

Audit Committee Report



Loraine Woodhouse
Audit Committee Chair

Members

At the date of this report, the members and Chair of the Audit Committee are as follows:

- Loraine Woodhouse (Chair)
- Graham Allan
- Kumsal Bayazit Besson
- Annie Murphy
- Dame Heather Rabbatts

All members served on the Committee throughout the year with the exception of Loraine Woodhouse, who was appointed to the Audit Committee on 1 October 2024.

Loraine Woodhouse took up the role of Chair of the Audit Committee on 24 April 2025, with Richard Reid having stepped down from that role having reached nine years as a Non-Executive Director.

Meetings

The Committee met four times in the year under review. The Committee's agenda is linked to events in the Group's financial calendar.

Primary responsibilities

In accordance with its terms of reference updated in October 2025, the Audit Committee's primary responsibilities include:

Financial reporting

- monitoring the integrity of the Group's financial statements and any formal announcements relating to the Company's performance; in particular, reviewing significant financial reporting issues and judgements contained in them before their submission to the Board;
- informing the Board of the outcome of the Group's external audit and explaining how it contributed to the integrity of financial reporting;

- reviewing and challenging, where necessary, the consistency of, and changes to, accounting, tax and treasury policies; whether the Group has correctly followed accounting policies and made appropriate estimates and judgements; the clarity and completeness of disclosure; significant adjustments resulting from the audit; and compliance with accounting standards;

Narrative reporting

- reviewing the content of the Annual Report and advising the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- assisting in relation to the Board's robust assessment of the principal and emerging risks facing the Company (including cyber, environmental and climate risks); how these are being identified, managed and mitigated; and the prospects of the Company for the purposes of disclosures required in the Annual Report;
- reviewing and approving statements to be included in the Annual Report concerning the going concern statement and viability statement;

Assessment of control effectiveness

- reviewing the effectiveness of the Group's internal financial controls and internal control and risk management systems (including the systems to identify, manage and monitor financial and non-financial risks);

Whistleblowing and fraud

- reviewing and reporting to the Board on the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible improprieties in financial reporting, financial and management accounting, or any other matters. The objective is to ensure that arrangements are in place for the proportionate and independent investigation of such matters and appropriate follow-up action;
- reviewing the Group's policies, procedures and controls for preventing and detecting fraud, preventing bribery, identifying money laundering, and ensuring compliance with legal and regulatory requirements;

Internal audit

- monitoring, reviewing and assessing the effectiveness and independence of the Group's internal audit function in the context of the Group's overall risk management system;
- considering and approving the remit of the internal audit function, ensuring it has adequate resources and appropriate access to information to enable it to perform its function effectively; and

External audit

- overseeing the relationship with the Group's external auditor, including considering when the external audit contract should be put out to tender (adhering to any legal requirements for tendering or rotation), reviewing and monitoring the external auditor's independence and objectivity, agreeing the scope of their work and fees paid to them for audit, assessing the effectiveness of the audit process, and agreeing the policy in relation to the provision of non-audit services and approving those services where appropriate.

Governance

The Audit Committee comprises a minimum of three members, all of whom are independent non-executive directors of the Company. Two members constitute a quorum.

The Committee Chair fulfilled the requirement that there must be at least one member with recent and relevant financial experience and competence in accounting or auditing (or both) during the year. In addition, the Committee as a whole has competence relevant to the sectors in which the Group operates. All Committee members are expected to be financially literate and to have an understanding of the following areas:

- the principles of, and developments in, financial reporting including the applicable accounting standards;
- key aspects of the Company's operations including corporate policies and the Group's internal control environment;
- matters which may influence the presentation of accounts and key figures;
- the principles of, and developments in, company law and other relevant corporate legislation;
- the role of internal and external auditing and risk management;
- sustainability reporting; and
- the regulatory framework for the Group's businesses.

The Committee invites the other non-executive directors, Chief Executive, Finance Director, Group Financial Controller, Director of Financial Control and senior representatives of the external auditor to attend its meetings in full, although it reserves the right to request any of these individuals to withdraw. Other senior managers are invited to present such reports as are required for the Committee to discharge its duties.

During the year, the Committee held meetings with the external auditor without any executive members of the Board being present.

The Committee has unrestricted access to Company documents and information, as well as to employees of the Company and the external auditor.

The Committee may take independent professional advice on any matters covered by its terms of reference at the Company's expense.

The Committee Chair reports the outcome of meetings to the Board (to the extent that any Board members were not in attendance at the relevant meeting).

The performance of the Audit Committee was considered as part of the 2025 internal Board performance review carried out during the financial year. This found that the Committee continued to discharge its responsibilities effectively and noted the desire to continue to emphasise a transparent and open debate on risk.

The terms of reference of the Audit Committee can be viewed on the Investors section of the Company's website: www.abf.co.uk.

The Committee advises the Board to enable it to meet its responsibilities under audit, risk and internal control.

Board responsibilities on audit, risk and internal control

The Board recognises that its responsibility to present a fair, balanced and understandable assessment extends to interim and other price-sensitive public reports, reports to regulators, and information required to be presented by statutory requests.

The directors confirm that they consider that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Company produced a paper in this respect, prepared by the Group Financial Controller, containing an assessment of the Annual Report and financial statements, including a summary by division of performance issues in the year and one-off items. This paper was presented to the Audit Committee.

Risk management and internal control

The Board acknowledges its overall responsibility for monitoring the Group's risk management and internal control systems to facilitate the identification, assessment and management of risk and the protection of shareholders' investments and the Group's assets.

The directors confirm that there is a process for identifying, evaluating and managing the risks faced by the Group and the operational effectiveness of the related controls, which has been in place for the year under review and up to the date of approval of the Annual Report. The directors also confirm that they have regularly monitored the effectiveness of the risk management and internal control systems (which cover all material controls including financial, operational and compliance controls) utilising the review process set out below.

Standards

There are guidelines on the minimum groupwide requirements for health and safety and environmental standards. There are also guidelines on the minimum level of internal control that each of the divisions should exercise over specified processes. Each business has developed and documented policies and procedures to comply with the minimum control standards established, including procedures for monitoring compliance and taking corrective action. In order to assess the effectiveness of the Group's internal controls, the board of each business is required to confirm twice yearly that it has complied with these policies and procedures.

High-level controls

All businesses prepare annual operating plans and budgets which are updated regularly. Performance against budget is monitored at business unit level and centrally, with variances being reported promptly. The cash position at Group and business level is monitored constantly and variances from expected levels are investigated thoroughly. Clearly defined guidelines have been established for capital expenditure and investment decisions. These include the preparation of budgets, appraisal and review procedures and delegated authority levels.

Financial reporting

Detailed management accounts are prepared every four weeks, consolidated in a single system and reviewed by senior management and the Board.

They include a comprehensive set of financial reports and KPIs covering commercial and operational issues. Performance against budgets and forecasts is discussed regularly at Board meetings and at meetings between operational and Group management. The adequacy and suitability of KPIs are reviewed regularly. All chief executives and finance directors of the Group's operations are asked to sign an annual confirmation that their business has complied with the Group Accounting Manual in the preparation of consolidated financial statements and specifically to confirm the adequacy and accuracy of accounting provisions.

Internal audit

The Group's internal audit activities are co-ordinated centrally by the Director of Financial Control, who is accountable to the Audit Committee.

Our internal audit team adopts a risk-based approach to develop and deliver a balanced internal audit plan that provides assurance over our businesses' key risks and related controls. Where issues are identified, action plans to make any necessary control improvements are agreed with business leaders.

All Group businesses are required to comply with the Group's Financial Control Framework which sets out minimum control standards. Our internal audit plans are designed to include coverage of financial controls to provide assurance over how our businesses meet the requirements of the Financial Control Framework.

Assessment of principal risks

The directors confirm that, during the year, the Board has carried out a robust assessment of the principal and emerging risks facing the Group, including those that could threaten its business model, future performance, and solvency or liquidity. A description of these principal and emerging risks and how they are being managed and mitigated is set out on pages 81 to 90.

Annual review of the effectiveness of the systems of risk management and internal control

During the year, the Board reviewed the effectiveness of the Group's systems of risk management and internal control processes embracing all material systems, including financial, operational and compliance controls, to ensure that they remain robust. The review covered the financial year to 13 September 2025 and monitored for any material changes up to the date of approval of this Annual Report. The review included:

- the annual risk management review, a comprehensive process identifying the key external and operational risks facing the Group and the controls and activities in place to mitigate them, the findings of which are discussed with each member of the Board individually (refer to the risk management section on pages 81 to 90 for details of the process undertaken); and
- the annual assessment of internal control, which, following consideration by the Audit Committee, provided assurance to the Board around the control environment and processes in place around the Group, specifically those relating to internal financial control.

The Board evaluated the effectiveness of management's processes for monitoring and reviewing risk management and internal control. No significant deficiencies were identified by the review and the Board is satisfied that, where areas of improvement were identified, processes are in place to ensure that remedial action is taken and progress monitored.

The Board confirmed that it was satisfied with the outcome of the review of the effectiveness of the systems and processes and that they complied with the requirements of the 2018 Code. See page 82 regarding our preparations for reporting under the UK Corporate Governance Code 2024, including provision 29. This includes formalisation of divisional management reporting on the effectiveness of key controls to mitigate material risks and expansion of our internal assurance programme.

Going concern and viability

The 2018 Code requires the directors to assess and report on the prospects of the Group over a longer period. This longer-term viability statement and statement of going concern is set out on page 91.

Audit Committee activities during the year

In order to fulfil its terms of reference, the Audit Committee receives and reviews presentations and reports from the Group's senior management, consulting as necessary with the external auditor.

In April 2025, the Company received a letter from the FRC in respect of its review of the Company's Annual Report for the period ended 14 September 2024. The letter confirmed there were no matters that required a formal response but did detail some areas of disclosure improvement that have been taken into consideration in this year's Annual Report. The Audit Committee reviewed and discussed the disclosure changes made as a result of the matters raised.

The Audit Committee also noted that the FRC's review provided no assurance that the 2024 Annual Report was correct in all material respects and that the letter was written on the basis that the FRC accepts no liability for reliance on it by the Company or any third party, including but not limited to investors and shareholders.

Monitoring the integrity of reported financial information

Ensuring the integrity of the financial statements and associated announcements is a fundamental responsibility of the Audit Committee.

During the year it formally reviewed the Group's interim and annual reports.

These reviews considered:

- the description of performance in the Annual Report to ensure it was fair, balanced and understandable;
- the accounting principles, policies and practices adopted in the Group's financial statements, any proposed changes to them, and the adequacy of their disclosure;
- important accounting issues or areas of complexity, the actions, estimates and judgements of management in relation to financial reporting and, in particular, the assumptions underlying the going concern and viability statements;
- any significant adjustments arising from the audit; and
- the Assessment of Controls Effectiveness ('ACE') programme.

The Audit Committee also considered:

- reporting in line with the Task Force on Climate-related Financial Disclosures ('TCFD') and the Companies Act 2006 climate-related disclosure requirements;
- tax contingencies, compliance with statutory tax obligations and the Group's tax policy;
- the Group's treasury policy; and
- the Group's strategy in relation to technology investment and cybersecurity.

Significant accounting issues considered by the Audit Committee in relation to the Group's financial statements

A key responsibility of the Committee is to consider the significant areas of complexity, management judgement and estimation that have been applied in the preparation of the financial statements.

The Committee has, with support from Ernst & Young LLP ('EY') as external auditor, reviewed the suitability of the accounting policies which have been adopted and whether management has made appropriate estimates and judgements.

Set out below are the significant areas of accounting judgement or management estimation and a description of how the Committee concluded that such judgements and estimates were appropriate. These are divided between those that could have a material impact on the financial statements and those that are less likely to have a material impact but nevertheless, by their nature, required a degree of estimation.

In the course of its work, the Committee has invited challenge from EY and has also made sure that it understands where EY has challenged management.

Areas of significant accounting judgement and estimation material to the Group financial statements

Impairment of goodwill, intangibles, property, plant and equipment, investment properties and right-of-use assets

Assessment for impairment involves comparing the book value of an asset with its recoverable amount, being the higher of value in use and fair value less costs of disposal. Value in use is determined with reference to projected future cash flows discounted at an appropriate rate. Both the cash flows and the discount rate involve a significant degree of estimation uncertainty.

Audit Committee assurance

The Committee considered the reasonableness of cash flow projections which were based on the most recent budget approved by the Board and reflected management's expectations of sales growth, operating costs and margins based on past experience and external sources of information. The Committee focused on Azucarera, Vivergo, SPI, AB Agri and Jordans Dorset Ryvita.

The Committee reviewed and challenged the key assumptions made in deriving these projections. Long-term growth rates for periods not covered by the annual budget were challenged to ensure that they were appropriate for the products, industries and countries in which the relevant cash-generating units operate. The Committee was satisfied that the discount rate assumptions appropriately reflected current market assessments of the time value of money and the risks associated with the particular assets. The Committee also reviewed and challenged the key assumptions made where recoverable amount was determined on the basis of fair value less costs of disposal. Certain impairment charges such as those related to restructuring activity in Ryvita were event driven and calculated on the basis of the absence of future cash inflows or agreed sale amounts for assets to be disposed.

On the basis of the key assumptions and associated sensitivities, where relevant, it is considered that the charges of £119m in Azucarera, £6m in Vivergo and £25m in Jordans Dorset Ryvita, and details of the impairment assessment of goodwill balances were appropriately recognised and disclosed as detailed in notes 8 and 9.

Viability statement and going concern

The Board considered future performance and cash flows in its going concern assessment, through to March 2027, and its viability statement over the next three years.

Management has undertaken a detailed financial modelling exercise that has considered the impact on profit, cash and working capital of a number of potential scenarios.

The Committee has reviewed and challenged the scenarios considered by management and concluded that these, and the stress-testing scenarios and assumptions, were appropriate and adequate.

The Committee has reviewed the detailed cash flow forecasts, which incorporate the mitigating actions proposed by management. The Committee also reviewed and challenged the reverse stress test assumptions to confirm the viability of the Group.

The Committee has been kept informed of the impacts of commodity price pressures on the Group, in particular in Sugar, the impact of tariff changes as well as accounting matters, going concern and viability considerations. The Committee has satisfied itself that management has adequately identified and considered all potentially significant accounting and disclosure matters.

Areas of significant accounting judgement and estimation material to the Group financial statements

Post-retirement benefits

Valuation of the Group's pension schemes and post-retirement medical benefit schemes require various subjective judgements to be made including mortality assumptions, discount rates, general and salary inflation, and the rate of increase for pensions in payment and those in deferment.

Audit Committee assurance

Actuarial valuations of the Group's pension scheme obligations are undertaken every three years in the UK by an independent qualified actuary who also provides advice to management on the assumptions to be used in preparing the accounting valuations each year. Actuarial valuations in other jurisdictions are performed as required. Details of the assumptions made in the current and previous year are disclosed in note 13 of the financial statements together with the basis on which those assumptions have been made.

The Committee reviewed the assumptions by comparison with externally derived data and also considered the adequacy of disclosures in respect of the sensitivity of the surplus to changes in these key assumptions.

Other accounting areas requiring management judgement or estimation

Taxation

Current and deferred tax recognised in the financial statements is dependent on subjective judgements as to the outcome of decisions by tax authorities in various jurisdictions around the world and the ability of the Group to use tax losses within the time limits imposed by various tax authorities.

Audit Committee assurance

The Committee reviews the Group's tax policy and principles for managing tax risks annually.

The Committee reviewed and challenged the tax liabilities recorded, the contingent liabilities and the deferred tax assets disclosed at the balance sheet date and management confirmed that any liabilities recorded or disclosed represent their best estimate of the financial exposure faced by the Group.

The Committee discussed with both management and the external auditor the key judgements which had been made. The Committee was satisfied that the judgements were reasonable and that, accordingly, the amounts recorded were appropriate.

Misstatements

Management reported to the Committee that they were not aware of any material or immaterial misstatements made intentionally to achieve a particular presentation. The external auditor reported to the Committee the misstatements that they had found in the course of their work. After due consideration the Committee concurred with management that these misstatements were not material and that no adjustments were required.

Internal financial control and risk management

The Committee is required to assist the Board to fulfil its responsibilities relating to the adequacy and effectiveness of the control environment, controls over financial reporting and the Group's compliance with the 2018 Code. To fulfil these duties, the Committee (or the Board as a whole) reviewed:

- the external auditors' summary of management letters and their Audit Committee reports, including their assessment of each division's control environment and people;
- internal audit findings on key audit areas and any significant deficiencies in the financial control environment;
- reports on the systems of internal financial control and risk management, including the preparatory work for additional control reviews under the Group's ACE programme;
- as part of internal audit reports, a high-level assessment of the adequacy of business continuity plans in place in the Group's businesses;
- reports on fraud perpetrated against the Group;
- the Group's approach to anti-bribery, corruption and whistleblowing; and
- the Group's approach to IT and cybersecurity.

Internal audit

The Group's businesses employ internal auditors (both employees and resources provided by major accounting firms other than the firm involved in the audit of the Group) with skills and experience relevant to the operation of each business. All of the internal audit activities are co-ordinated centrally by the Director of Financial Control, who is accountable to the Audit Committee.

The Audit Committee is required to assist the Board in fulfilling its responsibilities for ensuring the capability of the internal audit function and the adequacy of its resourcing and plans.

The Audit Committee receives regular reports on the results of internal audit's work and monitors the status of recommendations arising. The Committee reviews annually the adequacy, qualifications and experience of the Group's internal audit resources and the nature and scope of internal audit activity in the overall context of the Group's risk management system.

To fulfil its duties, the Committee reviewed:

- internal audit's reporting lines and access to the Committee and all members of the Board;
- internal audit's plans and its achievement of the planned activity;
- the results of key audits and other significant findings, the adequacy of management's response and the timeliness of their resolution; and
- changes in internal audit personnel to ensure appropriate resourcing, skills and experience are put in place.

The Group's Director of Financial Control meets with the Chair of the Audit Committee as appropriate but at least quarterly, without the presence of executive management, and has direct access to the Chairman of the Board.

Whistleblowing and fraud

The Whistleblowing Policy 'Speak Up' is designed to protect ABF's culture of fairness, trust, accountability and respect, encouraging effective and honest communication at all levels. In addition, an independent external service provider receives, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters which are reported to the Audit Committee each quarter as appropriate. Further details on the Policy can be found on page 96. The Committee reviewed reports from internal audit and the actions arising therefrom and reported this to the Board (to the extent any Board member was not in attendance at the relevant meeting).

The Group's Anti-fraud Policy is available to all employees via the ABF intranet and website. Any suspicion of fraud should be reported immediately and will be investigated vigorously. The Audit Committee reviewed all instances of fraud perpetrated against the Group and the action taken by management both to pursue the perpetrators and to prevent reoccurrences. The Audit Committee was also updated on the processes in place to prevent and detect fraud both by and against the Group as well as the changes brought about more generally by the Economic Crime (Transparency and Enforcement) Act 2023.

External audit

Auditor independence

The Audit Committee is responsible for the development, implementation and monitoring of policies and procedures on the use of the external auditor for non-audit services, in accordance with professional and regulatory requirements. These policies are kept under review to meet the objective of ensuring that the Group benefits in a cost-effective manner from the cumulative knowledge and experience of its auditor, whilst also ensuring that the auditor maintains the necessary degree of independence and objectivity. The Committee's policy on the use of the external auditor to provide non-audit services is in accordance with applicable laws and takes into account the FRC's Revised Ethical Standard for Auditors. Any non-audit work to be undertaken by the auditor requires authorisation by the Finance Director, and above a certain threshold, the Audit Committee, prior to its commencement.

The Committee also ensures that fees incurred, or to be incurred, for non-audit services, both individually and in aggregate, do not exceed any limits in applicable law and take into account the relevant ethical guidance for auditors.

The Committee is required to approve the use of the external auditor to provide corporate responsibility and other assurance services and will consider other services, provided they can be undertaken without jeopardising auditor independence. The aggregate expenditure with the Group auditor is reviewed by the Audit Committee. No individually significant non-audit assignments that would require disclosure were undertaken in the financial year.

The Company has a policy that any partners, directors or senior managers hired directly from the external auditor must be pre-approved by the Chief People and Performance Officer, and the Finance Director or Group Financial Controller, with the Chair of the Audit Committee being consulted as appropriate.

The Audit Committee has formally reviewed the independence of the external auditor. EY has reported to the Committee confirming that it believes it remained independent throughout the year, within the meaning of the regulations on this matter and in accordance with its professional standards.

To fulfil its responsibility to ensure the independence of the external auditor, the Audit Committee reviewed:

- a report from the external auditor describing arrangements to identify, report and manage any conflicts of interest, and policies and procedures for maintaining independence and monitoring compliance with relevant requirements; and
- the extent of non-audit services provided by the external auditor.

The total fees paid to EY for the 52 weeks ended 13 September 2025 were £12.1m, of which £1.1m related to non-audit work. Further details are provided in note 2 to the financial statements.

Auditor effectiveness

To assess the effectiveness of the external auditor, the Committee reviewed:

- the external auditor's fulfilment of the agreed audit plan and variations from it (including changes in perceived audit risks and the work undertaken by the external auditors to address those risks);
- reports highlighting the major issues that arose during the course of the audit;
- feedback from the businesses via questionnaires evaluating the conduct and performance of each assigned audit team (including in respect of their planning, challenge and interaction with the business); and
- a report on EY, as a firm, from the Audit Quality Review Team ('AQRT') of the FRC and the discussions with EY on the contents of its most recent report.

There is regular open communication between EY and the Audit Committee as well as between EY and the businesses' senior management. The Audit Committee holds private meetings with the external auditor after each Committee meeting to review key issues within their sphere of interest and responsibility and to satisfy itself that the audit is of a sufficiently high standard.

To fulfil its responsibility for oversight of the external audit process, the Audit Committee reviewed:

- the terms, areas of responsibility, associated duties and scope of the audit as set out in the external auditor's engagement letter;
- the overall work plan and fee proposal;
- the major issues that arose during the course of the audit and their resolution;
- key accounting and audit judgements;
- the level of errors identified during the audit; and
- the content of and any recommendations made by the external auditor in their management letters and the adequacy of management's response.

Auditor appointment for 2026

The Audit Committee reviews annually the appointment of the auditor, taking into account the auditor's effectiveness and independence, and makes a recommendation to the Board accordingly.

The Company's current external auditor, EY, was first appointed at the Annual General Meeting in December 2015, with effect from 2016, following the conclusion of a competitive tender process. In accordance with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, the Company was required to conduct a competitive audit tender in respect of the audit for the financial year 2026 and onwards. The Audit Committee undertook a competitive audit tender in 2024. As reported in our Annual Report for the period ended 14 September 2024, the Audit Committee recommended to the Board that EY be reappointed as the Company's external auditor for 2026. The Board accepted such recommendation. Accordingly, shareholder approval will be sought to confirm the reappointment of EY as auditor of the Company at the AGM on 5 December 2025.

Compliance with the Competition and Markets Authority Order

The Company confirms that, during the period under review, it has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Minimum Standard

The FRC's 'Audit Committees and the External Audit: Minimum Standard' (the 'Minimum Standard') was published in May 2023. The Audit Committee considers that it has met the Minimum Standard.

Loraine Woodhouse
Audit Committee Chair