven primarily by third-party transport emissions from our Retail and Sugar segments.

Our total Scope 3 emissions, which include Primark's Scope 3 emissions and Group third-party transport emissions increased by 8% from 7.09 million tonnes of CO_2e to 7.67 million tonnes of CO_2e Δ. This is largely due to Primark's continued increase in trading activity during the year and expansion into new markets, resulting in increased materials and products brought into the business. Our businesses have started to collect their third-party transport data to align with the internationally recognised GHG Protocol.

For more information please see our Responsibility Report 2023.

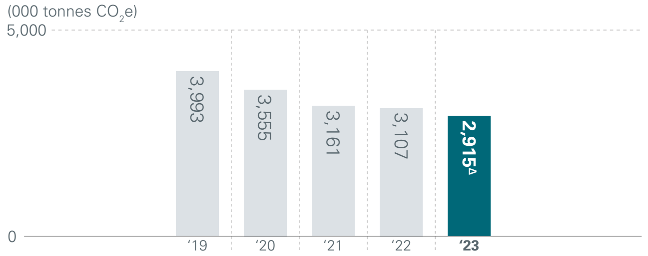
Providing products that help others reduce their GHG emissions

We provide products and services that have the potential to assist others in reducing their carbon emissions, often referred to as carbon enablement. This has always been integral to our businesses, and a key focus for investment and innovation. ABF businesses including ABF Sugar, AB Enzymes and AB Agri play a role in facilitating the potential reduction of other businesses' emissions. For example they do this by creating products which have environmental benefits for the end user.

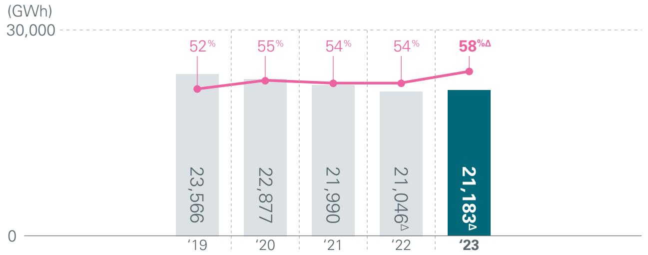
For more information please see our Responsibility Report 2023.

Our performance in 2023

Scope 1 and 2 GHG emissions



Total energy consumed and proportion from a renewable source (%)



Efficient resource use

We are reliant on a range of natural resources to deliver our products and new processes and technologies have enabled us to become highly efficient at maximising the value that we can derive from them.

Waste and circularity

As a first step, our businesses aim to avoid waste generation as far as possible, and reuse and recycle waste where they can. Some of our businesses also explore energy recovery solutions for any remaining waste. Landfill and other final disposal techniques are always the last resort.

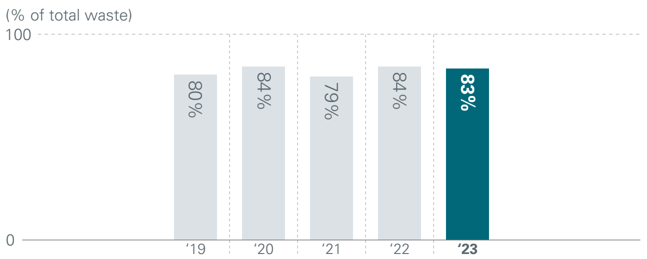
We are focused on making finite resources go further, believing that waste materials are often a resource that we can find a use for. With that in mind, our businesses are implementing practices to reuse, recycle or reduce food, plastic and/or textile waste. For example, we do not just make sugar. Our sugar facilities are highly efficient biorefineries that play a key role in other sectors' value chains. We turn sugar beet and sugar cane co-products and by-products into animal feed and chemical products, as well as using it to generate renewable energy. We also use on-site anaerobic digesters to generate biogas from our waste streams.

In Retail, Primark has made a commitment to giving its clothes a longer life. Its ambition is to drive forward innovation and collaboration within its industry to make its clothes last longer and reduce clothing waste.

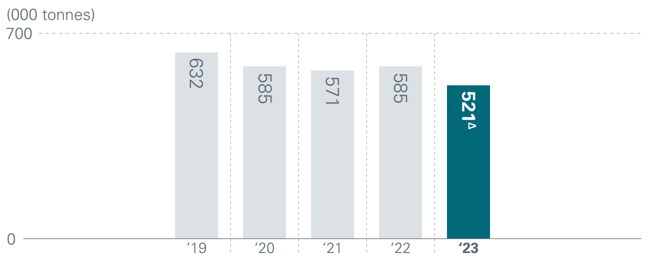
Our food businesses avoid products going to waste by donating surpluses to food banks, community groups and charities.

Across the Group, we generated 520,608 tonnes of waste Δ in 2023 which is an 11% decrease compared with the 584,845 tonnes generated in 2022. Of the total generated, 83% was sent for recycling or other beneficial use. Our businesses continue to focus on reusing waste materials where possible.

Proportion of total waste sent for recycling or other beneficial use



Total waste generated



This year, 11% of all our production sites achieved zero waste to landfill and 37% recycled or reused 95% or more of their total generated waste.

For more information please see our 2023 Responsibility Report.

Plastic and packaging

As a leading provider of food, ingredients and clothing, packaging contributes significantly to our environmental footprint. Paper is the main packaging material used across the Group, followed by plastic and glass. We also use wood, steel, aluminium and a number of other materials.

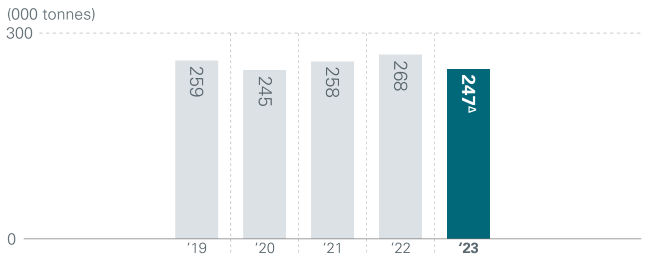
Though we fully recognise the harmful effects of plastic waste on ecosystems, plastic currently plays a vital role in both food safety and reducing food waste, by extending the shelf life of food. Our challenge is to use plastic materials responsibly and find solutions which balance the needs of our customers and our desire to minimise our impact.

Our businesses aim to achieve this by removing unnecessary and problematic plastic packaging, switching to more easily recyclable types of plastic and increasing the use of recycled content in the plastics we use.

Our businesses demonstrate their commitment to tackling plastic and packaging challenges by involvement with and support for a number of pacts and programmes, including the WRAP UK Plastics Pact, REDcycle in Australia and the Soft Plastic Recycling Scheme in New Zealand.

In 2023, our businesses used 246,683 tonnes Δ of packaging compared with 267,638 tonnes used in 2022. This is an 8% annual decrease even though tonnes of production from Group operations increased by 3%. There has been a decrease in the use of all the packaging materials, including plastic, steel, glass and paper, which remains the main packaging material used. Tonnes of plastic used as a packaging material has decreased by 9% this year and demonstrates the commitment of our businesses to reduce the use of plastic where appropriate.

Quantity of packaging used



Water use

Our businesses aim to reduce the amount of water they abstract, to reuse process water as much as possible and to return treated wastewater to nature, having ensured it meets or exceeds local and national water standards, and protect aquatic ecosystems.

We have carried out annual water risk assessments for our operations using internationally recognised methodologies to identify the sites operating in water-stressed areas.

We use a range of technologies in our operations to manage our water use in fields and factories, and constantly work to further reduce our water footprint per tonne of product we produce.

This year, the Group collectively abstracted 860 million m^3 Δ of water for use in operations and irrigation, an 8% increase compared with last year. This rise is driven by three of Illovo's estates which account for a significant proportion of the Group's total water abstraction. Their increase in water abstraction, which is primarily used for cane irrigation, is aligned with their increase in tonnes of production from their operations for this year.

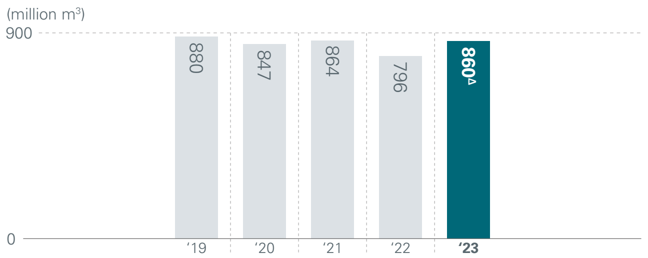
ABF Sugar accounts for a significant proportion of the water used in our own operations across the Group, at 97% of the total water abstracted. Water is used carefully and extensively throughout the sugar manufacturing operations compared with our other businesses; from the processing stage to extract and refine the sugar, to generating steam in the boilers, through to cleaning the equipment. A significant amount of ABF Sugar's abstracted water is also used for crop irrigation within Illovo and where possible the sites reuse abstracted water for this irrigation, for dust control, landspreading and cleaning machinery.

This year, across the Group, 25% of the water abstracted was reused before being returned to watercourses. This is a cost- and resource-efficient way of managing water.

Notable improvements in water management this year were made by ABF Sugar and include the approval of a large-scale irrigation project and continued conversions from furrow to more efficient drop irrigation systems.

AB Mauri continues to invest in effluent treatment plants at many of its sites to deliver on its commitment to maintain appropriate standards of water quality, this investment being significant in recent years. More broadly, its water strategy focuses on reducing its water-intensity ratio defined as the quantity of water consumed per tonne of product produced, excluding by-products. AB Mauri has reduced its overall water intensity-ratio by 25% since 2017/18.

Total water abstracted



Food and nutrition

Providing safe food and enabling customers to make healthier choices have both been central to our approach for a long time.

Relevant businesses take nutritional factors into account across their product portfolio. Many of our food products already support healthier choices – from high-fibre breakfast cereals, wholemeal bread and crispbreads to specialist sports nutrition products. Product reformulation can also help to gradually shift consumer tastes towards foods that support better long-term nutrition, and our food businesses actively review their portfolios with this in mind.

As part of ABF Sugar's commitment to thriving and healthy communities, the business has its Making Sense of Sugar website which provides factual information based on robust science to help inform and educate people about sugar and the role it can play as part of a healthy balanced diet.

As part of UK Grocery's commitment to responsibly produce and market safe, nutritious and affordable food, our UK Grocery businesses provide details of the revenue generated by their UK branded portfolio in terms of the 2004/5 Nutrient Profiling Model and the Food (Promotion and Placement) (England) Regulations 2021. The Nutrient Profiling Model uses a formula to assess the nutritional content of foods, designating them as either HFSS (high in fat, salt, or sugar), or non-HFSS.

Overall, more than 94% of the revenue generated from our UK Grocery's branded portfolio in 2022/23 was derived from products that are designated as being non-HFSS, or that are classified as HFSS but are not subject to restrictions under the Food (Promotion and Placement) (England) Regulations 2021. For context, foods designated HFSS within our UK Grocery's branded portfolio that are not within the scope of public health-related sales restrictions include bagged sugars and cooking oils, as well as some cooking sauces and condiments.

Examples of products becoming healthier include Jordans Dorset Ryvita launching several new non-HFSS recipes and AB World Foods reducing sugar, fat and salt from Patak's sauces.

AB Mauri has successfully developed solutions for its sweet bakery portfolio that enables up to 100% sugar reduction while preserving the delightful taste experience. AB Mauri is also improving the nutritional profile of its sweet bakery goods by increasing the amount of fibre.

A number of ABF brands, including Ryvita and Kingsmill, are among 24 signatories to the UK Food and Drink Federation's Action on Fibre pledge, to increase fibre consumption in the UK. Our UK Grocery division is also a long-term sustaining member of the British Nutrition Foundation.

For more information please see our Responsibility Report 2023.

Climate-related Financial Disclosures (TCFD)

Climate change continues to represent a material risk throughout our supply chains and presents ongoing risks and opportunities to some of our businesses, some of which we have been working on for many years. We remain committed to taking action and supporting policies aligned with the goals of the 2015 Paris Climate Agreement to limit the rise in global temperatures to well below 2° C above pre-industrial levels, and to pursue efforts to limit the temperature increase even further to 1.5° C.

We recognise our role in working towards a low-carbon economy. We have developed last year's disclosure to highlight actions we have taken in the current year and describe transition plans for two of our largest businesses.

In our diversified Group, climate-related targets are set by our businesses based on their material risks and what is relevant and achievable for them. ABF Sugar, Primark and Twinings remain our most material businesses, comprising 76% of Group adjusted operating profit (2022 – 81%) and 72% of Scope 1 and 2 greenhouse gas ('GHG') emissions (2022 – 70%), mainly from ABF Sugar and Twinings. Primark's GHG emissions arise predominantly in Scope 3, which accounts for 98% of Primark's total GHG emissions. See pages 52 and 53 for the detailed disclosure.

Our most material businesses each have their own emission reduction targets. These are:

- ABF Sugar – a 30% absolute reduction in Scope 1 and 2 emissions by 2030 (baseline: 2018)
- Primark – a 50% absolute reduction in emissions across the value chain by 2030 (baseline: 2018)

Other Group businesses have identified their own emission reduction targets or are in the process of doing so. Further information can be found on our website.

We are committed to the aim of reaching net zero by 2050, but this cannot be achieved by us in isolation. There is a need for systemic change throughout the value chain, including a redesign of national energy strategies and policies.

Twinings' previously set target is under review to develop a new, more specific carbon reduction target. For further details please read page 33 of the Responsibility Report 2023.

Background

We published our approach to TCFD in the 2021 Annual Report before our first TCFD report in the 2022 Annual Report.

Last year we met the requirements of Listing Rule 9.8.6R with TCFD disclosures in line with the 2017 TCFD framework. This year we have applied the same framework, now including the 2021 implementation guidance which requires details of transition plans. For the first time, we have included transition plans for ABF Sugar and Primark as they contribute most significantly to adjusted operating profit and total GHG emissions. Twinings' transition plan will be included next year. These disclosures also meet the Companies Act 2006 requirement to make UK Mandatory Climate Disclosures.

Last year we considered a variety of climate scenarios including <2° C and 4° C scenarios to assess the resilience of the Group to climate change. On the basis of that analysis, we determined that in the period to 2030, the risks to the Group were not material, but are material in the longer term. This year we have identified no significant changes in our businesses or where they operate that would require an update to last year's scenario analyses.

Governance

Our governance processes in relation to overseeing, assessing and managing climate-related issues evolve every year. This year we enhanced our processes to address the evolving requirements of climate change and other ESG matters. The Board continues to have oversight over, and responsibility for, climate-related risks and opportunities.

Oversight by the Board and Audit Committee

The Board receives specific updates each year on climate and other ESG matters from the Group Corporate Responsibility Director, the Director of Legal Services and Company Secretary and the Chief People and Performance Officer. This year, this included:

- an update on TCFD requirements and the additional areas we are required to report against
- our approach to transition plans and why the focus is on ABF Sugar and Primark
- an update on UK Mandatory Climate Disclosures and which entities are in scope
- update on strategic decisions taken by businesses in addressing climate change and wider ESG issues

The Board receives relevant updates, such as updates on transition plans throughout the year outside of this annual presentation. All operating businesses present periodically to the Board, including on significant climate matters.

The Board is proactive and has taken prior assessments of climate risks and opportunities and information from the above meetings and used these to influence strategic decisions. In 2023 this has primarily crystallised through approval and drive of transition plans.

Primark's targets for GHG emission reductions have been validated against the Science Based Targets Initiative (SBTi). By the end of the calendar year, reduction targets for Scope 1, 2 and 3 emissions at ABF Sugar should be validated against the SBTi.

The Board possesses sufficient competencies to lead the Group in responding to climate-related risks and opportunities. Please refer to pages 80 and 81 for details of the Board.

The Audit Committee was briefed on updated TCFD requirements, including transition plans for Primark and ABF Sugar, as well as on UK Mandatory Climate Disclosures, which apply to our largest UK subsidiaries for the first time this year.

Management's role

Assessing and managing the impact of climate change on the Group is the responsibility of the Chief Executive, reporting to the Board. Divisional chief executives are responsible for assessing, managing and mitigating the impact of climate change on their businesses. Every business presents quarterly updates to the Chief Executive and Finance Director, which include discussion of significant climate-related matters.

The Chief Executive and the Board are supported in these activities by the Director of Legal Services and Company Secretary, the Chief People and Performance Officer and the Group Corporate Responsibility Director.

Further details of their activities are set out in the 'Our Group ESG Governance' section on page 47.

15% of short-term incentive targets for the Chief Executive and Finance Director, equivalent to 30% of base salary, is linked to strategic, primarily ESG, measures. See pages 104, 105, 107 and 108 for further details.

Risk management

The Board is accountable for risk management including on climate change issues. The process for identifying, assessing and managing climate-related risks is the same as for other business risks and sits with the business where the risk resides. Risks are collated and reviewed at a business and divisional level and are then reported to the Director of Financial Control, who reviews the key risks with the Board.

More information on our risk management process is available in the 'Our approach to risk management' section on page 68.

We have integrated climate-related considerations into processes affecting our financial statements, including considerations of capital expenditure within the ABF Sugar business as well as for impairment assessments.

Identifying, assessing and managing climate-related risks and opportunities

Last year, we described our groupwide materiality-based risk assessment, focussed on financially material climate risks and opportunities at a divisional level and our decentralised structure. This assessment identified risks and opportunities in the most material divisions contributing to Group adjusted operating profit and GHG emissions – ABF Sugar, Primark and Twinings.

Our cross-functional divisional teams worked with third-party experts to understand climate-related physical and transition risks and opportunities. These were included in our scenario analysis.

Following this we worked with the third-party experts and performed high-level assessments across the remainder of our businesses to understand whether the risks and opportunities in individual businesses, but also in aggregate, could be material to the Group. The most significant risks were incorporated into relevant risk registers, in line with our existing risk management process. We have considered, in aggregate, other risks and opportunities that might have a material impact. None were identified.

This year, ABF Sugar and Primark formalised their transition plans, which confirmed that the risks and opportunities identified last year were still appropriate. No new risks or opportunities were identified.

An Illovo sugar cane field in Malawi

Strategy and action, metrics and targets

We operate a decentralised business model because we believe in giving our leaders the scope and accountability to create and run the best businesses they can.

Enabling decision-making by the people closest to these issues, with the relationships with affected stakeholders, provides resilience, agility and flexibility in planning, allowing for quick action on impacts and opportunities.

Climate risks and opportunities

Output from the risks and opportunities assessment process		Primark	Sugar	Twinings	Cross-divisional
Climate impact on the Group's key agricultural crops	Physical risks	Cotton yields*	Sugar yields (UK, Eswatini, Malawi, Mozambique, South Africa, Tanzania, Zambia)	Tea yields (Argentina, China, India, Indonesia, Kenya, Sri Lanka)	Wheat yields (Australia, UK) Corn yields (US)
Impact of flooding on the Group's end-to-end supply chain including operations	Physical risks	Coastal and river flood risks: third-party manufacturers (Bangladesh, China) and Primark stores and warehouses	Mozambique and Malawi		Coastal and river flood risks: Key Group manufacturing sites
Resilience of workers to mitigate or adapt to climate change	Physical risks	Heat impact on farmers (Bangladesh, India, Pakistan)			
Transition risks as the world reduces its reliance on carbon	Transition risks	Carbon pricing mechanisms	Carbon pricing mechanisms		
Carbon enablement: providing solutions to reduce carbon	Opportunities		Biofuels, renewable energy		Enzymes, animal feeds, ingredients, on-farm carbon measurement
Efficiency	Opportunities		Fuel substitution, energy efficiency, process optimisation and increased contribution from by-products		

* The focus of the cotton yield analysis was on Primark's Sustainable Cotton Programme (PSCP) locations in India and Pakistan.

Scenario analysis

As described in last year's Annual Report, we engaged third-party experts to help us perform scenario analysis to assess the potential impact of these risks. This year, we considered whether that analysis should be updated for any new material factors. We concluded that the analysis remains appropriate, except in respect of flooding risk in Bangladesh, where revised information is given on page 62.

Knowledge in this area is growing and we expect models and pathways to evolve with time. Models have limitations, and some areas are challenging to model, for example the frequency and severity of extreme weather events. However, our businesses can still consider how they would mitigate or adapt to such events. Additionally, in certain situations different models can project contrasting results. In these situations, we have used our experience of current risks that may be exacerbated by climate change and then considered how different outcomes would impact our businesses.

We have used the following scenarios:

Warming trajectory by 2100	Transition scenarios[1]	Physical scenarios[2]
< 2° C	Net Zero Emissions by 2050 Scenario ('NZE') (1.5° C) Sustainable Development Scenario ('SDS')	RCP2.6
2-3° C	Stated Policies Scenario ('STEPS')	RCP4.5
~4° C		RCP8.5

1. The International Energy Agency's scenarios have been used to assess transition impacts with each scenario built on a set of assumptions on how the energy system might evolve. Each scenario has a different temperature outcome. We used scenarios covering 1.5° C, <2° C and <3° C.
2. We used the Intergovernmental Panel on Climate Change's Representative Concentration Pathways (RCP) to assess physical climate risk. RCPs are commonly used by climate scientists to assess physical climate risk, with each pathway representing a different greenhouse gas concentration trajectory which can then be translated into global warming impacts. We used climate data from the World Climate Research Programmes Coupled Model Intercomparison Project – Phase 5 (CMIP 5 adjusted for spatial resolution and bias corrected) to do this translation. RCPs feed into climate, crop and flood models. There are four RCP pathways with RCP8.5 representing the worst case scenario.

The impact of compounding means that even small changes in assumptions can lead to a significant range of outcomes from climate models and scenarios. We have therefore placed more emphasis on projections to 2030, using them for action planning, and used projections to 2050, where there is more uncertainty, to check our sense of direction and consider the resilience of our businesses should certain hypothetical scenarios take place.

Risks and opportunities have been considered over the following time horizons:

	Years	Rationale
Short-term	2025	Mid-decade
Medium-term	2030	Our most financially material businesses, ABF Sugar, Primark and Twinings have set 2030 emission targets, which are supported by emission reduction plans
Long-term	2050	2050 is consistent with many national and industry targets. Primark is aligned with the UNFCCC Fashion Industry Charter goal of net zero emissions across all three Scopes by 2050

TCFD physical risk: concepts and frameworks

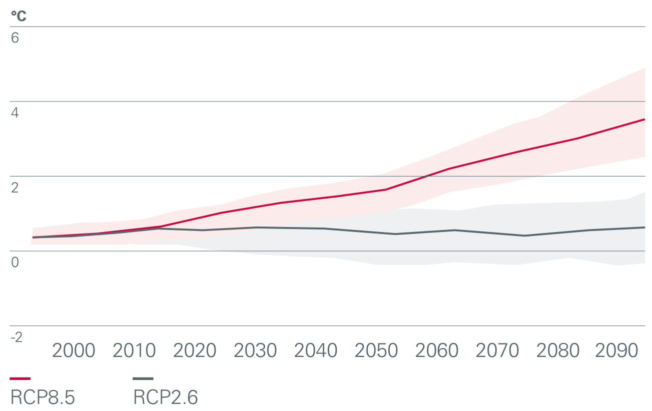
In all physical risk analysis, we have used the RCP8.5 scenario, which is widely considered to represent one of the worst-case climate scenarios with temperatures reaching some 4° C above pre-industrial levels by 2100. This scenario projects an extreme view of physical climate change impacts.

In addition to RCP8.5, the evaluation of physical risks has been supplemented with analysis using either RCP2.6 or RCP4.5 scenarios, depending on which climate scenario is most applicable to the risk. We have focused on the results of RCP8.5 as it is the most challenging scenario from a physical risk perspective.

In line with best practice, we used a multi-modal approach to capture and assess the uncertainty of future climate change projections. The numbers quoted represent the median projected result. Where appropriate we have also disclosed ranges in potential outcomes to reflect the uncertainties and variables inherent when using models to assess future climate outcomes. These outcome ranges represent the 25th and 75th percentiles. Detailed data for the analysis was supplied by our businesses, including individual locations of our own operations, suppliers' factories and the location of the farming communities in Primark's Sustainable Cotton Programme in India, Pakistan and Bangladesh.

Our third-party experts advised us which crop models to use to assess climate change impacts on crop yields. In some cases (e.g. for cotton and tea), only one available crop model was deemed sufficiently robust for evaluating future climate impacts on yields, the analysis was based on the input of five climate models providing sensitivity to the analysis. For other crops (e.g. sugar cane, wheat and corn), multiple crop models were used.

Global average surface temperature change



Climate model projections of average global temperature under the RCP2.6 and RCP8.5 scenarios (IPCC Fifth Assessment Report, 2013).

Use of scenario results to support strategy and financial planning

Scenario analysis has helped our businesses confirm the actions they need to take and strategies they need to adopt on an ongoing basis to mitigate and adapt to risks and take advantage of opportunities. Mitigating actions are managed by the relevant businesses as the actions are specific to them. We consider that the scenario analysis performed in conjunction with the mitigating actions undertaken by our businesses demonstrate that our business models and strategy are resilient to climate change in each of the transition and physical scenarios outlined above.

Impact assessment

Determining the potential impact of climate risks and the size of climate opportunities is challenging. Climate models include several fixed assumptions and there is significant uncertainty around the impacts of climate change and how governments will respond to its threats.

We have taken several factors into consideration when assessing our confidence in mitigating actions:

1. Greater reliance is placed on actions already underway and where we have seen evidence of the success of those actions, for example the benefits seen by farmers in Primark's sustainable cotton programme and pest control in British Sugar.
2. Physical risks from a changing climate are already present, growing and being managed by our businesses. In many cases, risks may worsen but there is time to find innovative solutions to adapt to their impacts.

This year we experienced significant flooding, damaging the sugar crop in our sugar business in Mozambique, which required an asset write-off, but the financial impact on the group was not material.

Impact assessment	Description
Low	Projected impacts from scenario analysis are positive or not significant
Medium	Impacts judged not to be significant once mitigating actions are considered
High	Impacts judged to be significant even after mitigating actions have been considered

Significance assessed by considering the impact of climate risks and opportunities on the Group's financial performance and position.

Results of the climate-related risks and opportunities assessment

Having evaluated, using scenario analysis, all physical and transition risks in the table on page 58, we disclose below the risks we believe have the potential to be the most financially significant and/or of the most interest to stakeholders:

Climate impact on cotton yields

2022 assessment

Low 2030 Medium 2050

Scenarios assessed: **RCP2.6 and RCP8.5**
Assessment: **based on RCP8.5**
The outcomes to 2030 show that effects of climate risks such as extreme temperatures, heavy rainfall and timing/duration of monsoon season range from virtually no impact to a reduction of approximately 4% under RCP8.5.

The outcomes to 2050 project a negative impact on yield of 14% under RCP8.5 and 4% under RCP2.6 before mitigating actions.

Mitigation

- By 2022, 40% of Primark's cotton clothing sales (units) contain cotton that is organic, recycled or is sourced from Primark's Sustainable Cotton Programme ('PSCP').
- Cotton sourced through PSCP is grown using farming methods with a lower environmental impact, including reducing water, chemical pesticide and fertiliser use and training farmers in these methods. Our 2013-2019 study concluded that switching to these farming methods led to increased yields which help mitigate negative yield impacts caused by climate change.
- By 2022, some 250,000 farmers have received training in our PSCP.

2023 update

Metrics and targets

- Proportion of cotton clothing sales (units) that contain cotton that is organic, recycled or sourced from Primark's Sustainable Cotton Programme: 100% by 2027. 46% of cotton clothing units sold against this metric in 2023. This is up from 27% at the launch of the programme and 40% from 2022.
- Number of farmers trained in Primark's Sustainable Cotton Programme: 275,000 by end of 2023. As of July 2023, 299,388 (Δassured) farmers had received training through the programme.

Please refer to https://corporate.primark/en-gb/primark-cares/resources/reports for Primark's basis of reporting for each metric.

Projects addressing physical risks

Primark Sustainable Cotton Programme

Cotton sourced through PSCP is grown using farming methods with lower environmental impact, including reducing water, chemical pesticide and fertiliser use. This has led to increased yields, lower input costs and an overall increase in income for the farmers trained in these methods.

Project impact

As at July 2023, 299,388 (Δassured) farmers had received training through the programme compared to a target of 275,00 farmers. In 2023, the programme was expanded to Turkey.

Impact of climate on sugar yields in Africa (Malawi, Mozambique, South Africa, Tanzania and Zambia)

2022 assessment

Low 2030 Medium 2050

Scenarios assessed: **RCP2.6 and RCP8.5**
Assessment: **based on RCP8.5**
Climate impact on sugar yields varies country by country. The outcomes to 2030 under the USDA's EPIC crop model indicate a range from no change to a decline of 10%. The outcomes to 2050 indicate a 5% gain to a 29% decline.

Mitigation

- Our African sugar businesses already experience and manage significant climate variability, so their responses to weather events are well developed.
- Improving irrigation efficiency to mitigate the risk of drought, including investing in drip irrigation and river defences to reduce storm damage.

2023 update

Metrics and targets

- Sugar production (tonnes): ABF Sugar has produced 2.8m tonnes of sugar
- Volume of water abstracted (million m^3): ABF Sugar has abstracted 830 million m^3 of water.
- ABF Sugar has a target to reduce its end-to-end supply chain water usage by 30% by 2030. ABF Sugar has reduced water usage by 4% between 2017/18 and 2022/23.

Projects addressing physical risks

Irrigation and drainage investment

ABF Sugar is implementing a variety of irrigation and drainage projects across its African businesses to reduce the impact climate has on sugar yields. These include drip irrigation conversion, a bulk water supply efficiency programme and sub-surface drainage in Malawi.

Project impact

These are a few of the ongoing projects to improve irrigation and drainage and therefore reduce water usage. This is measured primarily through solutions implemented and volume of water saved.

Climate impact on tea yields

2022 assessment

Low 2030 Low 2050

Scenarios assessed: **RCP8.5**
Assessment: **based on RCP8.5**
The outcomes through 2030 and 2050 show a positive impact on tea yields. However, the crop model has limited representation of acute weather events such as extreme temperatures, heavy rainfall and droughts. We have a well-grounded experience in understanding volatility in regional tea yields as a result of weather events and by extension the world's tea-growing regions. With this, we can respond to extreme weather events by sourcing tea products to continue to produce tea to our set standards. Where this is not an option for single origin blends, the impact would not be material to the business.

Mitigation

- Twinings' sourcing capability coupled with its blending capability enables the business to manage localised yield issues.

2023 update

Metrics and targets

- Since the impact of climate change on tea yields is assessed as low, no metrics are disclosed. We will continue to monitor this risk and will develop a metric at such a time where the risk could be material.

Impact on flooding risk on Primark's third-party manufacturers

2022 assessment

Low 2030 Medium 2050

Scenarios assessed: Bangladesh RCP4.5 and RCP8.5; China RCP8.5

Assessment: Bangladesh (based on RCP4.5 and RCP8.5)
Bangladesh is exposed to both coastal and river flooding. The flood risk outcomes through to 2030 are minimal, but by 2050 there is a distinct increase.

China (based on RCP8.5)
The flood risk in China only changes minimally through to 2030 and 2050. Coastal flooding is projected at 1% in 2030 and less than 2% in 2050. River flooding is projected at less than 5% for 2030 and 2050. Primark has a large geographical spread of supplier factories which would require a large number of rivers and coastlines to flood simultaneously for there to be a material problem.

Mitigation
- The analysis shows that the majority of Primark's suppliers in Bangladesh are located in areas of Dhaka which are less susceptible to flooding.
- The local Dhaka community regularly deals with flooding and has adapted processes to mitigate its impacts.
- Ensuring a geographical spread of supplier factories across China.
- Primark's Sourcing Strategy has been in place for two years with a focus on geographical diversification, creating a more balanced global footprint and developing risk mitigation strategies to increase flexibility and agility when unexpected events occur.

2023 update

Metrics and targets
- Number of Primark supplier factories (China and Bangladesh) subject to high flood risk.

China
- 10.9% of factories face high ravine flood risk at baseline (2023)
- 2.9% of factories face high coastal flood risk at baseline (2023)

Bangladesh
- 10.2% of factories face high ravine flood risk at baseline (2023)
- 5.1% of factories face high coastal flood risk at baseline (2023)

Projects addressing physical risks

Structural Integrity Programme – Mott MacDonald flood pilot – Bangladesh

Primark has mobilised an engineering team under its Structural Integrity Programme to pilot an approach in Bangladesh to support supplier factories to mitigate flood risk. Primark has appointed Mott MacDonald to investigate flood risk associated with factories within Primark's supply chain that are deemed high risk. The programme seeks to understand the detailed risk to each site and how those supplier factories have taken appropriate measures to minimise the potential impact of flooding such as damage to property, plant and equipment and finished goods as well as protecting the wellbeing of factory workers.

Project impact
Primark will use the pilot to determine how to deploy wider activity within the existing Structural Integrity Programme. Progress in this area will be provided in next year's report. However, the overarching goal is to ensure factories have the right flood mitigation measures in place.

Impact of carbon pricing mechanisms on ABF Sugar

2022 assessment

Medium 2030

Scenarios assessed: International Energy Agency's Net Zero Emissions by 2050 Scenario, Sustainable Development Scenario and Stated Policies Scenario

Assessment
Incremental impact ranges from £0m to £48m in 2030. ABF Sugar has developed a plan to reduce Scope 1 and 2 emissions by 30% by 2030 (from a 2018 baseline), achieved through a series of fuel substitution and energy-efficiency programmes that generally have a return on investment above 15%. Beyond 2030, while some technologies exist, they are not yet commercially viable.

Mitigation
- ABF Sugar has a detailed plan to achieve its 30% absolute GHG reduction by 2030. Some 12% reduction has already been delivered versus its 2018 baseline.

2023 update

Metrics and targets
- A 30% absolute reduction in Scope 1 and 2 emissions by 2030 (from a 2018 baseline).

See also the transition plan on pages 64 and 65.

Projects addressing physical risks

Technology adoption

ABF Sugar is using SAI platform FSA to support assessing, improving and validating on-farm sustainability. This focuses on soil health, pest management and climate change.

Project impact
ABF Sugar is in the process of defining metrics to monitor the progress of this programme. It will align these metrics to the SAI regenerative agriculture framework.

Impact of carbon pricing mechanisms on Primark

2022 assessment

Medium 2030

Scenarios assessed: International Energy Agency's Net Zero Emissions by 2050 Scenario, Sustainable Development Scenario and Stated Policies Scenario

Assessment
Incremental impact ranges from £55m to £155m in 2030, driven by hypothetical carbon taxes on Scope 3 upstream emissions. Scope 1 and 2 make up less than 2% of Primark's total emissions. Primark's decarbonisation programme is managed as an integral part of the Primark Cares strategy with a road map to reduce absolute emissions by 50% by 2030 and mitigate potential exposure to increased carbon taxation. The plan focuses on Primark's top five sourcing markets and support to suppliers with implementing energy-efficient measures and making a switch to renewable sources.
The plan does not assume the purchase of offsets.

Mitigation
- Primark has a worked-up plan to achieve a significant reduction in supplier emissions by the end of the decade and is aligned with the UNFCCC Fashion Industry Charter goal of net zero emissions across all three Scopes by 2050.

2023 update

Metrics and targets
- A 50% absolute reduction in Scope 1, 2 and 3 emissions by 2030 from a 2018 baseline.

See also the transition plan on pages 66 and 67.

Transition plans

In line with the 2021 TCFD implementation guidance, this year we are disclosing transition plans for ABF Sugar and Primark. We have applied a materiality-based methodology as set out in the climate risk and opportunity section. ABF Sugar and Primark are currently our largest contributors to GHG emissions. Twinings will be included next year.

Whilst each business prepares and executes their own transition plans, the Board has overall accountability for the transition plan. Transition plans were reviewed by the Board in June. The Board reviews these plans to ensure they align and further the Group's transition to a low-carbon economy. The Board will receive an update annually on the status and execution of the transition plans with the transition plans being revised every three years, or sooner if a material event occurs.

ABF Sugar

ABF Sugar is committed to reducing absolute Scope 1 and 2 emissions by 30% from a 2018 baseline by 2030. ABF Sugar is undergoing a project to measure Scope 3 emissions. Once this is completed, they will be considered. This transition plan explains the activities ABF Sugar has planned to ensure that it can meet this commitment.

Governance

The ABF Sugar chief executive and local managing directors are responsible for overseeing climate-related risks, opportunities, overall strategy and transition plans. ABF Sugar holds regular meetings with the corporate centre which act as a forum for climate-related content, particularly updates on: climate commitments, transition plans, GHG reduction roadmaps and any additional risks or opportunities identified. The frequency of these meetings has increased in this first year of reporting on transition plans.

Climate related targets are included in the personal performance incentive assessment of senior management.

Risk management

The ABF Sugar chief executive and local managing directors are accountable for effective risk management. The process for identifying, assessing and managing climate-related risks is the same as for other risks and sits with the business where the risk resides. These individuals are also accountable for identifying, assessing and managing risks to delivering the transition plan.

Each business develops action plans to respond to relevant climate-related risks and opportunities. All plans and projects are subject to a well-established governance process within ABF Sugar that examines each performance improvement proposal against internal rate of return criteria and ESG factors. These plans are then approved by the local managing director and the chief executive of ABF Sugar.

Strategy, metrics and targets

ABF Sugar has categorised existing and new plans and projects into three timeframes:

1. Short term (present to 2025): Focus on improving efficiency and reducing operational GHG emissions; investing in energy efficiency with the aim of reducing energy consumption and eliminating coal.
2. Medium term (2026 to 2030): Targeting key sites and pairing them with key technological resources.
3. Long term (beyond 2030): Focusing on employing low-emission technologies, managing climate-related risks across the value-chain, and partnering to innovate at factories across the business.

There are assumptions on low-emission technologies for hydrocarbons and government regulations surrounding biogas that underpin these goals. The above short- and medium-term goals have been identified to achieve ABF Sugar's 2030 commitments.

These goals have been set in line with the Science Based Targets Initiative ('SBTi'). ABF Sugar's emissions reduction target will be validated by the SBTi throughout 2023, with the aim of completion before the end of the calendar year.

In alignment with the best practice, ABF Sugar will need to develop a strategy to neutralise residual emissions that will not be abated through emissions reductions initiatives in the future.

The progress of each project is monitored by a defined governance structure which aligns with the capital and performance improvement programme quarterly review. This is owned by the Head of Advocacy who monitors each project with appropriate metrics. Progress against the transition plan is also monitored as part of this process.

The selection and implementation process for these projects are included in ABF Sugar's financial planning process. Each selected project undergoes a formal capital expenditure process.

Some of the long-term projects are reliant on external factors. For example, development of hydrogen solutions will require significant government policy change and support. If this does not eventuate, ABF Sugar will have to reassess its long-term plans.

GHG improvement road map

Impact from today	Moving towards 2030	Beyond 2030
Plan and execute	**Develop projects and commercial relationships**	**Monitor the horizon**
Efficiency programmes	Hydrogen and carbon capture, usage and storage (Vivergo)	Hydrogen, carbon capture, usage and storage and negative carbon
Co-generation in Africa	EU biogas/biomass	General electrification
Tactical electrification		New sugar process technology
Feed drying		
Green cane harvesting		
Solar electricity		

Projects supporting carbon reduction to date

Since communicating its 2030 commitments, ABF Sugar has delivered a number of projects to support the transition to a low-carbon economy. These are a sample of the projects ABF Sugar has delivered, there is a larger number and carbon impact.

Project	Impact
Bury St Edmunds hot gas generator dryer (February 2019 – September 2021)*	Modifications made to dryers have allowed them to run on natural gas instead of coal, leading to a 1% decrease in carbon emissions (9,833 tCO_2e).
Newark decalcification (February 2018 – September 2022)*	Calcium was removed from thin juice to prevent evaporator scaling. This enables evaporators to operate more energy efficiently, leading to a 0.3% decrease in carbon emissions (3,302 tCO_2e).
Newark heater (October 2018 – September 2022)*	Several new heaters have facilitated improved heat transfer and improved energy performance, leading to a 0.2% decrease in carbon emissions (1,758 tCO_2e).
Wissington gas turbine performance recovery (July 2017 – September 2019)*	Gas turbine performance has been improved, leading to a 1% decrease in carbon emissions (10,407 tCO_2e).
Cantley process safety – heavy fuel oil elimination (September 2016 – September 2019)*	A switch from heavy fuel oil to natural gas at this site, leading to a 0.1% decrease in carbon emissions (1,422 tCO_2e).
Bury cossette quality improvement (March 2017 – September 2018)*	Slicer machines were replaced with newer models allowing for higher quality cossette and lower water usage leading in turn to less process water for sugar extraction and lower evaporation demand. This has led to a 2% decrease in carbon emissions (20,242 tCO_2e).

* All emission decreases are against the 2017/18 baseline.

All of the above projects were selected in alignment with ABF Sugar's short-term focus on energy reduction, energy efficiency and smaller fuel switching projects. These have included projects that enable the reduction of steam usage in the factory and fuel reduction in our animal feed dryers. By minimising our factories' energy demand in the near-term, this will enable ABF Sugar to deploy technological and larger fuel-switching projects in the medium- to long-term.

There is a strong pipeline of accretive GHG reduction projects. Each ABF Sugar business has its own environmental plan which has been categorised between short- and long-term.

Short term (present to 2025)

- **UK:** Projects focus on smaller factory energy efficiency/steam reduction, coal elimination and reduction of energy use for pulp drying.
- **Africa:** Projects focus on energy efficiency and coal elimination/reduction in South Africa and green cane harvesting.
- **Spain:** Projects focus on factory energy efficiency and automation as well as a specific project in Guadalete.

Medium and long term (2026 to 2050)

- **UK:** Projects focus on technological advancements for factory energy efficiency/steam reduction and alternate pulp drying technologies.
- **Africa:** Projects are aligned to those in the short term, but the technology is yet to be developed.
- **Spain:** Projects focus on alternative fuel projects, but current regulations present a challenge at this point in time.

ABF Sugar has reported an overall 24% reduction in absolute Scope 1 and 2 emissions for 2023 against 2018. Please refer to page 92 of the 2023 Responsibility Report for further detail. ABF Sugar is on track to achieve its carbon reduction goal of 30% absolute reduction by 2030.

Primark

Governance

The overall responsibility for the Primark transition plan lies with Primark's Chief Financial Officer. The Director of Primark Cares and Head of Environmental Sustainability work with the Chief Financial Officer to implement the plan.

Primark has established dedicated forums for the governance of its decarbonisation strategy (transition plan), which fall under the broader Primark Cares governance structure. In particular, these forums engage key stakeholders across the business, including board members, and cover related climate commitments, GHG emissions reduction roadmaps and any relevant risks or opportunities identified. For additional information, please refer to the Primark Sustainability and Ethics report, 'Governance' section.

Additional ad-hoc meetings with the corporate centre have been held in this first year of reporting on transition plans to ensure alignment across the Group.

Climate related targets are included in the personal performance incentive assessment of senior management.

Risk management

The Primark Chief Executive and Chief Financial Officer are accountable for effective management of physical and transition climate-related risks.

Last year the impact of climate risks and opportunities on Primark was assessed by the Group using scenario analysis. Primark has incorporated this analysis on transition risks into its own risk management process to ensure that no risks are omitted. Risks are identified and assessed through various means. Workshops with internal stakeholders are held focusing on the identification, assessment and management of climate and nature-related risks.

Strategy, metrics and targets

In 2021, Primark set an overarching objective to halve absolute carbon emissions across its value chain by 2030, from a base year of 2018. In defining a roadmap to realise this ambition, Primark has focussed on key priority areas across all emission scopes for the short term (up to 2025) and medium term (up to 2030).

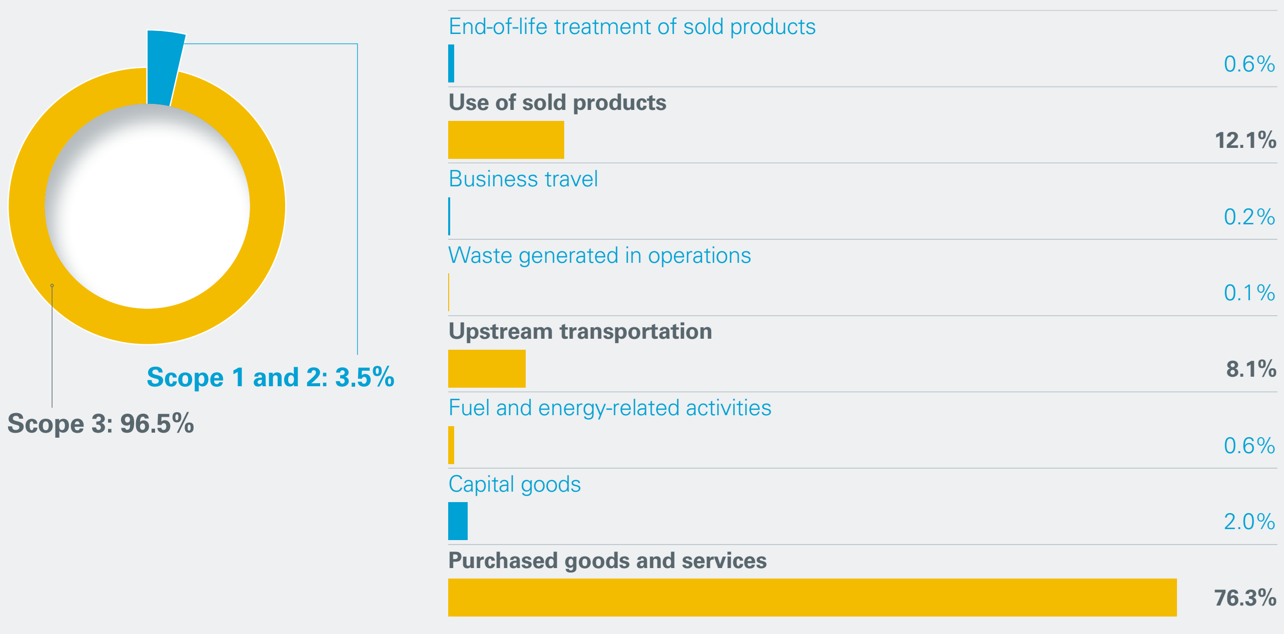
Short-term goals focus on maintaining current certifications, developing strategies for heat decarbonisation and energy efficiency. Medium-term goals focus on product-specific initiatives. Long-term goals are yet to be defined. Development of technology and innovations gaps in the market are constraints in defining long-term goals. We will evolve these goals as these needs are met and as the business evolves.

These goals have been set in line with the Science Based Targets Initiative ('SBTi'). Primark's emissions reduction target has been validated by the SBTi in 2023.

At present, Primark has not included residual emissions neutralisation ("carbon offsetting") in its transition planning. However, in alignment with industry standards, for its long-term ambition Primark will need to develop an approach to neutralising the residual emissions that will not be abated through its emissions reduction strategy.

Key priority areas for action were identified on the basis of the influence and materiality of emissions categories, assessed from the base year of 2018 (see the diagram below). These are Scope 1 and 2 emissions, where the business has stronger influence, and the most significant Scope 3 categories in terms of absolute emissions.

Primark's baseline emissions (2018)



Scope 1 and 2 emissions

Short term (present – 2025)

- Maintain ISO50001 certification for all stores, offices, and distribution centres.
- Develop appropriate regional pathways for heat decarbonisation in Primark properties.

Medium term (2026 – 2030)

- Reduce absolute Scope 1 and 2 GHG emissions by 50% by 2030, from a 2018/2019 baseline year.

Scope 3 emissions

Short term (present – 2025)

- Launch an energy efficiency programme, engaging and supporting suppliers' manufacturing facilities on energy demand reduction.
- Launch a renewable energy programme, engaging and supporting suppliers' manufacturing facilities on sourcing low carbon and renewable energy.
- Optimise inbound transport modes to balance emissions, cost, and time.
- Strengthen the durability of Primark's clothes by 2025.

Medium term (2026 – 2030)

- Develop all clothes to be recyclable by design by 2027.
- Develop all clothes from recycled or sustainably sourced materials by 2030.
- Further regenerative agricultural practices will be used in the Primark Sustainable Cotton Programme.
- Eliminate single-use plastics and all non-clothing waste by 2027.

The selection and implementation process for these projects are included in Primark's financial planning process. Each selected project undergoes a formal capital expenditure process where capital spend is involved.

Projects supporting carbon reduction to date

Since communicating its 2030 commitments in 2021, Primark has started several key projects focussed on the priority areas identified in the road map and using a pilot-learning-scale approach. Once at scale, these projects are expected to drive the bulk of Primark's decarbonisation as they tackle the most material value chain emissions categories.

Project	Impact
Renewable energy procurement (Late 2022 to present)	**Own operations:** Primark has signed renewable power contracts in seven countries, covering the UK and continental Europe. At the time of publishing this report, approximately 70% of stores were covered by a renewable or low-carbon electricity contract. However, as these contracts have come into operation at different times over the course of the year, their full benefit isn't seen in the Scope 2 emissions reporting. Continuing its progress in the renewable power market is a key priority for Primark in the next year, alongside addressing Scope 1 emissions from onsite heating. **Supply chain:** Primark has partnered with Ren Energy to help suppliers source and switch to energy from renewable sources.
Customer education (Late 2021 to present)	Influencing customers on how to use Primark's products is important to support the decarbonisation of its downstream value chain. Key behavioural drivers to emissions reductions include reducing the number of washes, avoiding tumble drying and keeping clothes in active use for longer. Primark's plan is to collaborate with customers and industry partners to advance our understanding and extend our sphere of influence. Over the last year, Primark has scaled its repair workshops further in the UK and Ireland, and introduced them in the Netherlands, Germany and France. To date, Primark has held 120 workshop sessions, offering more than 1,700 free places to customers and colleagues. To further maximise the reach of the repair workshops, Primark has created an online customer hub featuring easy-to-follow repair videos.
Energy efficiency improvements (early 2021 to present)	**Own operations:** Primark is scaling the roll-out of an energy bureau to enable remote management of energy and greater visibility of energy use to manage demand more effectively. At year end, this covered more than 179 locations across the UK at year end. It allows the business to maintain sustainable store condition in an energy efficient manner. Primark also launched a significant initiative to fit all stores with energy-efficient light fittings. Approximately 70% of Primark stores across eight markets are now powered by renewable or low-carbon electricity and 141 stores have switched to energy-efficient LED lighting. **Supply chain:** Building on the learning of small-scale energy and water efficiency pilot projects conducted over years in China using the Apparel Impact Institutes (Aii) Clean by Design (CBD), Primark has now scaled its energy efficiency programmes to engage 57 factories in Bangladesh, China and Cambodia. Suppliers involved learn about more energy efficient practices and receive support on data collected and analyse to create their own emissions reduction action plan, while improving manufacturing processes. These programmes create improvements in factory operations by delivering training, guidance and workshops.
Packaging Centre of Excellence (2019 to present)	Primark has set a target to remove all single-use plastic by 2027 and estimates it has already removed and/or avoided more than 1 billion units of single-use plastic from its business in 2019.

This year, there has been an overall increase of 11% in carbon emissions across the value chain against Primark's baseline year 2018/19. This is the result of an increased volume of material used to produce the products sold over that period. In the short term, this trend is likely to continue, but there will be a decline as Primark increases the use of more sustainably sourced materials across its product range and once the energy programmes being rolled out across the supply chain begin to deliver at scale.

Managing our risks

Our approach to risk management

The delivery of our strategic objectives and the sustainable growth and long-term shareholder value of our business is dependent on effective risk management. We regularly face business uncertainties and it is through a structured approach to risk management that we are able to mitigate and manage these risks and embrace opportunities when they arise. These disciplines remain effective as the global environment continues to be uncertain in the face of increasingly complex global economic, geopolitical and environmental challenges. As a result of these, together with ongoing inflationary pressures, cost-of-living remains a real issue for consumers across a number of the markets in which we operate.

The diversified nature of our operations, geographical reach, assets and currencies are important factors in mitigating the risk of a material threat to the Group's sustainable growth and long-term shareholder value. However, as with any business, risks and uncertainties are inherent in our business activities. These risks may have a financial, operational and reputational impact.

The Board is accountable for effective risk management, for agreeing the principal, including emerging risks facing the Group and ensuring these are successfully managed. The Board undertakes a robust annual assessment of the principal risks that would threaten the business model, future performance, solvency or liquidity. The Board also monitors the Group's exposure to risks as part of the business performance reviews at each Board meeting, providing the Board with an opportunity to discuss risk mitigation actions with divisional senior management.

Our decentralised business model empowers the management of our businesses to identify, evaluate and manage the risks they face, on a timely basis, to ensure each business's compliance with relevant legislation, our business principles and Group policies.

Our businesses perform risk assessments which consider materiality, risk controls and specific local risks that are relevant to the markets in which they operate. The collated risks from each business are shared with the respective divisional chief executives who present their divisional risks to the Group Executive.

Emerging risks are identified and considered at both a Group and business unit level, with key management being close to their markets and geographies. These risks are identified as part of the overall risk management process through a variety of horizon-scanning methods including: geopolitical insights; ongoing assessments of competitor activity and market factors; workshops and management meetings focused on risk identification; analysis of existing risks using industry knowledge and experience to understand how these risks may affect us in the future; and representation and participation in key industry associations.

The Group's Director of Financial Control receives the risk assessments on an annual basis and, with the Finance Director, reviews and challenges them with the divisional chief executives on an individual basis.

These discussions are wide-ranging and consider operational, environmental and other external risks. These risks and their impact on business performance are reported during the year and are considered as part of the monthly management review process.

Group functional heads including Legal, Treasury, Tax, IT, Pensions, HR, Procurement and Insurance also provide input to this process, sharing with the Director of Financial Control their view of key risks and what activities are in place or planned to mitigate them. A combination of these perspectives together with the business risk assessments creates a consolidated view of the Group's risk profile. A summary of these risk assessments is then shared and discussed with the Finance Director and Chief Executive at least annually.

The Director of Financial Control holds meetings with each of the non-executive directors seeking their feedback on the reviews performed and discussing the key risks, which include emerging risks, and mitigating activities identified through the risk assessment exercise. Once all non-executive directors have been consulted, a Board report is prepared summarising the full process and providing an assessment of the status of risk management across the Group. The key risks, mitigating controls and relevant policies are summarised and the Board confirms the Group's principal risks.

These are the risks which could prevent ABF from delivering our strategic objectives. This report also details when formal updates relating to the key risks will be provided to the Board throughout the year.

Key areas of focus this year

Effective risk management processes and internal controls

We continued to seek improvements in our risk management processes to ensure the quality and integrity of information and the ability to respond swiftly to direct risks. During the year, the Audit Committee on behalf of the Board conducted reviews on the effectiveness of the Group's risk management processes and internal controls in accordance with the 2018 UK Corporate Governance Code. Our approach to risk management and systems of internal control is in line with the recommendations in the Financial Reporting Council's (FRC) revised guidance 'Risk management, internal control and related financial and business reporting'.

The Board is satisfied that internal controls were properly maintained and that principal and emerging risks are being appropriately identified and managed.

Geopolitical uncertainty, Russia's ongoing war in Ukraine and the potential for escalation of the conflict in Gaza

The ongoing Russian war in Ukraine continues to drive economic uncertainty in almost all of the markets in which we operate.

Whilst during the year, we have seen a reduction in energy prices and sea freight costs, which are significant costs for ABF, the ongoing situation remains volatile and could result in supply chain disruption.

We remain cognisant of the significant impacts that would result from an escalation in the war in Ukraine, particularly if western governments' support for Ukraine were to waver.

Russia's suspension of the Ukraine grain export agreement in July 2023 could result in tensions and further inflation in the medium-term. Our management teams continue to work closely with suppliers to secure raw materials, maintain production and provide a reliable supply to our customers.

Escalation of recent events in Gaza could have further inflationary pressures, particularly on energy. In addition, there could potentially be wider implications for global logistics and supply chains.

Cost of living

Recent global financial data shows that several European economies in which we operate tipped into recession in recent months and a prolonged period of stagnation is a real possibility. This would increase consumer debt problems, resulting in increasing costs of living and putting additional strain on household budgets.

Whilst consumer spending has proven to be more resilient than anticipated at the start of the financial year, household budgets continue to face real pressures as a result of high inflation and interest rates and general economic uncertainty. This means that some consumers are having to make challenging and difficult choices in respect of what they spend and where they spend it.

We continue to offer safe, nutritious and affordable food and affordable, quality clothes to our customers. Primark's cost leadership position continues to be attractive to the customer. In the food businesses, there is an increasing demand for private label products.

All of our businesses have developed strategies considering the potential changes in both end consumer and our customer behaviours and demands, the implications for the business and where investment or changes to business models may be appropriate.

The medium-term impact on our businesses will depend on the extent of government intervention and the duration of any economic downturns.

Regulatory changes

Our businesses continue to face a large number of regulatory changes with ever increasing complexity and variations in requirements across the markets in which we operate. For example, the EU's Corporate Sustainability Reporting Directive (CSRD) requiring EU-incorporated companies and certain other companies with operations in the EU to publicly disclose and report on environmental, social affairs and governance issues, the new German Supply Chain Due Diligence Act (LkSG), and changes to data privacy laws.

The extent of change will have an impact on the capacity of management at a time when they are dealing with the ongoing challenges resulting from economic uncertainty, alongside the day-to-day growth of our businesses.

Environmental, Social and Governance

ABF has an ambition to continue to make food and clothes available and affordable and to achieve net zero by 2050 or sooner.

Environmental factors, including the potential implications of climate change within our businesses and their supply chains, are considered as part of the risk management framework and they also frame opportunities for our businesses. Our culture and values, and particularly our devolved decision-making model, empowers our teams to make the right judgements in assessing and mitigating risks related to climate change.

Where relevant, third-party experts have been engaged to perform scenario analyses and in-depth risk assessments which form the basis of strategies to mitigate the material risks.

Our local management teams have demonstrated their ability to respond quickly and make decisions that make sense to their businesses when extreme climate-related events occur. For example, in response to adverse weather conditions which resulted in significantly lower beet yields from the 2022/23 crop, British Sugar moved swiftly to secure alternative sources of supply. Similarly, our Africa sugar business, Illovo, has been significantly impacted by floods in Mozambique and Malawi, and is investing in a variety of irrigation and drainage projects to reduce the impact climate has on sugar yields.

Leaders across ABF are also empowered to implement responsible business practices to further reduce our negative impact on the environment, such as the sustainable use of natural resources, sourcing responsible packaging and our use of plastic, as well as reducing carbon emissions. Each of our businesses has prioritised resources to those environmental factors which are of greatest relevance and will make the greatest long-term difference.

The Board has overall responsibility for overseeing ESG factors across ABF. On a regular basis, the Board conducts a review of each of our business segments, including a review of significant ESG issues.

Divisional chief executives have responsibility and are accountable for their ESG programmes, as well as for risks, opportunities and impacts in their divisions. They can draw on support from the Corporate Responsibility Hub and the Director of Legal Services and Company Secretary, the CPPO as well as specialist legal advice from the team led by the Associate General Counsel for ESG. The leaders of our businesses are also challenged by the centre through detailed reviews of the Group's environmental performance, health and safety performance, and its diversity, equity and inclusion and workforce engagement programmes.

Our principal risks and uncertainties

The directors have carried out an assessment of the principal risks facing ABF, including emerging risks, that would threaten our business model, future performance, solvency or liquidity.

Outlined below are the Group's principal risks and uncertainties and the key mitigating activities in place to address them. These are the principal risks of the Group as a whole and are not in any order of priority.

ABF is exposed to a variety of other risks related to a range of issues such as human resources and the attraction, development and retention of people, community relations, the regulatory environment and competition. These are managed as part of the risk process and a number of these are referred to in our 2023 Responsibility Report. Here, we report the principal risks which we believe are likely to have the greatest current or near-term impact on our strategic and operational plans and reputation.

They are grouped into external risks, which may occur in the markets or environment in which we operate, and operational risks, which are related to internal activity linked to our own operations and internal controls.

The 'Changes since 2022' describe our experience and activity over the last year.

External risks

Operating in global markets

Context and potential impact
Associated British Foods operates in 55 countries with sales and supply chains in many more. For example, Primark has a complex supply chain, which is dependent on supplies from countries including China, Bangladesh, India and Turkey. We are therefore exposed to global market forces; fluctuations in national economies; societal unrest and geopolitical uncertainty; a range of consumer trends; evolving legislation; and changes made by our competitors.

The ongoing Russian war in Ukraine continues to drive economic uncertainty in almost all of the markets in which we operate.

Failure to recognise and respond to any of these factors could directly impact the profitability of our operations.

Entering new markets is a risk to any business.

Mitigation
Our approach to risk management incorporates potential short-term market volatility and evaluates longer-term socio-economic and political scenarios. The Group's financial control framework and Board-adopted tax and treasury policies require all businesses to comply fully with relevant local laws.

Provision is made for known issues based on management's interpretation of country-specific tax law, EU cases and investigations on tax rulings and their likely outcomes.

By their nature socio-political events are largely unpredictable. Nonetheless our businesses have detailed contingency plans which include site-level emergency responses and improved security for employees.

In the event of a major geo-political event that disrupts Primark's supply chain, in the short-term the risk would be partially mitigated as we have several weeks of stock in warehouses and relatively long lead times, whilst alternative sourcing strategies are implemented.

We engage with governments, local regulators and community organisations to contribute to, and anticipate, important changes in public policy. We conduct rigorous checks when entering or commencing business activities in new markets.

Our management teams continue to both monitor where products and raw materials are sourced from and work closely with suppliers to secure raw materials, maintain production and provide a reliable supply to our customers.

Changes since 2022
Whilst during the second half of the year, we have seen a reduction in energy prices and sea freight costs, which are significant costs for ABF, the ongoing war in Ukraine means that there is still a level of volatility in energy prices and a risk of further supply chain disruption. Russia's suspension of the Ukraine grain export agreement in July 2023 could result in further inflation in the medium term. An escalation of the recent hostilities in Gaza and the potential wider implications for the global economy are being closely monitored.

Recent global financial data shows that several European economies in which we operate tipped into recession in recent months and a prolonged period of stagnation is a real possibility. This would increase consumers' debt problems and put additional strain on household budgets.

Geopolitical tensions continue to arise in a number of countries in which we operate and this is having an impact on sourcing and supplier management. For example, Primark are working through a responsible exit plan in consultation with partners and stakeholders in Myanmar and globally, in line with the UN Guiding Principles on Business and Human Rights and the ACT (Action, Collaboration and Transformation Responsible Exit Guidelines). Since the announcement to stop sourcing from Myanmar, Primark has doubled the size of its ethical team in its remaining sourcing locations enabling an increased number of supplier factory audits.

High inflation continues to be a challenge for our yeast and bakery ingredients businesses based in Argentina and Turkey.

The impact of the COVID-19 pandemic on our businesses has been negligible in the past year, now that restrictions have largely been removed, particularly in China.

Fluctuations in commodity and energy prices

Context and potential impact
Changes in commodity and energy prices can have a material impact on the Group's operating results, asset values and cash flows.

Mitigation
The Group purchases a wide range of commodities in the ordinary course of business. We constantly monitor the markets in which we operate and manage certain exposures with exchange traded contracts and hedging instruments.

The commercial implications of commodity price movements are continuously assessed and, where appropriate, are reflected in the pricing of our products.

Changes since 2022
A number of our food and agriculture businesses have experienced increased input costs driven by the appreciation of energy and agricultural commodity prices in the financial year.

Energy prices, particularly in the first half of the year in UK and Europe, increased materially as a result of significant market uncertainty and supply concerns. Whilst wholesale energy prices have reduced from the peak, the market continues to experience levels of volatility. Businesses continue to manage commodity price risk under their existing risk management frameworks and, where appropriate, reflect this in pricing of products.

Increased
Unchanged
Decreased

Movement in exchange rates

Context and potential impact
Associated British Foods is a multinational Group with operations and transactions in many currencies.

Changes in exchange rates give rise to transactional exposures within the businesses and to translation exposures when the assets, liabilities and results of overseas entities are translated into sterling upon consolidation.

Mitigation
Our businesses constantly review their currency exposures and their hedging instruments and, where necessary, ensure appropriate actions are taken to manage the impact of currency movements.

Board-approved policies require businesses to hedge all transactional currency exposures and committed long-term supply or purchase contracts which are denominated in a foreign currency, using foreign exchange forward contracts. Cash balances and borrowings are largely maintained in the functional currency of the local operations.

Changes since 2022
On average, sterling has weakened against most of our trading currencies this year, resulting in an operating profit gain on translation of £17m.

Primark covers its currency exposure on purchases of merchandise denominated in foreign currencies at the time of placing orders, with an average tenor of Primark's hedging activity of between three and four months. There was a negative transactional effect from the appreciation of the US dollar exchange rate against both sterling and euro on Primark's largely dollar-denominated purchases for the year.

There has been a high level of volatility in sterling exchange rates against our major trading currencies during the financial year. This has been driven by the impacts and varying global responses to high inflation and increasing interest rates impacting economic growth output.

Health and nutrition

Context and potential impact
Failure to adapt to changing consumer health choices or to address nutrition concerns in the formulation of our products, related to consumer preferences or government public health policies, could result in a loss of consumer base and impact business performance. We have provided a detailed breakdown of our UK Grocery product portfolio in the context of nutrition within the ABF Responsibility Report.

Mitigation
All of our food businesses are individually responsible for managing their product portfolio. Consumer preferences, regulation and market trends are monitored continually. Recipes are regularly reviewed and, where technically feasible, are considered for reformulation to improve their overall nutritional value.

All of our grocery products are labelled with nutritional information, including in many cases front of pack nutrition labelling on our branded grocery products.

We actively consider consumer health in the context of brand development and merger and acquisition activity.

We invest in research with experts to improve our understanding of the science and societal trends. Both ABF UK Grocery and British Sugar support the charitable work of the British Nutrition Foundation to promote understanding of nutrition science in the context of healthy and sustainable diets.

Changes since 2022
Our Sugar and Grocery businesses have continued to focus on nutrition and health during the year to help consumers improve their diet.

Notable examples include AB World Foods, who have continued to roll out recipes with a reduction in fat, sugar and salt, and Jordans Dorset Ryvita who reduced the salt level in the Ryvita Thins range.

In addition to reformulating existing products, our businesses have launched a range of products with nutritional benefits including Dorset Cereals range of high in fibre, non-HFSS (high in fat, salt or sugar) porridges, Jordan's non-HFSS No Added Sugar Granola and Westmill's Elephant Rice Basmati Boost, the UK's first fortified basmati with thiamin and iron.

Operational risks

Workplace health and safety

Context and potential impact
Our operations have the potential for loss of life or workplace injuries to employees and contractors, both on-site and off-site, if the hazards and associated risks are not fully controlled.

Mitigation
Safety continues to be one of our main priorities. The chief executives of each business, who lead by example, are accountable for the safety performance of their business.

Our Health, Safety and Wellbeing Policy makes it very clear that we require the businesses to make improvements to safety year on year, and to make sure that we understand the hazards and risks of our activities and have in place appropriate controls.

We have an external independent safety audit programme to verify implementation of safety management and support a culture of continuous improvement.

Best practice safety guidance is shared across the businesses, coordinated from the corporate centre, to supplement the delivery of their own programmes.

This guidance addresses our critical risks of moving vehicle interactions, falls of people and materials from height, machinery safety, confined spaces, electrical safety and management of contractors, as well as addressing the more common, but less severe, injuries from manual handling and from slips and trips.

Changes since 2022
The safety performance of the Group is reported in the 2023 Responsibility Report at www.abf.co.uk/responsibility.

We are deeply saddened to report that in the year there were three work-related fatalities: two to employees, both on-site, and one to a contractor off-site. They occurred in Australia, Spain and Africa. Our businesses have conducted thorough root cause analyses, have implemented safety changes and communicated the findings to the other businesses.

This year just under £42m was invested in reducing the safety and health risks across a wide range of operational hazards.

Product safety and quality

Context and potential impact
As a leading food manufacturer and retailer, it is vital that we manage the safety and quality of our products throughout the supply chain.

Mitigation
Product safety is put before economic considerations.

We operate strict food safety and traceability policies within an organisational culture of hygiene and product safety to ensure consistently high standards in our operations and in the sourcing and handling of raw materials and garments.

Food quality and safety audits are conducted across all our manufacturing sites, by independent third parties and customers, and a due diligence programme is in place to ensure the safety of our retail products.

Our sites comply with international food safety and quality management standards and our businesses conduct regular mock product incident exercises.

All businesses set clear expectations of suppliers, with relevant third-party certification or other assessment a condition of doing business. Product testing and trials are undertaken as required and where bespoke raw materials are purchased, the businesses will work closely with the supplier to ensure quality parameters are suitably specified and understood.

All Primark's products are tested to, and must meet, stringent product safety specifications in line with and, in some instances above, legal requirements.

Primark continues to drive and improve product performance for quality and compliance purposes through its product approval processes, in-country inspection centres and management of its supply base.

Changes since 2022
We had no major product recalls during the year.
There have been a very small number of product recalls that have been managed and monitored as part of our normal course of business.

Businesses have continued to define and refine KPIs in this area.

Increased
Unchanged
Decreased

Breaches of IT and information security

Context and potential impact
To meet employee, customer, consumer and supplier needs, our IT infrastructure needs to be flexible, reliable and secure to allow us to interact through technology.

Our delivery of efficient and effective operations is enhanced using relevant technologies and the sharing of information. We are therefore subject to potential cyber-threats such as social engineering attacks, computer viruses and the loss or theft of data.

There is the potential for disruption to operations from data centre failures, IT malfunctions or external cyber-attacks.

Mitigation
There is an ongoing programme of investment in both technology and people to enhance the longevity of our IT environments for both on-site and remote working. This ongoing investment includes the control and protection of the IT and manufacturing environments being provided.

To support our employees in our campaign against phishing and social engineering attacks we have invested in cyber security solutions that prevent the majority of attacks from reaching our employees. We continue to educate through user awareness training programmes to help further reduce the likelihood of our employees falling victim to such attacks. We measure and report on these campaigns and training programmes regularly.

We have established Group IT security policies, technologies and processes, all of which are subject to regular internal audit.

Access to sensitive data is restricted and closely monitored.

Robust disaster recovery plans are in place for business-critical applications and are adequately tested.

Cyber incident response testing is done at all levels of the business to ensure we have adequate and effective processes to respond to a cyber incident.

Technical security controls are in place over key IT platforms with the Chief Information Security Officer tasked with identifying and responding to potential security risks.

Changes since 2022
As cybersecurity risks evolve, we continue to invest in our security capabilities at a Group level and across the businesses allowing us to more effectively detect, respond to and recover from disruptive cyber-threats.

We have improved and developed the existing disciplines to ensure that user devices and applications are regularly patched and upgraded to reflect emerging IT security threats.

During the year we have reviewed, tested and refined our cyber security ransomware response plan at the Group level.

We have developed an operational technology security strategy and policy to further protect our manufacturing and supply chain functions.

Due to the fast-paced growth of AI and its potential uses in our organisation, we created an AI policy and guidelines to support the adoption of this technology in a safe and secure manner.

Our supply chain and ethical business practices

Context and potential impact
We have a global diverse business with complex supply chains most of which depend on agriculture and manufacturing.

The most critical risks in our supply chain are:

- transparency of the source of raw materials and manufacturing locations in our supply chains;
- the vulnerability of workers; and
- ensuring we have the leverage and consistency in our approach to due diligence to prevent, avoid or mitigate negative social and environmental impacts that may arise.

Mitigation
ABF's Supplier Code of Conduct, which all businesses are required to implement, is based on the International Labour Organization's (ILO) standards as well as the Ethical Trading Initiative's Base Code. We have developed online training modules to facilitate both internal awareness across the Group and to support knowledge of our approach and expectations amongst our suppliers.

Primark is a member of the Ethical Trading Initiative and is also recognised for its Ethical Trade and Environmental Sustainability programme. Its approach to due diligence is explained in its Supply Chain Human Rights Policy.

Our UK Grocery businesses monitor their supply chains and engage suppliers through the use of the Sedex (Supplier Ethical Data Exchange) online database.

Many of our businesses monitor their risks through social audits carried out by internal teams or third parties. For example, Primark's Ethical Trade auditing and monitoring programme is one of the most important resources for identifying risks.

Our businesses work to understand the issues specific to the workers within their respective supply chains and where appropriate the communities in which they reside. For example, Twinings uses a comprehensive Community Needs Assessment Framework, developed in consultation with expert external stakeholders. In addition to labour rights, this framework covers housing, water and sanitation, health and nutrition, land, gender and children's rights, farming practices and more.

Some of our businesses – including Primark, Twinings and ABF Sugar – publish global sourcing maps and provide information about their processes, progress and challenges through corporate reports, websites, stakeholder engagement activities and submissions to benchmarks. This helps our understanding of human rights risks and, where necessary, supports collaboration both locally and across our sectors.

Our supply chain and ethical business practices *continued*

In line with our Group Code of Conduct, our businesses prohibit all forms of modern slavery, including forced labour and human trafficking. For more information, see our Group Modern Slavery Statement 2023.

Changes since 2022

Our Modern Slavery Statement 2023, together with the businesses' due diligence activities across our supply chains, are reported on our website and in the 2023 Responsibility Report at www.abf.co.uk/responsibility.

In November 2022, the EU formally adopted the Corporate Sustainability Reporting Directive (CSRD) requiring companies operating in the EU to publicly disclose and report on environmental, social affairs and governance issues. Through the established ESG Steering Committee, the Group has a number of activities to prepare for the inception of the CSRD reporting requirements, including the European Sustainability Reporting Standards (ESRSs) and the EU Taxonomy.

As result of the Directive certain EU companies within the Group will be required to publish mandatory sustainability information from 2025/26 onwards. From 2028/29 reporting under the CSRD will also need to cover the rest of the Group. The exact format and scope of reporting will depend upon transposition of EU law into the national laws of EU member states (which is due by July 2024) and on any equivalence arrangements put in place with the UK

Our UK Grocery division has established a central capability for monitoring and reporting upon supplier Self-Assessment Questionnaire (SAQ) completion, as well as the status of non-conformances identified within supplier audit reports. In addition, we have appointed an India-based corporate responsibility specialist to support Westmill Foods and AB World Foods to engage and support third-party businesses in their supply chains.

Our use of natural resources and managing our environmental impact

Context and potential impact

We are reliant on a range of natural resources to deliver our products, and new processes and technologies have enabled us to become highly efficient at maximising the value that we can derive from them. Overall, our material environmental impacts come from: fuel and energy use; agricultural operations giving rise to GHG emissions; use of land related to agricultural operations; the abstraction and management of water and wastewater especially in water-stressed areas; and waste which is not yet eliminated at source, reused or recycled, including single-use plastics.

In addition to GHG emissions, our operations generate a range of other environmental impacts related to wastewater and waste which, if not controlled, could pose a risk to the environment and local communities, potentially creating risk to our licence to operate and resulting in additional costs.

Across countries where ABF businesses operate, there is increased regulatory scrutiny and ESG reporting requirements that we must meet. Remaining compliant with these requirements and being able to report accurate and robust data on our environmental impact, is a priority for the Group and to our businesses.

Mitigation

We recognise our role in transitioning to a low-carbon economy. We are targeting reductions in our GHG emissions through carbon reduction plans, energy efficiency and growing our use of renewable energy.

We continuously seek ways to improve the efficiency of our operations, using technologies and techniques to reduce our use of natural resources and minimise waste and the subsequent impact on the environment. We are also increasing our focus on capturing this data and being able to report in line with regulatory requirements.

We support the adoption of integrated farm management techniques and the responsible use of precision science and technology to maximise efficiency, reduce GHG emissions and limit biodiversity losses while maintaining commercially productive agricultural outputs.

Water is an essential input for clothing and food production. We remain aware that it is a valuable resource and our businesses aim to reduce the amount of water they abstract, to reuse process water as much as possible and to return treated wastewater to nature, having ensured it meets or exceeds local and national water standards, and protect aquatic ecosystems.

Changes since 2022

The environmental performance of the Group is reported in the 2023 Responsibility Report and in our CDP submissions which can be found on the ABF website at www.abf.co.uk/responsibility.

The impact of climate change and natural disasters on our operations

Context and potential impact

Our businesses and their supply chains rely on a secure supply of finite natural resources, some of which are vulnerable to external factors such as natural disasters and climate change. Climate change continues to represent a material risk throughout our supply chains and poses challenges to some of our businesses. Many of our businesses rely on agricultural crops with complex supply chains. Long-term climate change will impact agricultural crops and workers while extreme weather events have the potential to cause disruption to supply chains and operations.

For example, extreme adverse weather conditions in the UK resulted in significantly lower beet yields from the 2022/23 crop; British Sugar therefore moved swiftly to secure alternative sources of supply.

Also, our Mozambique operation was seriously impacted by severe flooding which resulted in the destruction of over 98% of the sugar cane crop.

In our assessment of climate-related business risks we recognise that the cumulative impacts of changes in weather and water availability could affect our operations at a Group level. However, the diversified and devolved nature of the Group means that mitigation or adaptation strategies are considered and implemented by the individual businesses.

Some of our businesses have continued to work with third-party experts to understand climate-related risks and opportunities. The most significant and material risks are incorporated into the business risk registers.

Mitigation

Determining the potential medium- to long-term impact of climate risks and opportunities is challenging as the impacts of climate change and governments' responses to its threats are uncertain.

Our climate-related scenario analysis has identified business-specific actions which are being overseen by the relevant businesses. Further information on our material climate-related risk mitigation activities is provided in the TCFD report on pages 56 to 67.

Changes since 2022

Last year we met the requirements of Listing Rule 9.8.6R with TCFD disclosures in line with the 2017 TCFD framework. This year this has been expanded to include the 2021 implementation guidance by including the transition plans for ABF Sugar and Primark as they contribute most significantly to adjusted operating profit and total reported GHG emissions.

Over the past year, our businesses have continued to implement specific projects which aim to reduce the impact of climate change and natural disasters on our businesses including:

- Illovo Sugar is implementing a variety of irrigation and drainage projects across its African businesses; and
- Primark is mobilising a specialist engineering team to support the development of a pilot approach in Bangladesh to support supplier factories to assess and mitigate flood risk.

For details on the scenario analysis, transition plans, and our risk management and materiality assessment approach, refer to the 2023 TCFD report and 2023 Responsibility Report.

↑ Increased
→ Unchanged
↓ Decreased

Viability statement and going concern

Viability statement

The directors have determined that the most appropriate period over which to assess the Company's viability, in accordance with the 2018 UK Corporate Governance Code, is three years. This is consistent with the Group's business model which devolves operational decision making to the businesses. Each business sets a strategic planning time horizon appropriate to its activities which are typically of a three to five year duration. The directors also considered the diverse nature of the Group's activities and the degree to which the businesses change and evolve in the relatively short term.

The directors considered the Group's profitability, cash flows and key financial ratios over this period and the potential impact that the Principal Risks and Uncertainties set out on pages 68 to 75 could have on future performance, solvency or liquidity of the Group and its resilience to threats to its viability posed by severe but plausible scenarios. Building on the analysis performed as part of the going concern review, sensitivity analysis was applied to these metrics and the projected cash flows were stress tested against a range of scenarios.

The directors considered the level of performance that would cause the Group to exhaust its available liquidity, the financial implications of making any strategic acquisitions and a variety of additional potentially adverse factors including long-term reputational damage, macroeconomic influences such as fluctuations in commodity markets and climate-related business risks. Specific consideration has been given to the potential ongoing risks associated with the outlook for a potential global recession, reducing demand for goods in both the food businesses and Primark, and continuing inflationary cost pressures. The impact of potential mitigating actions under the Group's control were also considered in this analysis.

The Board's treasury policies are in place to maintain a strong capital base and manage the Group's balance sheet and liquidity to ensure long-term financial stability. These policies are the basis for investor, creditor and market confidence and enable the successful development of the business. The financial leverage policy requires that, in the ordinary course of business, the Board prefers to see the Group's ratio of net debt including lease liabilities to adjusted EBITDA to be well under 1.5x. At the end of this financial year, the financial leverage ratio was 1.0x and the Group had total cash of £1.5bn and an undrawn committed Revolving Credit Facility of £1.5bn.

In March 2023, S&P Global Ratings reaffirmed their assignment to the Group of an 'A' grade long-term issuer credit rating. The Group's funding basis is supported by the existing £400m public bond due in 2034. Furthermore the Group's committed Revolving Credit Facility is free of performance covenants and matures in 2028, with one 1-year extension option remaining (after the first was utilised during the year).

The Group is highly diversified operating in 55 countries in different markets, sectors, customer groups, geographies and products. While the principal risks considered all have the potential to affect future performance, none of them are considered individually or collectively to threaten the viability of the Company for the period of the assessment.

The Group has a track record of delivering strong cash flows, with in excess of £1bn of operating cash being generated in each of the last ten years. This has been more than sufficient to meet not only our ongoing financing obligations but also to fund the Group's expansionary capital investment.

Even in a worst-case scenario, with risks modelled to materialise simultaneously and for a sustained period, the possibility of the Group having insufficient resources to meet its financial obligations is considered remote. Based on this assessment, the directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 12 September 2026.

Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

The forecast for the going concern assessment period to 1 March 2025 has been updated for the business's latest trading in October and is the best estimate of cashflow in the period. Having reviewed this forecast and having applied a downside sensitivity analysis and performed a reverse stress test, the directors consider it a remote possibility that the financial headroom could be exhausted.

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In reviewing the cash flow forecast for the period, the directors reviewed the trading for both Primark and the food businesses in light of the experience gained from events of the last three years of trading and emerging trading patterns. The directors have a thorough understanding of the risks, sensitivities and judgements included in these elements of the cash flow forecast and have a high degree of confidence in these cash flows.

As a downside scenario the directors considered the adverse scenario in which inflationary costs are not fully recovered, there are adverse foreign exchange impacts and there is a global recession, reducing demand for goods further than the base levels forecast. This downside scenario was modelled without taking any mitigating actions within their control. Under this downside scenario the Group forecasts liquidity throughout the period.

In addition, the directors also considered the circumstances which would be needed to exhaust the Group's total liquidity over the assessment period – a reverse stress test. This indicates that, on top of the downside scenario outlined above, cost inflation would need to exceed £1.9bn without any price increases or other mitigating actions being taken before total liquidity is exhausted. The likelihood of these circumstances is considered remote for two reasons. Firstly, over such a period, management could take substantial mitigating actions, such as reviewing pricing, taking cost cutting measures and reducing capital investment. Secondly, the Group has significant business and asset diversification and would be able to, if it were necessary, dispose of assets and/or businesses to raise considerable levels of funds.

The Strategic Report was approved by the Board and signed on its behalf

Michael McLintock
Chairman

George Weston
Chief Executive

Eoin Tonge
Finance Director