Annual Report 2021

Associated British Foods plc

Creating value together

Group revenue
£13.9bn
(2020: £13.9bn)

Adjusted operating profit
£1,011m
(2020: £1,024m)

Adjusted profit before tax
£908m
(2020: £914m)

Adjusted earnings per share
80.1p
(2020: 81.1p)

Dividends per share
26.7p
(2020: Nil)

Special dividend per share
13.8p

Gross investment
£721m
(2020: £641m)

Net cash before lease liabilities
£1,901m
(2020: £1,558m)

Net debt including lease liabilities
£1,380m
(2020: £2,081m)

Operating profit
£808m
(2020: £810m)

Profit before tax
£725m
(2020: £686m)

Basic earnings per share
60.5p
(2020: 57.6p)

CONTENTS

Creating value together

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

Together, as ABF, we work hard every day to create long-term value for our stakeholders, from our customers, employees and suppliers to our shareholders.

In our annual report this year we highlight how we create value across our businesses – innovating, growing, collaborating and investing to ensure we continue to deliver ever more sustainable growth.

All photographs in this report complied with the relevant COVID-19 guidelines at the time in the countries in which they were taken.

Our operating businesses

Grocery

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

Revenue	Adjusted operating profit
£3,593m	£413m
(2020: £3,528m)	(2020: £437m)

Sugar

AB Sugar is one of the largest sugar producers in the world. Illovo is the largest sugar producer in Africa and British Sugar is the sole processor of UK sugar beet.

Revenue	Adjusted operating profit
£1,650m	£152m
(2020: £1,594m)	(2020: £100m)

Agriculture

AB Agri is a leading international agri-food business operating across the supply chain, producing and marketing animal feed, nutrition and technology-based products.

Revenue	Adjusted operating profit
£1,537m	£44m
(2020: £1,395m)	(2020: £43m)

About us

53
countries operated in, across Europe, Africa, the Americas, Asia and Australia

128,000
employees

9 out of 10
UK households use our grocery brands

One of the largest
sugar producers in the world

UK's largest
animal feed business

2.8m
meals provided through surplus food donations to foodbanks

One of the leading
suppliers of specialty yeast ingredients globally

53%
of our total workforce are women

Our brands

PRIMARK · TWININGS · ovomaltine · Patak's · DON · Jordans · Blue Dragon · Kingsmill · Yumi's · Silver Spoon

Ingredients

Our Ingredients businesses are leaders in yeast and bakery ingredients and supply specialty ingredients to the food, nutrition, feed and pharmaceutical industries.

Revenue	Adjusted operating profit
£1,508m	**£151m**
(2020: £1,503m)	(2020: £147m)

Retail

Primark is one of the largest fashion retailers in Europe and the largest clothing, footwear and accessories retailer by volume in the UK. In total, we have 398 stores in 14 countries, including the United States.

Revenue	Adjusted operating profit
£5,593m	**£321m**
(2020: £5,895m)	(2020: £362m)

Our values

See pages 18 to 19 for more on our values and how we operate.

31
community clinics and hospitals serving communities adjacent to our Illovo Sugar plants in Africa

One of the largest
fashion retailers in Europe

100%
of the UK's sugar beet crop processed by British Sugar

£39m
invested in safety risk management, of which 24% was dedicated to COVID-19 safety measures

One of the largest
food manufacturers in the UK

79%
of the waste we generated was sent for recycling, recovery or other beneficial use

544,000
people's lives improved since the launch of Twinings' Sourced with Care programme

>1m
people in the Primark supply chain

Innovating together

Grocery

Twinings

As interest in health and wellbeing grows among consumers across the globe, we have continued to expand our range of Twinings teas, with innovative new blends and flavours to meet this demand. Retailing as Twinings Superblends in the UK and US, Twinings Live Well in Australia and La Tisanière in France, performance is exceeding our expectations.

In the UK, Superblends is growing strongly year-on-year and in the US we expanded our offering with a new range, fortified with vitamins or minerals. In Australia, we are well-placed to become a leading brand for wellbeing drinks and in France we became the leader in the ‘teas and herbs’ category, driven by our organic benefit-led range including herbs such as guarana, turmeric, basil and lemongrass.

See pages 22 to 31 for more on Superblends and Grocery performance this year.

Growing together

Sugar

Illovo Sugar Africa

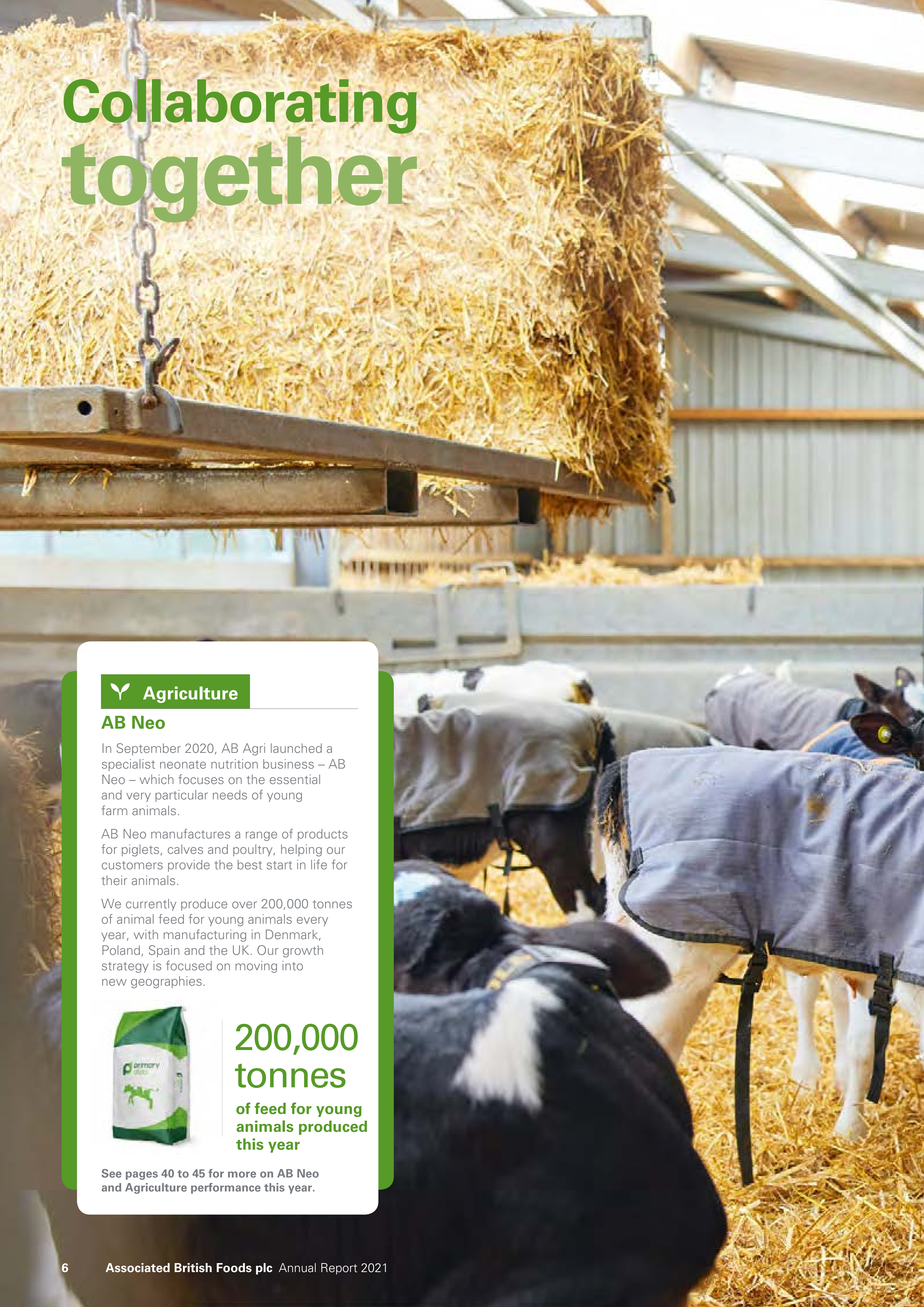
Illovo Sugar Africa delivered an exceptional performance this year, driven by operational efficiencies and capitalising on strong market growth opportunities across our six countries of operation – Eswatini, Malawi, Mozambique, South Africa, Tanzania and Zambia.

Domestic market sales increased by 60,000 tonnes to approximately 1.2 million tonnes in the year. Regional sales were also strong, with a further 245,000 tonnes of sugar delivered to neighbouring countries, building our #AfricanSugar4AfricanMarkets strategy of becoming the supplier of choice in the markets of central and southern Africa.

1.45m tonnes

sold in domestic and regional African markets

See pages 32 to 39 for more on Illovo and Sugar performance this year.



Collaborating together

Agriculture

AB Neo

In September 2020, AB Agri launched a specialist neonate nutrition business – AB Neo – which focuses on the essential and very particular needs of young farm animals.

AB Neo manufactures a range of products for piglets, calves and poultry, helping our customers provide the best start in life for their animals.

We currently produce over 200,000 tonnes of animal feed for young animals every year, with manufacturing in Denmark, Poland, Spain and the UK. Our growth strategy is focused on moving into new geographies.

200,000 tonnes

of feed for young animals produced this year

See pages 40 to 45 for more on AB Neo and Agriculture performance this year.

Investing together

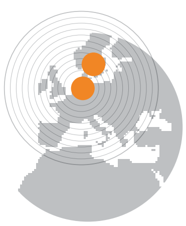
Ingredients

AB Mauri and ABF Ingredients

Our specialty ingredients businesses, AB Mauri and ABF Ingredients, continued to invest this year with the opening of two new state-of-the-art facilities to support their future growth and development.

AB Mauri opened a new Global Technology Centre in the Netherlands (pictured right), which provides an international hub for our research and development in bakery and yeast ingredients. It is at the cutting edge of bakery capability and reinforces AB Mauri's position as a market leader in bakery and yeast ingredients.

AB Enzymes, part of ABF Ingredients, opened a pilot plant at the manufacturing site in Rajamäki, Finland. This new plant significantly increases our capability and capacity to validate and optimise a wider range of new concepts before full-scale production.



2 new

research and development facilities opened in the year

See pages 46 to 51 for more on the research and development centres and Ingredients performance this year.


AB MAURI

More sustainable together

Retail

Primark

More sustainable fashion, affordable for all

At Primark, we believe that more sustainable fashion should not have to come with a high price tag for people or our planet. We have been on a journey for more than a decade to build a more sustainable business, but we will go further and faster, using our size and scale to make a real difference.

That is why this year we have launched the Primark Cares sustainability strategy. Our priorities are to minimise fashion waste, reduce our impact on the planet and improve the lives of the people who make our clothes.

PRIMARK CARES
How Change Looks

See pages 52 to 61 for more on Primark Cares and Retail peformance this year.

Chairman's statement

The economic effects of the measures taken by governments to restrict the COVID-19 pandemic were evident in the financial results for our last financial year and in the results for this financial year. The Board recognises that a Group of our scale and significance has responsibilities to many stakeholders. I want to say thank you once again to every employee for their hard work and determination in these difficult times.

Sales and profit for the Group this financial year were again below pre-COVID levels and this was driven by the results for Primark, where a third of its available trading days were lost as a result of store closures due to the public health measures taken in our major markets. The Primark management and operational teams demonstrated agility in responding to both the fast changing and wide range of trading restrictions applied to our stores over the year. The strength of Primark's sales after the reopening of all our stores in the spring demonstrated the relevance and appeal of our value-for-money offering. Growth in our food businesses continued this year with a combined increase in revenue of 5% and increase in adjusted operating profit of 10% this financial year, at constant currency.

Importantly, during this difficult trading year, we maintained our focus on building for the future.

In Grocery, we continued to build our brands with a number of new product introductions and wider international distribution. We made significant progress with the expansion of Twinings in Wellness teas, Ovaltine growth in China, Brazil and Switzerland, the overseas development of Patak's and Mazzetti and the continuing development of Yumi's in Australia. In Ingredients, we made major steps to build our development capability and opened new technology development centres for our bakery ingredients and enzyme businesses. Our yeast joint venture with Wilmar International in China became operational this year, progress was made on building a major new yeast facility and we expect strong growth from this business in the future.

We invested £721m in our businesses this year. We made good progress with a number of major capital projects: work to recommission the Vivergo bioethanol plant in the UK; a major new animal feed mill in Western Australia; and a number of capacity increases including bakery production in Australia and yeast production in Brazil. In Primark, we continued to increase retail selling space with the opening of 15 new stores and developed our presence in the important US and Central European markets. We made progress in the development and implementation of new inventory management and point of sale systems across the store estate. The expansion of our state-of-the art warehouse in Roosendaal in the Netherlands was completed.

Our Responsibility and ESG

Our Company was founded with a conviction that acting responsibly and with integrity is the only way to build and manage a business over the long term. The belief that companies do well when they act well is deeply ingrained in all of us, from the Board and the leadership team, across all our businesses and at all levels of our workforce. We have a clear sense of our social purpose. We exist to provide safe, nutritious and affordable food and to provide quality, affordable clothing to hundreds of millions of customers worldwide.

We have a strong belief in our duty to respect the dignity of everyone who works for us, both within our workforce and in our supply chains. We have a firm commitment to operating under the highest standards of corporate citizenship, acting as a good and supportive neighbour to the communities around us while recognising our wider obligations to society as a whole. Our 2021 Responsibility Update details the actions we continue to take to invest in our people, support society, strengthen supply chains and respect our environment. To see how we make a difference, please download this update, at www.abf.co.uk/responsibility.

This year we have extensively engaged with our investors on the key ESG factors for the Group and our strategy and governance in relation to these. We provided an in-depth review of Primark's processes to provide assurance of its supplier practices and of Primark's sustainability strategy, Primark Cares, designed to reduce its impact on the environment and to improve the lives of people in its supply chain. A new customer campaign was launched in September to highlight Primark's commitment to make more sustainable fashion affordable for all. The March and September presentations are available on our website. A further briefing is due to be held in early 2022 and will focus on the environmental factors that are most material for the Group.

Results

Revenue for the Group of £13.9bn was in line with last year at actual exchange rates and was 1% ahead at constant currency. All our food businesses delivered growth and in aggregate sales were 5% ahead of last year at constant currency. Primark sales in both years were impacted by trading restrictions and store closures as a result of government measures taken to contain the spread of COVID-19. The periods of closure were longer this year compared to the last financial year and sales declined by 5% at constant currency as a result.

Adjusted operating profit this year of £1,011m was broadly in line with last financial year. For the full year the strengthening of sterling against our major currencies has led to a translation loss of some £36m. The adjusted operating profit for Grocery, Sugar, Agriculture and Ingredients combined increased by a strong 10% at constant currency. Primark operating profit margin improved this year with an adjusted operating profit of £415m, before repayment of job retention scheme monies of £94m, which compared to £362m last financial year.

The charge for net finance expense and other financial income declined to £103m following the repayment of £25m of the private placement debt and there were no RCF interest charges since the facility was not drawn down this year. This was another year where a lower proportion of the Group's profit was generated in the UK and Ireland because of the lower Primark profitability and the Group's adjusted effective tax rate was therefore again elevated, at 28.1%, a small decrease from 28.8% last year.

The Group's net cash before lease liabilities of £1.9bn this year compared to £1.6bn at the same time last year even after another year in which the pandemic adversely impacted Primark's trading. This outturn reflects the strong cash generating capability of the Group and good working capital management.

The statutory operating profit for the year at £808m was broadly in line with last year. It is stated after a net exceptional non-cash charge of £151m this year which mainly comprises impairments of £141m in property, plant and equipment at our Spanish Sugar business, Azucarera, and other Sugar businesses, and was marginally lower than the £156m net exceptional charge last year. Basic earnings per share were 60.5p, an increase from the reported 57.6p last year.

Board

We welcomed Dame Heather Rabbatts as a non-executive director of the Company with effect from 1 March 2021. Heather brings a wealth of experience having held a number of executive and non-executive roles across local government, infrastructure, media and sports. She was the first woman to join the board of the Football Association. She continues to work in film and sports and is a non-executive director of Kier Group plc.

Dividends

The Board decided not to pay any dividends relating to the 2020 financial year. This was due to the uncertainty of cash flow for the Group as a result of the economic impact of COVID-19 on our businesses, especially driven by the unknown duration and extent of Primark store closures. The scale of this uncertainty was demonstrated by the cash outflow of some £800m experienced in the period March to May 2020. Uncertainty was particularly acute in April and November 2020 when the Board considered the payment of an interim and then a final dividend for the 2020 financial year.

Although uncertainty remained at the 2021 half year, it was substantially lower as a result of the extensive roll-out of vaccinations, and so the Board decided to declare an interim dividend. The dividend of 6.2p per share was based on the proforma adjusted earnings per share in the first half of 18.5p which was net of a £79.4m charge for the job retention scheme repayments in respect of that period.

All our stores are now open, and are mostly free of trading restrictions, and the food businesses are trading well. The uncertainty around future cash flows is considerably lower than a year ago although the possibility of further trading restrictions cannot be ruled out. Our net cash before lease liabilities was £1.9bn at the year end. The Board is proposing a final dividend of 20.5p per share which together with the interim dividend of 6.2p per share makes a total of 26.7p per share for the year, which is three times covered by the adjusted earnings per share of 80.1p for the year, in line with previous practice. The Board intends to continue to have regard to a cover of three times for regular dividends in the ordinary course.

The Board is pleased by the recovery in trading across the Group's activities and the highly effective management of cash and reduction in financial leverage. As a sign of our confidence, the Board is also declaring a special dividend of 13.8p per share, to be paid as a second interim dividend at the same time as the payment of the final dividend. We determined the amount of this special dividend such that, taken with the final dividend proposed for the 2021 financial year, the aggregate equates to the final dividend of 34.3p per share paid in respect of the 2019 financial year which was our highest ever final dividend and was based on the Group's pre-COVID profitability. Total dividends for the year are 40.5p per share.

The payment date for the 2021 final dividend and second interim dividend will be 14 January 2022 to shareholders on the register on 17 December 2021.

A strong capital base

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 is that, in the ordinary course of business, the Board prefers to see the Group's ratio of net debt including lease liabilities:Adjusted EBITDA to be well under 1.5 times at each half year and year end reporting date. In exceptional circumstances, the Board will be prepared to see leverage above that level for a short period of time. At the end of this financial year, the financial leverage ratio was 0.7 times. The Group also holds substantial net cash balances which ensure that it has sufficient liquidity to meet unforeseen requirements and at this financial year end net cash balances, before lease liabilities, amounted to £1.9bn.

The events of the last two years have clearly demonstrated the importance of having sufficient financial resources and the credit strength to meet the operational challenges faced by our businesses, and in particular Primark. We are pleased that S&P Global announced that they had assigned to the Group an 'A' grade long-term issuer credit rating, with a stable outlook, which reflects the strength of each of the Group's businesses, their diversity and ABF's strong credit metrics underpinned by a conservative financial policy.

Capital allocation policy

Our priority is always to invest in our businesses, both organically and by acquisition, at an appropriate pace and wherever attractive returns on capital can be generated. We see considerable opportunities to do this, both over the short and the medium term, and across all our businesses. Nevertheless, the ability to invest our capital is inevitably subject to the timing of opportunities and practical limits as to the amount that can be invested within a given timeframe. As a result, the Board may from time to time conclude that it has surplus cash and capital. In making this assessment, the Board will be mindful that financial leverage consistently below 1.0 times and substantial net cash balances at both half and full year ends may indicate such a surplus position.

Surplus capital may be returned to shareholders by special dividend or share buy-backs.

It is not possible to anticipate every possible set of circumstances and this policy must be subject to the Board's discretion. Currently, uncertainty remains over the possible reintroduction of trading restrictions related to COVID-19 and the decision to declare a special dividend at the indicated level is made with this in mind.

Thank you to our employees

At the end of another challenging year I am proud of how our people have continued to respond to the many challenges presented by COVID-19, whilst at the same time taking action and seizing opportunities for our future. The strength of our culture shone through and our operating model of devolved decision making to each business and market enabled us to respond very quickly and appropriately to local challenges. The responses this year were again a testament to the dedication, skills and ingenuity of our people. I will never be able to thank all of them enough for their extraordinary efforts during this time.

Outlook

The lower Group profit in the last two financial years compared to the 2019 financial year was driven by the extensive closure of Primark stores. All of our stores are now open and are mostly free of trading restrictions. There has been an extensive roll-out of vaccinations against COVID-19 in all of the markets where Primark operates and customers have returned to our stores in large numbers. Absent the reimposition of significant restrictions, we expect Primark trading to continue to improve and for sales to increase by at least the estimated £2bn of sales lost due to store closures last financial year. Primark will continue to expand its selling space next year, with the most stores being added in two of our key markets, Italy and Spain. The expected significant increase in sales should lead to a sharp improvement in Primark's adjusted operating margin, recovering to above 10%. Primark is not immune to the challenges of supply chain, raw material cost and labour rate inflation. However, we currently expect the impact of these to be broadly mitigated by the transaction currency gain arising from the weaker US dollar, improved store labour efficiency and lower operating costs.

We are seeing significant cost increases in energy, logistics and commodities in addition to the impact of widely reported port congestion and road freight limitations. Our businesses are working to offset the impact of these through cost savings. Where necessary, our food businesses will also implement price increases.

With the recovery in Primark's profitability, we expect the Group's effective tax rate to fall next year to a level closer to pre-COVID rates.

We will continue to invest in building the capacity and capabilities of all our businesses. We expect the improvement in Group profitability to deliver another year of strong cash generation.

Taking these factors into account, we expect significant progress, at both the half and full year, in adjusted operating profit and adjusted earnings per share for the Group.

Michael McLintock
Chairman

Chief Executive's statement

We have the people and the cash resources to seize the opportunities ahead and look to the future with confidence.

I am proud of how we responded to the many challenges presented by COVID-19 this year. All of our people demonstrated care, good judgement and immense hard work.

Our financial performance this year more than ever demonstrates the resilience of the Group. This comes from the strength of our brands, the diversity of our products and markets, our geographic spread, conservative financing and an organisation design that permits fast and flexible decision-taking.

Group revenue was in line with last year at £13.9bn at constant currency, with the reduction compared to pre-pandemic levels driven by the loss of sales for the periods in which Primark's stores were closed. Adjusted operating profit of £1,011m was broadly in line with last year, which was also impacted by lost sales during the closures of Primark stores.

Our food businesses delivered another strong performance this year and throughout the pandemic we have provided safe, nutritious food under the most extraordinary conditions, proving the value and resilience of our supply chains. The adjusted operating profit of Grocery, Sugar, Agriculture and Ingredients combined increased by 10%, building on an increase of 26% last year, at constant currency.

Sugar delivered another year of very strong improvement with profit margin reaching 9.2% and a 75% increase in adjusted operating profit at constant currency. Our focus in this business has been to deliver an acceptable shareholder return on capital over the cycle and return on average capital employed reached 10.2% this year. The profit improvement was underpinned by significant savings from our ongoing cost improvement and efficiency programmes. Notably, after a disappointing performance last year, Illovo recovered strongly, benefiting from higher sales as a consequence of our long-term drive to develop African domestic and regional volumes.

Grocery revenues were 3% ahead of last year at constant currency. This was achieved despite a small decline in some retail volumes this year compared to the elevated levels seen last year. Twinings Ovaltine delivered strong sales growth, supported by increased marketing investment and driven by Ovaltine growth in emerging markets and a programme of new product development in existing markets. The international development of a number of our brands, notably Patak's and Mazzetti, continued. The adjusted operating profit for Grocery declined marginally, mainly due to weaker corn oil margins at ACH. The development of our brands over the medium term is demonstrated by an increase in adjusted operating profit of 12% over the pre-COVID levels of 2019, following a very strong profit increase of 15% last year, at constant currency.

AB Agri performed well with progress in both revenue and adjusted operating profit. Growth was notable in China, our UK feed business AB Connect and in AB Neo, which specialises in feed for animals in the early stages of life, driven by higher volumes and commodity prices. Ingredients' sales were 4% ahead, and adjusted operating profit was 8% ahead of last year at constant currency driven by strong trading at AB Mauri.

Primark

As we look back on two years of disruption to Primark trading caused by the COVID-19 pandemic, our confidence in the Primark business model is unaltered.

There is no doubt that Primark, with its reliance on a highly efficient store retail model, has been seen to be vulnerable to the pandemic. The closure of its stores for long periods and restrictions on trading inevitably led to significant loss of sales and profit.

We believe that Primark's proposition of providing customers with a wide selection of products at great value prices is highly sustainable. The low-cost retailing model is driven by structural advantages: purchasing quantities on a large scale leads to efficient production; a broad supplier base with long-term relationships; very low distribution costs throughout the supply chain from supplier to store; and high store sales densities. These characteristics provide Primark with a differentiated business model with real competitive advantage.

Primark is a compelling brand proposition. It offers customers a wide selection of products, from everyday essentials to the latest trends, for all age groups and at prices everyone can afford, ranged across attractive up-to-date stores. There is strong supporting evidence that, for a substantial share of customers, the in-store shopping experience will have enduring appeal. Primark is uniquely placed on the High Street to take advantage of this as it continually evolves its store design and in-store services and expands into new product ranges attracting existing and new customers to the business.

At the time of writing, all our stores have reopened and are trading with only limited restrictions in some countries. There has been an extensive roll-out of vaccinations against COVID-19 in all the markets where Primark operates, and customers have returned to our stores in large numbers. A post-pandemic equilibrium has not yet been reached. However, like-for-like sales, compared to pre-COVID levels, are steadily improving as customers' appetite to return to shopping and city centres increases and, over the medium term, as foreign and domestic tourism recovers.

Next year, we expect Primark to increase sales significantly along with a sharp improvement in adjusted operating margin, recovering to above 10%, absent the reimposition of further restrictions on store trading. We see opportunities to reduce costs further, with lower operating costs from reduced lease costs and the harnessing of technology in our warehouses and stores. Additionally, Primark is investing to upgrade its digital presence and online visibility and is on track to launch a redesigned customer facing website in the UK in the first quarter of 2022. In September, Primark launched a wide-reaching new sustainability strategy aiming to position the business as a pioneer for making more sustainable fashion affordable for all, engaging a new generation of customers. We believe this strategy can be implemented without any significant movements in the Primark profit margin over the longer term.

Primark sees further growth potential in all of its existing markets, and in some new markets besides. In particular, it will accelerate the expansion of its selling space in the major markets of the US, France, Italy and Iberia, building on its established brand recognition, proven track record of successful store openings and strengthening relationships with key landlords.

George Weston
Chief Executive

Creating value 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.

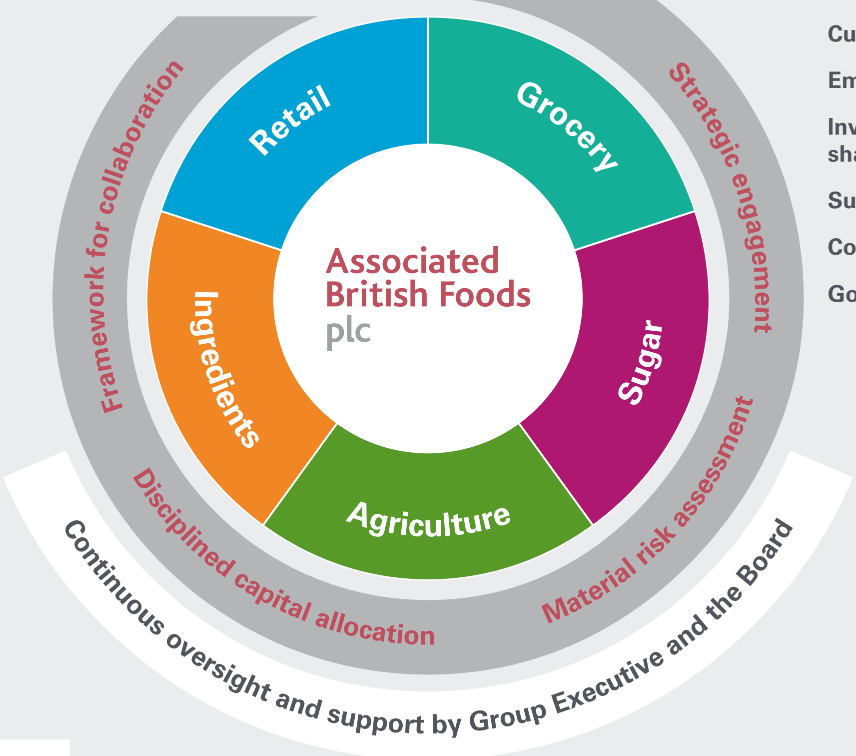
Our Group strategy and devolved operating model…

…applied across our five business segments…

…creates long-term value for all our stakeholders.

Role of the centre

- Long-term view
- Organic and acquisition growth
- Devolved operating model
- Entrepreneurial flair
- Capital discipline
- Prudent balance sheet management
- Commitment to ethical conduct
- Sustainable business practice



- Customers
- Employees
- Investors and shareholders
- Suppliers
- Communities
- Governments

For business segment strategies please see:

Grocery: page 24
Sugar: page 34
Agriculture: page 42
Ingredients: page 48
Retail: page 54

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 128,000 employees, operations in 53 countries, suppliers in many more, and customers in more than 100 countries. More than half of our senior leaders are non-UK citizens, representing 23 different nationalities between them.

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, they also provide essential funding for many charities. In the last financial year to 5 April 2021, the Foundation donated around £98m to some 2,000 charities across the UK and in the 63 years since the Foundation was created it has disbursed more than £1bn in grants.

Devolved operating model

We operate a devolved operating model across our five business segments of Grocery, Sugar, Agriculture, Ingredients 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 they 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 Group, or corporate centre, provides a framework for sharing of ideas and best practice. The Group is in constant dialogue with the people who run our businesses, giving our corporate leaders a detailed understanding of their material opportunities and risks and enabling us to collaborate when making material decisions. 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 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 targeted to complement existing business activities and exploit opportunities in adjacent markets or geographies.

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 the returns on their investment proposals 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 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.

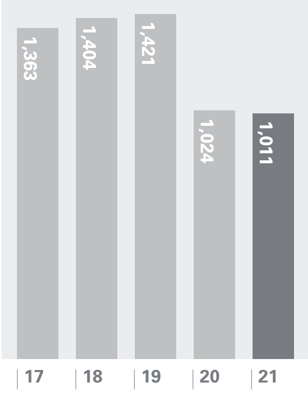
We believe that most people are inherently good and that with encouragement, engagement and support they will do the right thing in the right way. Our high standards of integrity enable us to drive a strong culture, recognising that acting responsibly is the only way to build and manage a business over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

How we track progress

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

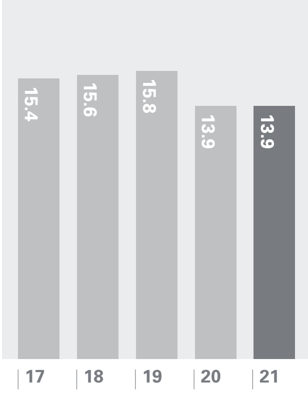
Financial

Adjusted operating profit (£m)



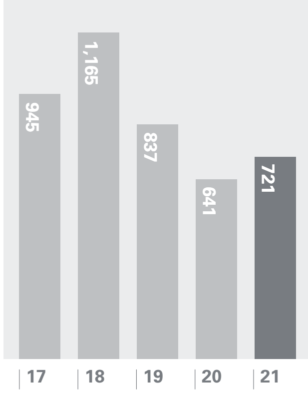
Adjusted profit and earnings measures provide a consistent indicator of performance year-on-year and are aligned with incentive targets.

Group revenue (£bn)



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

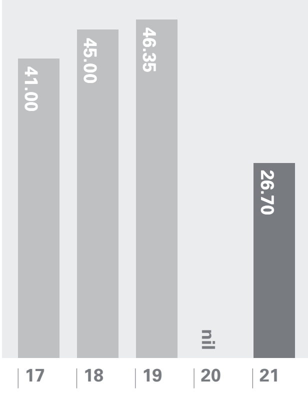
Gross investment (£m)



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

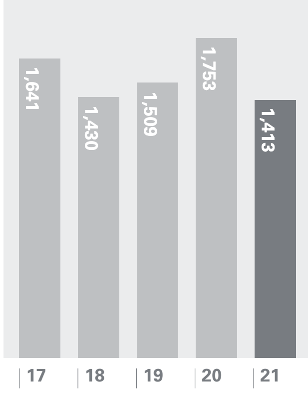
Adjusted earnings per share (pence)

Dividends per share (pence)



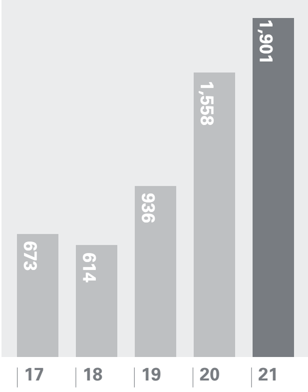
The Group's organic growth objective aims to deliver steady growth in earnings and dividends over the long term. Adjusted earnings per share is a key management incentive measure.

Cash generation (£m)



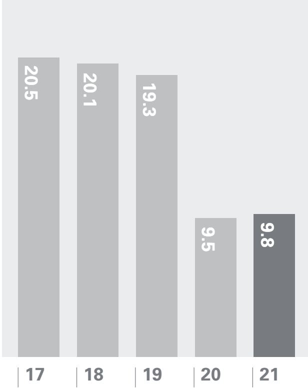
Net cash generated from operating activities is monitored to ensure that profit is converted into cash for future investment and to return to shareholders.

Net cash before lease liabilities (£m)



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 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 is only provided since the implementation of IFRS16. This measure monitors the Group's financial strength to ensure long-term financial stability.

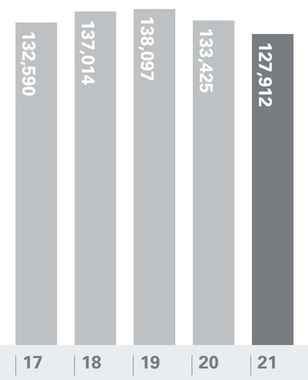
The 2019 figure is given on an IFRS 16 pro forma basis.

We have defined and explained our alternative performance measures in note 30.

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

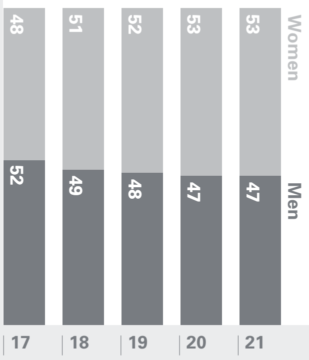
Non-financial

Number of employees



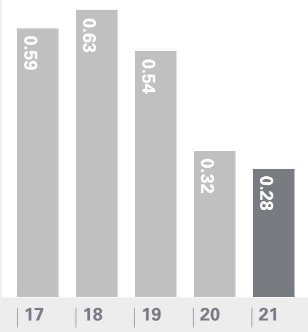
A measure of the scale and growth of the Group.

Workforce gender balance (%)



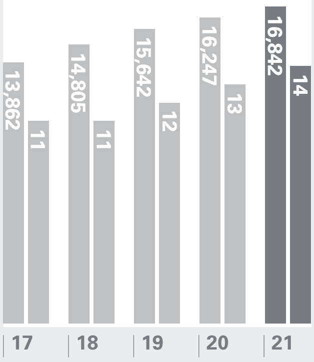
A measure of the gender balance of all employees in the Group with a contract of employment, whether full-time, part-time, contractor or seasonal worker.

Reportable injury rate (%)



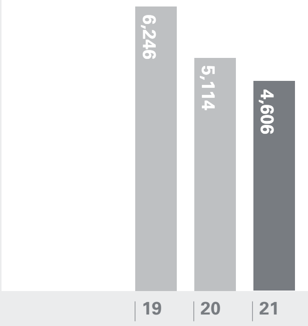
A measure of the Group's management of the health and safety of its workforce – the number of injuries resulting from an accident arising out of, or in connection with, work activities that were required to be reported to external regulatory authorities, divided by the average number of employees.

Primark selling space (sq ft 000) and number of countries of operation



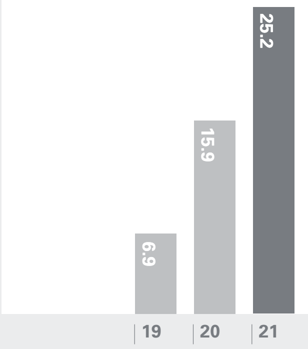
These two measures represent the retail space growth and breadth of Primark's presence.

Primark Scope 1, 2, 3 GHG emissions (000 tonnes CO_2e)



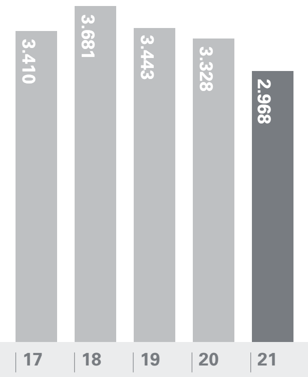
The amount of greenhouse gases arising from Primark's Scope 1, 2 and 3 emissions.

Proportion of units sold being Primark Cares product (%)



The Primark Cares range covers products made with recycled fibres or more sustainably sourced materials, (see page 58 for further details).

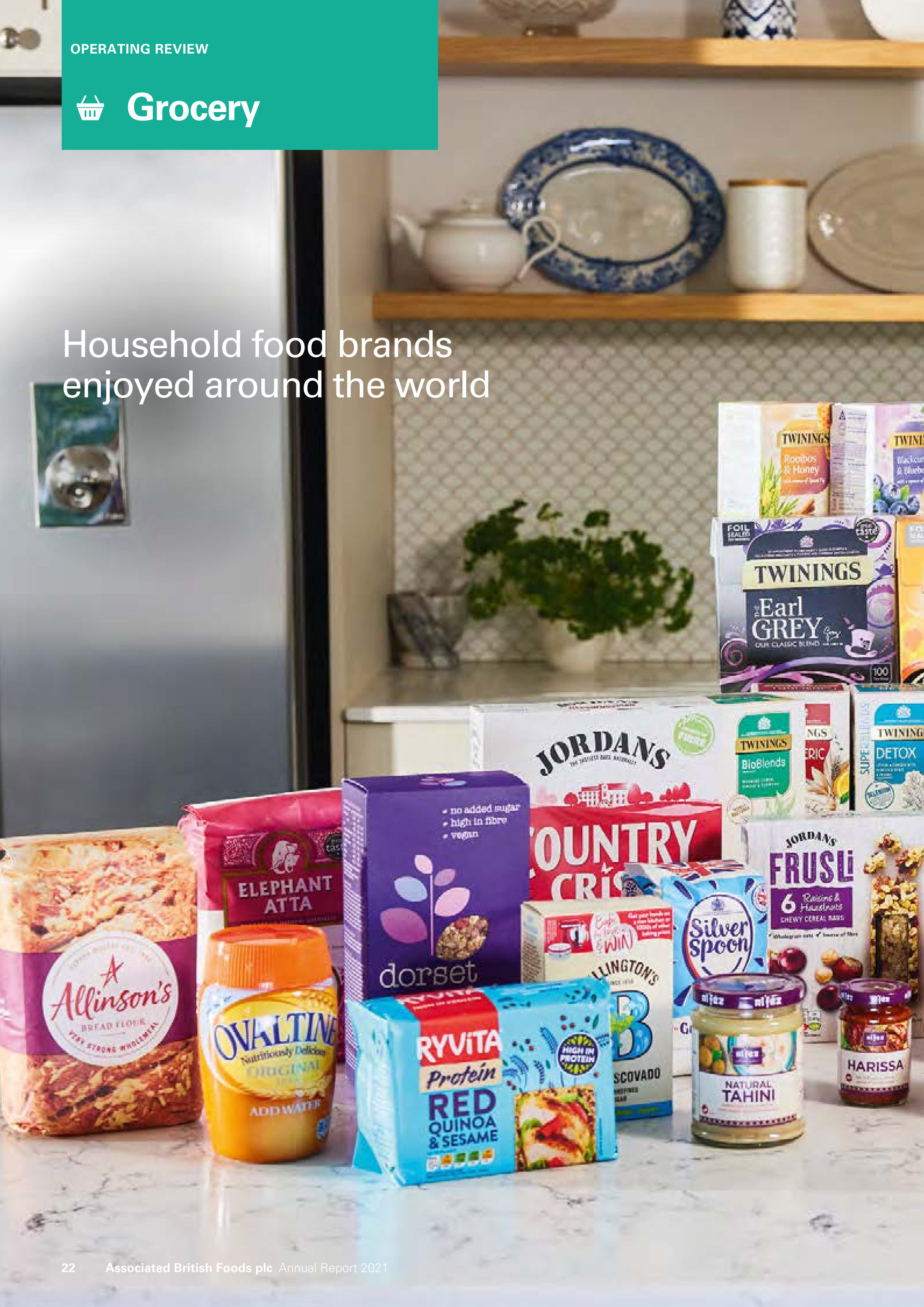
Tonnes of sugar produced (m)



A measure of the scale and development of the Group's sugar operations.

Grocery

Household food brands enjoyed around the world



Our grocery brands occupy leading positions in markets across the globe. In the UK, nine out of 10 households use our brands – a selection of these are pictured here.

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

About Grocery

Twinings Ovaltine
Twinings Ovaltine has broad geographical reach. Twinings has been blending teas since it was founded in London in 1706 and now sells premium teas and infusions in more than 100 countries. Ovaltine malted beverages and snacks are consumed in countries across the globe.

Acetum
Acquired in 2017, Acetum is the leading Italian producer of Balsamic Vinegar of Modena PGI. We sell vinegars, condiments and glazes across the globe and Mazzetti is our leading brand.

AB World Foods
AB World Foods focuses on the creation and development of world flavours and our Patak's, Blue Dragon and Al'Fez brands are sold internationally.

Westmill Foods
Westmill Foods serves communities across the UK whose cultural heritage originates from east and south Asia, Africa and the Caribbean. We are a leading supplier of food products to the Indian, Chinese and Thai foodservice sectors with our well-known brands including Lucky Boat noodles, Rajah spices, Habib and Tolly Boy rice and Elephant Atta flour.

Jordans Dorset Ryvita
Jordans Dorset Ryvita operates in the better-for-you cereal and savoury biscuits categories. Jordans has a heritage of using wholegrain oats in the production of our cereals and cereal bars. Dorset Cereals' award-winning muesli and granolas are renowned for the high quality of their ingredients. Ryvita has a strong reputation in healthy snacking and is the UK leader in crispbreads.

The Silver Spoon Company
Silver Spoon and Billington's are our retail sugar brands in the UK. These are complemented by a range of dessert toppings, syrups and ice-cream cones under the Askeys and Crusha brands.

Allied Bakeries
Allied Bakeries produces a range of bread and bakery products under the Kingsmill, Sunblest, Allinson's and Burgen brands. Speedibake provides a range of own-label baked goods for retail and foodservice customers.

Tip Top
Tip Top is one of the most recognised brands in Australia and New Zealand with an extensive range of bread and baked goods.

Don
The Don and KR Castlemaine brands produce a variety of bacon, ham and meat products in Australia.

Yumi's
Yumi's is the leading producer of a premium range of hummus, vegetable dips and snacks in the Australian market.

ACH Foods, North America
ACH Foods markets leading US, Mexican and Canadian cooking and baking branded products. These mainly comprise Mazola cooking oils, Fleischmann's yeast, Karo corn syrup, and Argo corn starch, as well as Anthony's Goods, a leading online brand of organic and natural specialty baking ingredients.

Strategy

Each of our grocery businesses pursues a strategy appropriate to their particular market position and stage of development. Twinings Ovaltine, Acetum, Jordans Dorset Ryvita and AB World Foods have had considerable success in extending their reach into new and emerging markets, whilst some are focused on developing brands in their core domestic markets.

All of our businesses are committed to the consistent development of our brands and consumer research is conducted locally and internationally to establish consumer needs and ensure appropriately targeted investment. We take a long-term approach to capital investment, recognising the merits of building for the future. Acquisitions are undertaken when opportunities are presented to either strengthen or complement existing businesses.

100
Twinings and Ovaltine products are enjoyed in more than 100 countries

15,000
employees

Revenue

£3,593m

2020: £3,528m
Actual currency: up 2%
Constant currency: up 3%

Adjusted operating profit

£413m

2020: £437m
Actual currency: down 5%
Constant currency: down 2%

Adjusted operating profit margin

11.5%

2020: 12.4%

Return on average capital employed

31.4%

2020: 31.3%

Operating Review

Grocery revenues were 3% ahead of last year at constant currency with particularly strong growth in Twinings Ovaltine more than offsetting expected decline in sales at Allied Bakeries. Adjusted operating profit however declined, primarily driven by weaker corn oil margins at ACH, lower margins at George Weston Foods and a one-off charge of £5m for further restructuring in Allied Bakeries. The improvement in return on average capital employed was mainly driven by lower working capital in our Don meat business in Australia and lower assets employed in Allied Bakeries.

Twinings and Ovaltine continued to make strong progress. Ovaltine sales growth was primarily in Thailand, China and Switzerland, and was supported by the continuing success of new product launches in a number of countries. Twinings revenue growth was driven by strong new product launches and good performances in France and North America. Twinings has become the leading tea brand in France.

At Allied Bakeries, sales reduced following our decision to exit the supply of bread to the Co-op in April this year. We continued to drive significant cost reductions with savings from a further consolidation of our operations, the most material being delivered in the distribution network. At the end of the year we successfully commenced a partnership to supply premium bakery products to a leading UK multiple retailer.

AB World Foods delivered a record sales year and international progress continued to be particularly strong supported by new distribution gains this year in North America. We increased marketing investment in Patak's and Blue Dragon to levels significantly ahead of pre-COVID.

Al'Fez continued to perform strongly with further distribution gains in both UK and international markets. Silver Spoon and Westmill sales were also significantly ahead and maintained the sales uplifts achieved last year.

At Acetum, our leading Balsamic Vinegar producer, revenues continued to increase with the Mazzetti brand performing very strongly. We increased the marketing support for this brand, and good commercial performance, with new listings, delivered international growth in the US, the UK, the Netherlands and Germany.

As expected adjusted operating profit for ACH declined this year, with margins impacted by the later phasing of price increases following a sharp increase in the cost of corn oil. Substantial price increases were implemented over the year to offset cost pressures while keeping our brand equity relevant for consumers. A further price increase has been announced.

Revenue at George Weston Foods in Australia, excluding the benefit of the 53rd week this year, was ahead of last year. Adjusted operating profit was lower, mainly driven by a margin decline in the Don meat business. Despite operating restrictions imposed by regional government arising from COVID-19, the Don factory performed well delivering excellent labour utilisation and meat yields, as well as controlling fixed overhead costs. Although we have seen some recovery in foodservice, we are still experiencing volumes lower than last year. In Tip Top Australia, The One and Abbotts bread brands continued to perform strongly and benefited from a consumer trend to buy trusted brands. Yumi's delivered strong growth with share gains in its existing products and successful new product launches.

Yumi's delivered strong growth with share gains in existing products and new product launches.

As interest in health and wellbeing grows across the globe, we have continued to expand our range of Twinings teas to meet this demand. Performance in our key markets of the UK, US, Australia and France is exceeding our expectations.

Grocery in action:
Twinings – targeting the fast-growing health and wellbeing consumer segment

For more than 300 years the Twinings name has been synonymous with the best teas and botanicals the world has to offer. Over those years we have expanded our product range to more than 200 teas from around the world and we continue to evolve to meet consumer needs.

As consumers across the globe have become increasingly interested in health and wellbeing, Twinings has developed an innovative range of teas to appeal to these new customers. Our brand is highly trusted and we are recognised globally for our innovative approach to product development.

In the UK, market research shows that 80% of adults want to improve their health and wellbeing. The health and wellbeing sector is also growing in other markets around the world. Our plans for the coming years are to significantly expand our share of this market to benefit consumers and our business alike. Indeed, we are already exceeding our own expectations in the UK, US, Australia and France.

Superblends: the UK launch

We launched our first Superblends range of fortified wellbeing drinks in the UK in 2018 with a unique range of blends containing green teas and botanicals, natural fruit flavours and added vitamins or minerals.

Since that time, consumers have responded very well to our range of great-tasting wellbeing products, demonstrated by strong repeat purchase rates. In the last year, Superblends grew strongly through improved distribution across the major supermarkets as well as selling for the first time through two well-known high street health and wellbeing retailers. We also launched our innovative Bioblends range of teas and infusions with adaptogens and probiotic bacteria.

We plan to build on this success by accelerating our innovation and marketing plans in 2022.

Expanding our wellness position in the US

In 2018 we launched a range of wellness teas in the US, focusing on wellbeing attributes that come from the goodness of herbs. Using insights into the US consumer, these teas contained herbs such as turmeric, which supports healthy digestion, and matcha, for energising the body and mind.

In summer 2021, we further enhanced our wellbeing offer by launching a Superblends dietary supplement range of teas, fortified with vitamins or minerals, including products aimed at immune support (with Vitamin C), better sleep (melatonin), supporting a healthy heart (Vitamin B1) and energy (Vitamin B6).

Selling through major retailers, Superblends is now offered in almost 40% of all major grocery outlets across the country. Early sales have exceeded our expectations and consumer research has already validated Superblends' positioning as a premium brand in the health and wellbeing sector.

In France, we have become the leader in the 'tea and herbs' category, thanks to the recent launch of Twinings' flavoured herbal infusions and our local herbs brand La Tisanière.

Pushing the boundaries of tea in Australia

In Australia, we have developed a new range to meet the specific wellbeing needs of this market, where the 'benefit-led' teas category has grown by more than 25% over the last five years.

Launching as 'Live Well' in April 2021, with a seven-strong product line-up through Australia's two biggest grocery chains, we are well-placed to become a leading brand for wellbeing drinks.

Supported by a fully integrated, multi-channel communications campaign including screens (TV and online video), social media, digital partnerships with health and wellbeing publications and influencers and outdoor billboards, the launch has been highly successful to date.

The Australian consumer has responded very positively to the products and their benefits and we will continue supporting and innovating to extend Twinings Live Well over the coming year, including new and efficacious blends.

Becoming the leader in France

In France, we have now become the leader in the 'tea and herbs' category, thanks to Twinings' recent launch of flavoured herbal infusions, as well as the strong and sustainable growth of our local herbs brand, La Tisanière. This success is mainly driven by our organic 'benefit-led' range, launched in 2018.

The key to the organic range success is the delicious and creative blends (with ingredients in the segment such as guarana, turmeric, basil and lemongrass), appealing wellness benefits such as "Brûle-Graisse" (Fat Burner), which has the best performance in the whole organic 'benefit-led' segment and a modern, authentic pack design.

We plan to further strengthen our positions, launching our new La Tisanière organic range, using 'super ingredients' naturally fortified with vitamins or minerals and supporting both Twinings and La Tisanière in the coming years with communication campaigns.

Mazzetti has shown sustained growth in our key export markets of Germany and the Netherlands and has made inroads in new focus markets including the UK and the US.

Grocery in action: Acetum's unique history is helping propel growth into the future

Acetum, the world's largest producer of certified Balsamic Vinegar of Modena PGI, was acquired in 2017 as part of our strategy to add premium consumer propositions with growth potential to our Grocery portfolio.

Balsamic vinegar has been produced in the Modena region since Roman times, and today it is found in homes and professional kitchens all around the world. Acetum has a particularly rich heritage and a strong reputation for industry-leading quality, creating some of the finest quality of branded and own-label ranges of Balsamic Vinegars and associated condiments. All produced in Modena, these ranges carry the sought-after Protected Geographical Indication (PGI) or Protected Designation of Origin (PDO) status, meaning that they are produced according to recognised, authentic and time-honoured traditions within the Modena region of northern Italy.

One of the great attractions of Acetum was the strength of its brand presence and the opportunity for growth in several key export markets, including Germany, the Netherlands and Australia. From the outset we have sought to work with the experienced management team in Acetum to expand this further and develop the company's branded offering, Mazzetti l'Originale, which proudly bears the name of one of the founders of the business.

Through the appointment of new marketing specialists, we have continued to support and further strengthen the Mazzetti brand by making it more distinctive, with a stylish new yellow and black design. We have also increased our investment in marketing communications, with a focus on building brand awareness and inspiring people to try the product through a combination of social media, print and public relations in an eye-catching campaign promoting 'The Italian Art of Dressing'.

Our newly designed range has helped us gain additional listings in premium grocery retailers and on leading e-commerce sites.

The brand has shown sustained growth across our key export markets, particularly in Germany and the Netherlands where we are seeing double-digit growth. We have also made inroads into the new focus markets including the UK and the US, where revenues have increased significantly.

As we continue to grow our brand presence, we have launched a new e-commerce website in the US us.mazzettioriginale.com that will provide a hub to inspire and educate people about the craft, tradition and versatility of this Italian culinary icon. The site will feature the full Mazzetti l'Originale range including our premium Tradizionale DOP 12- and 25-year aged products and a new 'gifting' range of premium Balsamic Vinegar of Modena PGI that we are launching in time for Christmas 2021.

Grocery in action: Growth in e-commerce underpins strongest year at Anthony's Goods

In September 2019, ACH, our US-based grocery business acquired Anthony's Goods, a fast-growing digital-first company specialising in organic flours, vegan foods, whole-grain snacks and many other natural goods.

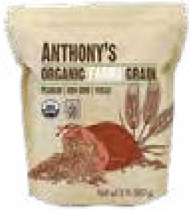
Many of Anthony's Goods products are category top-selling items on Amazon in North America and the brand has built a strong consumer following over recent years.

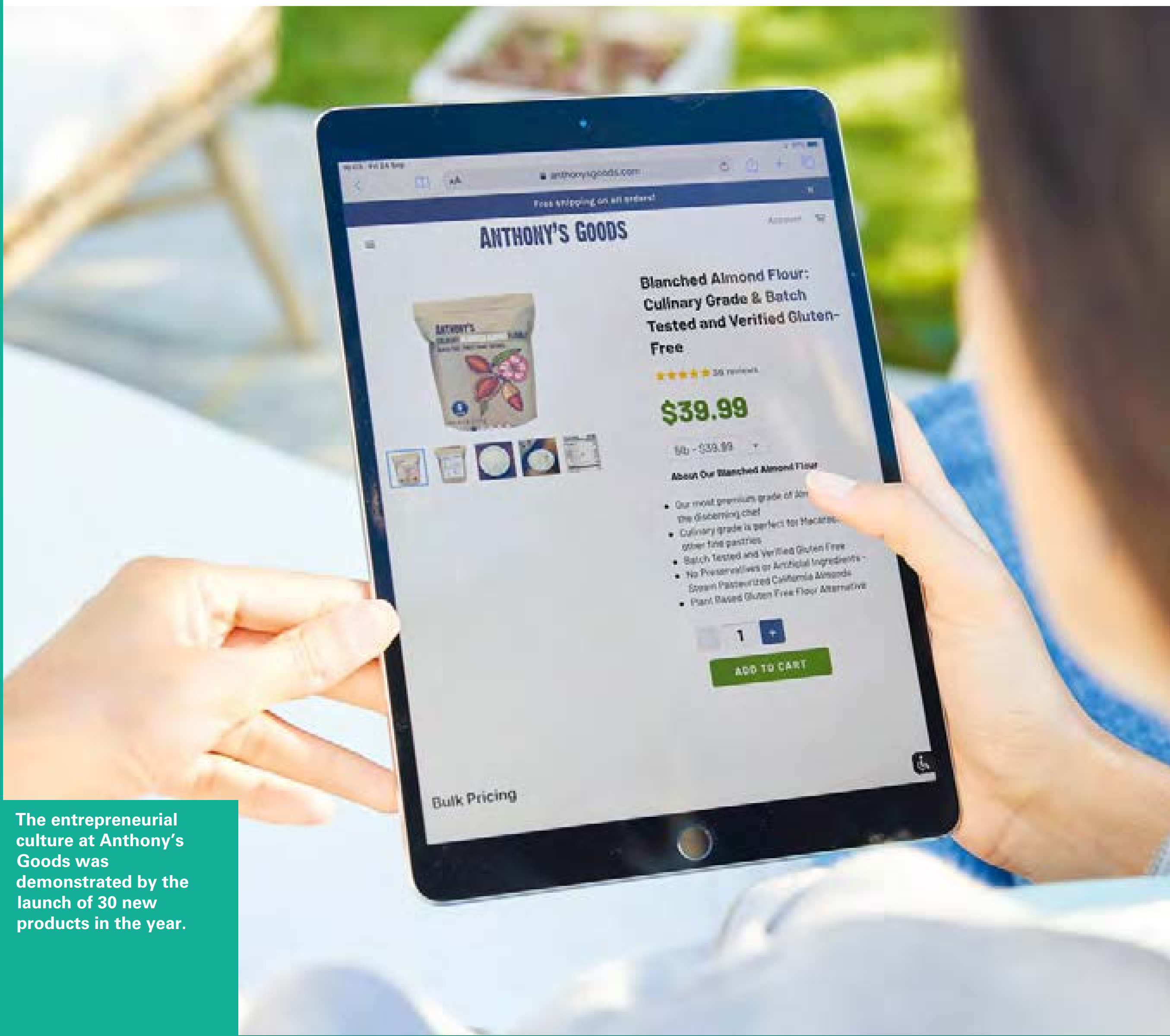
In early 2020, before COVID-19 struck in the US, online grocery was growing at approximately 35% year-on-year. This accelerated during the pandemic as more consumers turned to online shopping.

Our team was able to swiftly respond with a substantial increase in production to meet the increase in demand.

The nature of the online grocery market requires a business to be able to respond to the rapidly changing demands of its customers. The entrepreneurial culture at Anthony's Goods enables us to perform strongly in this market, evidenced by the 30 new products we launched in the year.

The combination of accelerated demand and new product launches led the business to record its strongest year for both sales and production.





The entrepreneurial culture at Anthony's Goods was demonstrated by the launch of 30 new products in the year.

Grocery in action:
Westmill Foods – supporting customers and communities during the pandemic

We have been serving communities across the UK whose cultural heritage originates from east and south Asia, Africa and the Caribbean for more than 30 years. We are a leading supplier of food products to the Indian, Chinese and Thai foodservice sectors with our well-known brands including Lucky Boat noodles, Rajah spices, Habib and Tolly Boy rice and Elephant Atta flour.

During the lockdowns our customers who own restaurants had to rapidly shut their doors. Our team at Westmill mobilised to help them adapt their businesses to conform with the UK Government's COVID-19 guidelines. We created a Restaurant Survival Guide to support them in setting up takeaway and delivery services, which in turn helped many of them to withstand the commercial shocks caused by the pandemic. It was issued in five languages (Bengali, English, Hindi, Mandarin and Urdu) and had an estimated reach of 20,000 restaurants.

Our own workforce comprises people of diverse cultural heritages and they play a key role in our connection with the communities we serve. Over the last year, they have come together and actively participated in a range of community-focused events.

We distributed more than 370,000 meals to local centres across the country as people struggled to cope with the pandemic.

Elephant Atta sponsored Heart UK to raise awareness of healthy eating, including devoting a section of the Heart UK website to south Asian recipes. We worked with Michelin-starred chef Atul Kochhar to create 'heart healthy' recipes using Elephant atta chakki flour.

Earlier this year we also supported the British Asian Trust's Oxygen for India Emergency Appeal. Our Rajah and Elephant Atta brand teams hosted online cooking demonstrations to build awareness of the significant challenges faced by the people of India due to COVID-19 and to raise money for the appeal.

We issued our Restaurant Survival Guide in five languages to help our customers set up takeaway and delivery services during the pandemic.

Sugar

A world-leading sugar business focused on excellence

In Europe, Azucarera is the largest sugar producer in Iberia. An Azucarera team member is pictured here with a local beet farmer.

AB Sugar is a leading producer of sugar and sugar-derived co-products in Africa, the UK, Spain and north east China.

32,000
employees

27
plants worldwide

About Sugar

We employ 32,000 people and operate 27 plants in 10 countries with the capacity to produce some 4.5 million tonnes of sugar annually. Our products are sold into industry sectors including food and drink, pharmaceutical, industrial, agricultural, power and energy.

In Europe, Azucarera is the largest producer in Iberia and British Sugar is the sole processor of the UK beet sugar crop. Illovo Sugar Africa is the biggest sugar processor in Africa and has operations in Eswatini, Malawi, Mozambique, South Africa, Tanzania and Zambia. We also have a beet sugar business in north east China which is cost-competitive with cane sugar production.

As a global business, we operate in a diverse and continually changing environment with many opportunities and challenges. Although we have a global portfolio, we operate with a local heart, working together to do what is right for the location and market.

As we evolve to meet the changing needs of customers, growers and others, it is our role to ensure we use resources responsibly, build strong rural economies and ensure thriving healthy communities.

By drawing on everything we have learnt over many decades as a sugar producer, we continue to embrace innovation and strive to create more from less by working collaboratively across AB Sugar and with our stakeholders.

Strategy

AB Sugar is one of the world's largest and most diverse sugar producers and has a vision to be the world's leading sugar business.

While sugar is at the heart of what we do, the sugar production process provides opportunities to do more than simply manufacture an ingredient. We are an innovative and advanced manufacturer, producing a wide range of sugar and co-products. Additionally, we are an energy and power supplier and, as part of the wider agri-business value chain, we are an important contributor to the economy across all our locations.

Our success has been built on continued development and innovation to meet the changing needs of our customers, to improve our operations and to work with our growers to ensure sustainable, efficient, agricultural production. We seek to drive continuous improvement in everything we do and are committed to developing our people to build capability and capacity across our business.

Illovo Sugar Africa is the biggest sugar processor in Africa and has operations in Eswatini, Malawi, Mozambique, South Africa, Tanzania and Zambia.

British Sugar is the sole processor of the UK beet sugar crop.

Revenue

£1,650m

2020: £1,594m
Actual currency: up 4%
Constant currency: up 8%

Adjusted operating profit

£152m

2020: £100m
Actual currency: up 52%
Constant currency: up 75%

Adjusted operating profit margin

9.2%

2020: 6.3%

Return on average capital employed

10.2%

2020: 6.3%

Operating Review

AB Sugar delivered another year of strong trading performance with big improvements in adjusted operating profit, profit margin and return on average capital employed. Revenue was 8% ahead of last year at constant currency with higher domestic and regional volumes for Illovo as well as higher prices in Europe and Africa. The commercial performance in Illovo, together with continued savings from our cost improvement and efficiency programmes, resulted in a 75% increase in adjusted operating profit to £152m.

The world sugar price continued to rise through the year. European sugar prices also increased with a reduction in stocks following lower EU sugar production in the last two campaigns. Looking ahead, estimates for EU sugar production in next year's campaign are marginally higher, with a recovery in yields combined with a slight reduction in the planted area, but are still estimated to be broadly in line with EU consumption in the next marketing year.

UK sugar production of 0.9 million tonnes this year was well down on the 1.19 million tonnes produced last year, due to adverse weather conditions at the time of planting and the severe impact of virus yellows, a disease transmitted by aphids on sugar beet. Difficult processing conditions and limited beet availability increased costs further during the campaign and were an offset to the higher sales prices achieved. Looking ahead, our production forecast for next year is marginally over 1.0 million tonnes with a reversion to normal yields more than offsetting a reduced planting area. We expect our UK sales to continue to be strong next year although significant cost increases in gas, carbon and logistics are likely to limit an improvement in year-on-year profitability. Work to restart the Vivergo bioethanol plant next calendar year is on track and the recent transition to E10 in blended petrol underpins the strong demand for bioethanol from fuel blenders.

In Spain, strong demand and higher prices resulted in a significant increase in revenues. The operating profit margin, however, was impacted by lower volumes from the northern beet crop. Our current view for yield and sugar content from beet sugar and lower margins due to the expected increase in future raw refining volumes, has resulted in a non-cash exceptional charge of €136m in these accounts to write-down the net asset value of this business.

Illovo revenues were ahead of last year driven by both strong domestic sales, particularly in Zambia and Malawi, and regional sales. Sugar production was ahead of last year with better production in Tanzania and Mozambique compared to last year but was held back by disruption to the operations in South Africa and Eswatini as a result of civil unrest. The recovery in profit this year is very strong, with adjusted operating profit exceeding that delivered in recent years. This was driven by improved sales, the benefits from restructuring activities last year and further efficiency activities this year.

The campaign in China completed with sugar production ahead of last year although poor agronomic conditions held back the yield from a larger planted area.

Given the on-going trading challenges in some of our smaller sugar businesses we have reviewed our outlook for these cash-generating units, including the forecast evolution of beet area and yields. As a result, we have made a one-time non-cash adjustment of £21m to the relevant net asset values as an exceptional charge this year.

We are increasingly serving our customers with sugar in branded packs that are affordable and accessible for consumers in deep rural areas at preferred pack sizes. A store in Malawi is pictured here.

Illovo Sugar Africa: Focus on performance delivers exceptional profit growth

The exceptional performance this year in Illovo Sugar Africa was driven by two factors: operational efficiencies and strong domestic and regional sales.

Operational efficiencies were achieved through the ongoing implementation of cost and performance improvement plans. The significant improvement in sugar recovery at our Sezela plant in South Africa is a very good example of this, with further process standardisation and automation. This best practice is now being adopted across Illovo Sugar Africa, raising overall operational efficiency.

We also increased revenues through strong domestic and regional growth. Over recent years we have been building our commercial capability in each of our markets. We are increasingly serving our customers with sugar in branded packs that are affordable and accessible for consumers in deep rural areas at preferred pack sizes.

Domestic market sales increased by 60,000 tonnes to 1.2 million tonnes, as we were able to meet increased demand caused by supply shortages due to the pandemic. Local sales in Malawi and Zambia were exceptionally strong.

Despite the logistical challenges we experienced in bulk sugar exports over this period, regional sales were also strong, with a further 245,000 tonnes of sugar delivered to neighbouring countries, building our #AfricanSugar4AfricanMarkets strategy, which is aimed at being the supplier of choice in these markets. We were also able to take action to benefit from higher commodity prices across a number of international markets in which our range of co-products, such as furfural and potable alcohol, are sold.

The performance across Illovo Sugar Africa has been delivered in what has been an unsettling time for our people. Since the global pandemic began, our aim has been to help protect our people, their families and the communities in which we operate, from COVID-19 infection. We repurposed our medical infrastructure and services and aligned with governments, NGOs and other organisations to support public education and awareness programmes. More recently, we have launched a Group Vaccination Roll-out Campaign which has seen almost 20,000 employees, dependants, growers and community members vaccinated to date. We plan to continue the campaign in the coming months to reach many more.

Through an effective leadership effort from everyone across Illovo Sugar Africa, coupled with the right resources and trust in our local teams, we have delivered for our customers and driven our revenues and operating profit to levels significantly ahead of last year.

A selection of our branded brown sugar, sold in Zambia in packet sizes of 195g, 330g and 1kg.

We have introduced digital tools to automate a number of time-intensive processes to improve efficiency and reduce costs.

Sugar in action: Going digital to transform operations in Azucarera

Azucarera, our sugar business in Spain, has continually developed and implemented innovative ways to simplify and automate processes, reduce costs and improve efficiencies. We have achieved this across the supply chain, from field to factory, to customer deliveries.

In the field, we have significantly increased the use of mobile applications to integrate the activities of our growers and agricultural teams, allowing both parties to prioritise and focus on how best to use their time, including when managing crop growth plans. The field satellite images and real-time data we now have enable us to make immediate decisions in partnership with our growers. These include the ability to make informed decisions about the required quantity and location for fertiliser application. The ability to monitor water levels and climatic conditions also informs our irrigation decisions and allows us to make transport arrangements without having to visit the fields.

The ability to respond to varying crop sizes and changing customer demand is also crucial across our factories in both the north and south of Spain. To support this and our leaner factory teams, we have introduced tools to automate various time-intensive processes, such as managing shift changes, maintenance planning and storage and warehousing controls. For example, digitised maintenance planning has delivered benefits such as the ability to create alerts on areas that need immediate attention or require investigation. This has led to us halving our maintenance costs in the past six years, with no impact on the high reliability levels in our factories. Managing maintenance in this manner allows our engineers to focus on projects that can improve our sustainability performance, particularly energy efficiency and decarbonisation.

The wide range of sugar products and co-products leaving our factories makes the way we work with our logistics suppliers a key factor in our ability to deliver quality products on time. Together with our suppliers, we are using technology to automatically map routes that match our customers' demand-planning requirements. This also gives our customers all vehicle and order data automatically.

The tools we have introduced for our commercial teams and customers help position us as a supplier of choice. These include a central Customer Relationship Management (CRM) tool, which stores customer data, interactions and market analysis as well as all online contracting and documentation information. This has further enhanced our data analysis capability, improving our insight and ability to serve our customers.

As we operate across multiple factory sites and office locations, we have streamlined processes to reduce the time people spend on administrative tasks. We now have two new mobile applications, one of which covers processes like travel requests and approvals, timesheet submissions, absence and holiday reporting. The other covers invoice management, managing factory KPIs, monitoring various parts of the factories and approving customer orders. In the past five years, digitisation has enabled us to reduce 40% of administrative tasks.

Our approach to digitisation is improving operational efficiency and allowing our people to focus on the work that drives most value for the business. It underlines the importance of team effort and a culture which embraces continual change, with people and technology working hand in hand.

Sugar in action: Making more from less at British Sugar

At British Sugar, we are constantly exploring ways to optimise our factory operations at every point of the sugar-making process.

In 2020, the UK sugar beet crop faced significant challenges. Aphids spread the virus yellows disease to sugar beet and this, combined with extreme weather, resulted in well below-average crop yields and a big reduction in our sugar production.

We developed an ambitious plan to minimise the impact of this through a fundamental process change in the sugar-making process at our factory at Wissington in Norfolk, UK, aimed at increasing sugar production.

The plan involved the introduction of a further boiling stage for the sugar juice extracted from the sugar beet which, combined with modifications to our on-site chromatography plant, resulted in increased operational efficiency and the ability to extract an additional 25,000 tonnes of sugar from the crop. From concept through design, build, commissioning and operational success took less than nine months and our targeted production volumes were achieved within the first five weeks of operation.

The project's success relied on quick decisions, engineering excellence and a customer-led approach from the teams. The investment not only drove increased production of white sugar by using the sugar molasses we produce from sugar beet differently, it also increased the amount of betaine we produced for other markets.

Jeff Nan (pictured below right), who joined our Chemical Engineering Graduate Scheme in 2018, was integral to the success of this project, bringing his process engineering experience to deliver against a challenging timeline. The benefits were seen almost immediately.

We will continue to invest in our engineering ingenuity to drive our efficiency and use as much of our raw material as possible.

Doing more with less is at the heart of our circular economy approach, as we strive to maximise value and minimise waste.

We extracted an additional 25,000 tonnes of sugar from this year's crop through operational efficiencies.

Agriculture

Products for the agri-food industry

AB Agri is a major investor in innovation of specialty feed ingredients, providing highly specialised advice around procurement and formulation. Pictured here is a colleague at one of our Premier Nutrition manufacturing facilities.

AB Agri is a leading international agri-food business operating across the supply chain, producing and marketing animal feed, nutrition and technology-based products.

About AB Agri

With an expert understanding of agriculture and animal nutrition, our philosophy is to improve feed production, so that nutritious and affordable food is produced safely and responsibly.

Across the agricultural supply chain, our products, data insight and technological innovation enable our customers to produce and process high-yielding, safe and nutritious food in a responsible way, using fewer chemicals and antibiotics, safeguarding natural resources and creating less waste and lower emissions. Employing over 3,000 people around the world, we sell products into 85 countries and continue to grow our global operations.

85

Sales in 85 countries

3,000

employees

Our core capabilities include:

- creating nutrition and technology-based products – as a major investor in innovation of specialty feed ingredients, we provide highly specialised advice around procurement and formulation for livestock, aqua, equine and pet foods. We develop pioneering feed ingredients including additive products, high-quality, bespoke vitamin and mineral pre-mixes, starter feeds and micro-ingredients developed using world-class excellence to solve challenges. These include commercial alternatives to soya, improving animal protein efficiency and extracting valuable nutrients from co-products;
- making animal feed – AB Agri is one of the UK's largest marketers of co-products from the food and drink industries and is a major international manufacturer and supplier of pig, poultry and dairy feeds with 29 production sites in the UK, continental Europe and China; and
- offering data services for the agri-food industry – with 20 years of expertise, our data and technology platforms deliver targeted insights that create continuous improvement for agricultural supply chains. We work exclusively with major food processors, retailers and directly with farmers, enabling them to:
  - increase productivity and yields sustainably;
  - improve animal health and husbandry; and
  - develop quality assurance and corporate responsibility programmes.

Strategy

We are focused on inspiring excellence in the way the agricultural industry produces food for people and animals, pioneering ways to build a more responsible food chain.

Global population growth means higher demand for food, including meat and dairy and there is a growing need to feed more animals. Doing this in ways that reduce environmental pressures is important for us all. We have an exciting opportunity to help our customers achieve this and we have clear ambitions:

- responsibility in everything we do – creating value from reducing waste, investing in ways of producing proteins more sustainably, improving the gut health of animals and being smart in the way we use technology, innovating constantly and, through our people, driving valuable farm management insight for our customers;
- growing internationally – rolling out our AB Agri business platform into other countries, expanding our sphere of influence and becoming a leading player in more countries, increasing our profit from outside of the UK; and
- inspiring and empowering our people – ensuring we have a culture in which we all thrive. We want AB Agri to be a consistently great place to work, across every business and team.

Revenue

£1,537m

2020: £1,395m
Actual currency: up 10%
Constant currency: up 11%

Adjusted operating profit

£44m

2020: £43m
Actual currency: up 2%
Constant currency: up 7%

Adjusted operating profit margin

2.9%

2020: 3.1%

Return on average capital employed

10.6%

2020: 10.5%

Operating Review

Trading at AB Agri was strongly ahead of last year with revenue and adjusted operating profit increases of 11% and 7% respectively at constant currency.

The revenue growth was delivered by higher commodity prices and an increase in feed volumes. Growth was notable in China, our UK feed business AB Connect and in AB Neo, which specialises in feed for animals in the early stages of life.

China delivered a much-improved trading performance and benefited from a recovery from the effects of African Swine Fever. We developed feed sales for other species and supported our margins with good procurement. The regionalisation of the nutrition technical team and increased technical talent has supported the launch of new products. Adjusted operating profit at Frontier was ahead with a much-improved result from grain trading as a result of increased commodity price volatility driven by reduced UK wheat availability, Brexit uncertainty and tightening global supply and demand. AB Neo was also ahead driven by the performance in Spain due to increased demand for starter feed and additives, as well as favourable buying gains.

Sales and adjusted operating profit at AB Vista, our international feed enzymes business, were broadly in line with last year. Sales in Asia Pacific and the Americas were ahead and offset a decline in EMEA as lockdowns affected meat consumption and consequently feed production.

Our UK pig and poultry animal feed business has announced its intention to build a state-of-the-art animal feed mill in the east of England. This substantial investment will provide much needed capacity and will also ensure consistent quality.

AB Agri is a major international manufacturer and supplier of pig, poultry and dairy feeds, with 29 production sites in the UK, continental Europe and China. Sampling at one of our UK sites is pictured here.

Agriculture in action:
AB Agri launches animal neonate specialist business AB Neo

In September 2020, AB Agri launched a specialist neonate nutrition business – AB Neo – which focuses on the essential and very particular needs of young farm animals.

Neonate nutrition is a critically important area of animal husbandry. The lifetime health of an animal is heavily dependent on how well it is cared for and fed during its first few weeks. AB Neo manufactures a range of products for piglets, calves and poultry, helping our customers – mainly medium-sized to large farmers – provide the best start in life for their animals. This in turn helps the animals to be healthy and productive.

To achieve this, we brought together three of our existing businesses – Agilia, ASN and Primary Diets – with four sites in Denmark, Poland, Spain and the UK, to create a single, unified centre of excellence. This brought together highly entrepreneurial businesses and more than 35 technical experts.

AB Neo has significant capability in:

- high-quality nutrition solutions, with a primary focus on milk replacers, specialist ingredients, early feeds and additives;
- research, development and innovation;
- production, including supply chain management and quality assurance; and
- sales and marketing.

We produced over 200,000 tonnes of animal feed in the year and our growth strategy is focused on moving into new geographies.

Our aim is to become a leading business in piglet nutrition in our home territories and elsewhere in Europe while expanding our non-piglet businesses and calf nutrition across newer markets including the US, Brazil and China.

With environmental and animal welfare considerations top of mind, AB Neo is building an innovation farm in Spain, which will be the largest dedicated piglet research centre in Europe. The farm will incorporate a cloud-based environmental and production control system, using smart 'insight' feeders and electronic tagging to record data to monitor the health and wellbeing of more than 50,000 piglets a year. It will improve our insights into pre-weaning nutrition needs, helping us create better solutions in early-life animal husbandry.

We will also continue to work with farmers and customers to improve how we source ingredients sustainably and produce healthy, safe and environmentally responsible animal protein.

The lifetime health of an animal is heavily dependent on how well the animal is cared for and fed during its first few weeks.

Ingredients

Yeast, bakery and specialty ingredients supplied globally

AB Enzymes' pilot plant in Finland (pictured) significantly increases our capability and capacity to validate and optimise new concepts before full-scale production.

Our Ingredients businesses are leaders in yeast and bakery ingredients and supply specialty ingredients to the food, nutrition, feed and pharmaceutical industries.

About Ingredients

AB Mauri

AB Mauri has a global presence in bakers' yeast with significant market positions in the Americas, Europe and Asia. 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. AB Biotek is dedicated to providing yeast, associated technologies and fermentation capability to the alcoholic beverages, bioethanol, animal nutrition and human nutrition and health markets. Our health market proposition was strengthened this year by the acquisition of a small biomedical company specialising in medical nutrition.

ABF Ingredients

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

We serve customers in more than 50 countries from production facilities in Europe, the Americas and India. ABF Ingredients comprises five businesses which operate worldwide with distinct identities:

- AB Enzymes is an industrial biotech business specialising in enzymes. Applications include bakery and other food and beverage segments, animal feed, technical and detergent markets;
- ABITEC supplies specialty lipids and surfactants for the pharmaceutical, nutritional and specialty chemical industries;
- Ohly produces a range of yeast extracts and culinary powders specially developed to enhance the taste of customer food recipes;
- PGP International produces specialty flours and extruded ingredients for use in a wide range of nutritional products such as energy bars; and
- SPI Pharma supplies antacids, pharmaceutical excipients and drug delivery solutions for the pharmaceutical industry.

Strategy

Our Ingredients businesses are dedicated to addressing the key requirements of our customers and end-use markets to ensure a relevant supply of quality ingredients, systems, products and technology that creates value. We develop partnership relationships with customers to achieve a genuine understanding of their products, formulations, raw materials, equipment and processes, and the market and regulatory environment in which their products are sold. Our businesses strive to provide outstanding quality products and service, supported by a high level of investment in technology, innovation and expert teams.

Each business focuses on differentiating across the full range of potential sources of competitive advantage: innovative ingredients with unique functionalities; sustainable, efficient and proprietary production processes; and compelling value-add customer propositions.

63

production plants for AB Mauri and ABF Ingredients

7,000

employees

Revenue

£1,508m

2020: £1,503m
Actual currency: in line
Constant currency: up 4%

Adjusted operating profit

£151m

2020: £147m
Actual currency: up 3%
Constant currency: up 8%

Adjusted operating profit margin

10.0%

2020: 9.8%

Return on average capital employed

16.9%

2020: 16.7%

Operating Review

Ingredients sales were 4% ahead of last year and strong trading by AB Mauri delivered an increase in adjusted operating profit of 8%, all at constant currency. The results of AB Mauri in Argentina continue to be reported under IAS 29 *Financial Reporting in Hyperinflationary Economies*, which reduced operating profit by £7m (2020 - £5m).

The sales growth in AB Mauri was led by our operations in Latin America, with Brazil benefiting from a recovery in the craft channel and new non-dairy creamer product launches. Argentina delivered good growth despite difficult ongoing economic conditions. Strong growth was also achieved in the South and South East Asia region, supported by the implementation of a strong technical service and route-to-market model. The easing of COVID-19 restrictions in the EMEA region allowed product development activities to resume and sales increased as a result. The Italian business has now completed a new, centralised bakery ingredients centre that will consolidate and enhance our competitiveness and innovation in production and product development. Last year, the demand for retail yeast and bakery ingredients generally remained elevated compared to pre-COVID levels. However, some declines to pre-COVID volumes were noted in countries as pandemic restrictions have been lifted.

During the year, we opened our new Global Technology Centre in the Netherlands. This provides an upgraded international hub for the research and development of bakery solutions, as well as accommodating a pilot plant, laboratories and training facilities.

Significant inflationary pressures emerged across many areas of our cost base during the final months of the year, and these are anticipated to continue in the new financial year. Price increases will be implemented to preserve margins.

ABF Ingredients businesses delivered revenue and profit growth despite the challenges of COVID-19 and the supply chain. A recovery of customer demand for our products was particularly noticeable in the last quarter.

Our enzymes business delivered a record year in its bakery, food and textiles platforms driven by strong growth outside Europe, where we continued to enhance our local application and commercial capabilities. Innovative new products and operational efficiencies will be facilitated by the new state-of-the-art pilot plant which was commissioned during the year. We maintained share in the animal feed enzyme market despite competitive pricing pressures.

ABITEC grew its sales in the pharmaceutical and nutritional lipids markets. Our yeast extracts business delivered a record year in sales and profit driven by increased sales to the fast-growing market for meat analogues, new product introductions in human and animal nutrition and demand recovery in the US foodservice industry. Our antacids and pharmaceutical excipients business, SPI Pharma, also delivered good growth fuelled by price and volumes, global momentum in antacids and the promising initial success of a new excipient product line for oral dosage forms.

AB Mauri's new Global Technology Centre in the Netherlands (pictured right) includes a test bakery where we can trial new technology on a small scale before scaling up to full industrial production.

Ingredients in action: Investment in research and development to support growth

In the past year we have made further investment into our capability for innovation in AB Mauri and AB Enzymes, to support product development, applications support, closer customer relationships and to drive growth across our markets.

New AB Mauri Global Technology Centre

We opened our Global Technology Centre in March 2021, which will provide an international hub for research and development for bakery ingredients in AB Mauri.

The purpose-built facility in Etten-Leur in the Netherlands is at the cutting edge of bakery capability. The facility comprises a suite of laboratories where pioneering research takes place in areas such as fermentation and microbiology and a test bakery where we can trial new technology on a small scale before scaling up to full industrial production. This enables us to replicate customer processes and requirements in our research and development. There is also a sensory team who test the taste and quality of the products under development.

Our 50 food scientists, who represent 18 nationalities, work in collaboration with customers from around the world to bring innovations to local markets.

This investment reinforces AB Mauri's position as a technology-led business and market leader in bakery and yeast ingredients.

New pilot plant for AB Enzymes

The new pilot plant in Rajamäki, Finland, was opened in early 2021 by our joint venture, Roal. It provides a bridge between research and development and full-scale production on this site. The expert teams at AB Enzymes, who develop new solutions for customers, can now test, validate and optimise a wider range of new concepts much faster and with greater predictability than was possible previously.

The facility will improve our capabilities in fermentation, enzyme separation, purification and formulation, in particular utilising ultrafiltration, crystallisation and granulation.

With this enhanced, state-of-the-art innovation capability, we can develop more, new and improved enzyme solutions for our customers.

Other benefits include eradicating bottlenecks in our product development process with a significant increase in our capacity to work on optimising the production parameters to upscale production from laboratory, to pilot, to full plant scale together with increased downstream processing capabilities. Investments in automation and remote monitoring enable better process control and parallel processing.

The new capabilities further strengthen our ability to meet increasingly stringent regulations and requirements in the production and use of enzymes.

Maximising the usage of the new pilot plant is a key part of AB Enzymes' growth strategy which will see us expand into new markets and attract new customers as we develop our product portfolio.

The new state-of-the-art facility in Rajamäki, Finland (pictured), is a key part of AB Enzymes' growth strategy which will see us expand into new markets and attract new customers.

Retail

Amazing fashion, amazing prices

We opened 15 new stores in this financial year, including our 80,000 sq ft flagship store in Rotterdam Forum, the Netherlands (pictured here).

Primark is one of the largest fashion retailers in Europe and the largest by volume in the UK.

About Primark

Primark is an international fashion retailer with 16.8 million sq ft of selling space in 398 stores in 14 countries and has more than 70,000 employees. We are serviced by a network of nine depots covering 7.1 million sq ft. We are famous for offering great value to customers and pride ourselves on our wide selection of products, from everyday essentials to the latest trends, and all at prices everyone can afford.

398
stores at year end

71,000
employees

Amid an ever-changing retail landscape, Primark is always looking for new ways to create the best customer experience. We are constantly evolving to offer an exciting and innovative retail environment that serves as a destination everyone in the family can enjoy. Primark's latest store design includes features like free Wi-Fi and trend rooms, with an increasing number of stores also offering a range of food and drink outlets. These include the Primarket Café as well as flagship destinations like the Primark Café with Disney in Birmingham and the Friends Central Perk Café in Manchester.

We launched our first own-brand Beauty Studio in April 2019, offering customers a mix of beauty services at amazing prices. We also celebrated the launch of our Wellness Collection in 2020 with the opening of our first ever pop-up store in BOXPARK Shoreditch, London. Meanwhile, Primark's licensed offering continues to grow, establishing the business as a market leader in the space through partnerships with brands such as Warner Brothers, Disney and Netflix.

In September 2021, Primark unveiled a wide-reaching new Primark Cares sustainability strategy aimed at minimising fashion waste, reducing our impact on the planet and improving the lives of the people who make our clothes. Building on the progress we have made over a decade to become a more ethical and sustainable business, the new commitments include making all our clothes recyclable by design by 2027, ensuring all clothes are made from 100% recycled fibres or more sustainably sourced materials by 2030 and halving carbon emissions across our entire value chain by 2030.

Strategy

Primark's business model is based on doing things differently, allowing us to keep prices low and offer great value on the high street. We achieve this by doing very little advertising, focusing instead on marketing through our popular social media channels and store windows; only selling our products in store; and making savings on things like simple packaging. Primark delivers a vision of making high-quality affordable fashion accessible to everyone, put simply: Amazing Fashion, Amazing Prices. We have a strong digital presence and a high level of customer engagement with over 24 million followers across our social media channels.

At Primark we believe that more sustainable fashion should not have to come with a high price tag either for people or the planet. We have been on a journey to build a more sustainable business for more than a decade and have now committed to going further and faster, using our size and scale to make a real difference. In September 2021, we unveiled a wide-reaching new sustainability strategy aimed at minimising fashion waste, reducing the impact we have on the planet and improving the lives of the people who make our clothes.

We care about the welfare of the people who make our products. We are very selective about who we work with and require every supplier factory to sign up to the internationally recognised standards set out in the Primark Code of Conduct before we place any orders. Based on the Ethical Trade Initiative's (ETI) base code, this ensures workers in the supply chain have good working conditions and their workplace rights are respected. We have a rigorous process to check these standards are being met: our team of 130 specialists based in key sourcing countries inspect every supplier factory at least once a year. We are proud that the ETI has ranked us as a 'leader' in how we monitor our supply chain.

Revenue

£5,593m

2020: £5,895m
Actual currency: down 5%
Constant currency: down 5%

Adjusted operating profit (before repayment of job retention scheme monies)

£415m

Adjusted operating profit

£321m

2020: £362m
Actual currency: down 11%
Constant currency: down 11%

Adjusted operating profit margin (before repayment of job retention scheme monies)

7.4%

2020: 6.1%

Return on average capital employed (before repayment of job retention scheme monies)

6.6%

2020: 5.6%

Operating Review

Sales at Primark, including a 53rd week this financial year, were 5% below last year at both actual and constant currency exchange rates. This year a third of the available trading days were lost as a result of store closures due to the public health measures in our major markets to control the spread of COVID-19. This compared with the loss of one quarter of the available trading days in the previous financial year. Despite this decreased level of trading days, adjusted operating profit, before repayment of job retention scheme monies, increased 15% to £415m representing an adjusted operating profit margin of 7.4% for the full year. Operating profit margin improved during the year from 1.9% in the first half to 10.6% in the second half, excluding the 53rd week. The repayment of monies received from the job retention schemes in the UK, Republic of Ireland, Portugal, Czechia and Slovenia this year has been charged in the second half at £94m.

This year has been characterised by greater than expected restrictions on the ability of Primark to trade. For this financial year we estimate the loss of sales, while stores were closed, to be some £2bn. When stores were open, full year like-for-like sales were 12% below two years ago and were 7% lower excluding destination city centre stores. In the first half, the like-for-like performance reflected lower category spend and lower footfall due to trading restrictions. When the stores reopened in the third quarter, customers came back to our stores in large numbers and sales were 3% ahead on a like-for-like basis compared to the same period two years ago. Like-for-like sales declined by 17% in the fourth quarter and were affected by the impact on footfall of the changes in public health measures. Trading varied considerably across the estate. In the UK, sales were affected by the number of people required to self-isolate following contact tracing alerts – the 'pingdemic'. The self-isolation rules were then eased in early August with like-for-like sales showing a corresponding improvement through the period from a decline of 24% in the first four weeks of the quarter to a decline of 11% in the last four weeks of the quarter. In Continental Europe, like-for-like sales were impacted by the performance of our stores in Spain and Portugal with the decline in foreign tourism at that time.

Our US business performed well this financial year and delivered a good profit margin. Like-for-like sales consistently improved during the year and for the full year were 6% up on the same period two years ago excluding the city centre Boston store. Six years after our first store openings, Primark is clearly resonating with the US customer and brand awareness continues to build. This was especially evident in the strong trading at all the new stores opened during the year: Sawgrass Mills Florida, American Dream New Jersey, State Street Chicago and Fashion District Philadelphia. The performance of both our existing and newly opened stores, combined with the profitability, gives us confidence to increase the pace of expansion in this important market.

We continue to extend our product offering to meet changing customer needs. In September we launched an expanded Primark Home department at Merry Hill in the West Midlands, with increased in-store selling space to offer an all-new range of quality, affordable home and lifestyle products. The new space enabled us to offer a much wider range including new categories such as cookware, ceramics, rugs and furniture. Following a very positive customer response, we are rolling this extended range out to a total of 40 stores over the coming months.

Sales of our autumn/winter ranges have started well and sales densities continue to improve. Primark has capitalised on the continued trend for 'comfort living' with the launch of its range of 'snuddies', attracting a strong response from customers across all markets. Bestsellers include the avocado print for men and, under our licence collection, Minnie Mouse for kids. The Primark Edit of quality investment pieces for women has proven very popular since launch in September, with strong sales of its seasonal staples such as cotton cashmere jumpers and a classic trenchcoat driven by promotion on Primark's social channels. Another trend which came through strongly in the second half was the desire by more customers to get outside and get active. We launched the Great Outdoors range with a collection of waterproof jackets, boots and breathable trousers spanning womenswear, menswear and kids. It has also extended the range of product under the Primark Cares label with 65% of the Outdoors collection made from recycled or more sustainably sourced materials. Overall, sales of the Primark Cares range, made from recycled and more sustainably sourced materials, continue to perform strongly since the customer launch of our sustainability strategy in September.

Following the strong trading after the reopening of our stores in the spring, inventory, which had built up during the lockdown, reduced. All spring/summer inventory brought forward from last year has been sold and the autumn/winter inventory held over from last season will be sold in the coming months. In recent weeks, we have experienced further supply chain disruption including temporary closures at dispatch ports, limited sea container availability and congestion at destination ports. These disruptions have delayed both the handover of inventory from suppliers and the shipping and delivery of inventory to store. We are closely managing this with the support of our logistics providers, taking advantage of our scale and efficient warehouses, and we are prioritising the product most in demand. Although, at this point, the disruption is causing limited availability on a small number of lines, our warehouse inventories give us stock cover on the majority of lines for the important Christmas trading period.

Margin in the second half benefited from a significant reduction in store operating costs, driven by lower employee headcount, improved labour scheduling, and savings in other operating costs. Looking ahead to our next financial year, operating profit margin will continue to benefit from these store labour efficiencies and lower operating costs. Our forecast is for the effect on margin of the increased costs relating to supply chain and raw material inflationary pressures to be broadly mitigated by these lower store operating costs and the transaction currency gain from the weaker US dollar exchange rate. We expect the adjusted operating profit margin to be above 10%.

In September, Primark unveiled a wide-reaching new sustainability strategy, pledging to make more sustainable fashion choices affordable for all. It is designed to reduce fashion waste, halve carbon emissions across its value chain and improve the lives of people who make Primark products. The new strategy was launched with a new customer campaign, 'How Change Looks', setting out the key commitments in prominent locations across all stores and digital channels in all our 14 markets. The nine-year programme includes commitments to ensure all Primark clothing is made from recycled or more sustainably sourced materials by 2030, increasing from 25% of all clothes sold at the time of launch; the elimination of all single-use plastics in Primark's own operations by 2027; and the commitment to pursue a living wage for workers in the supply chain by 2030. Primark will report annually on its progress against the nine high-level targets in the new strategy.

This sustainability transition is expected to lead to only a modest increase in costs in some areas of the business, net of mitigating actions, over the period to 2030. We are confident of our ability to mitigate these increased costs without any material impact on Primark's operating profit margin in the short term and without any significant movements in the margin over the longer term. Additionally, we believe that this is an opportunity to drive further sales growth from both existing and new customers.

Digital is becoming increasingly important in Primark. We expect the roll-out of the enabling stock management system, Oracle, across all our stores in the current financial year and for all stores to be equipped with state-of-the-art point of sale terminals by the end of calendar year 2022. Following the announcement in July of our plans to launch a new customer-facing website, the design and development of the new digital platform is progressing well. We are on track to launch the new website in the UK in the first quarter of 2022. The new site will showcase those products which customers expect to be able to browse online, before they come into our stores, with much richer product information and imagery for every product shown. We expect this to be around 70% of our total range, substantially up from some 20% on the current site. The new site will then enable customers to research product availability in their local store and this responds to what we know is a clear customer demand. The initial response from consumer testing has been positive. In addition, we are building digital marketing capability to enable us to start to capture and manage customer data and to begin to communicate directly with customers with relevant marketing messages.

At year end we were trading from 398 stores and 16.8 million sq ft of retail selling space, after our latest new store in the Fashion District of Philadelphia in the US was opened on 16 September. This represents an increase of 0.6 million sq ft over the year. Fifteen stores were added this year: four stores in the US; four in Spain; two in Italy, and one each in France, the UK, the Netherlands and

New store openings in the year ended 18 September 2021

Czechia	France	Italy	Netherlands
Prague Wenceslas Square	Coquelles	Roma Maximo Roma – Est	Rotterdam Forum
Poland	**Spain**	**UK**	**US**
Poznan	Barcelona Sant Cugat Espacio León Bilbao Gran Via Marbella	Tamworth	Sawgrass Mills Florida American Dream New Jersey Chicago State Street Philadelphia Fashion District

	Year ended 18 September 2021		Year ended 12 September 2020	
	# of stores	**sq ft 000**	# of stores	sq ft 000
UK	**191**	**7,597**	190	7,534
Spain	**52**	**2,143**	48	1,988
Germany	**32**	**1,841**	32	1,841
Republic of Ireland	**36**	**1,076**	36	1,076
France	**20**	**1,044**	19	996
Netherlands	**20**	**1,016**	20	971
US	**13**	**563**	9	470
Belgium	**8**	**403**	8	403
Portugal	**10**	**383**	10	383
Italy	**7**	**361**	5	257
Austria	**5**	**242**	5	242
Poland	**2**	**77**	1	40
Czechia	**1**	**50**	n/a	n/a
Slovenia	**1**	**46**	1	46
Total	**398**	**16,842**	384	16,247

Poland, as well as our first store in Czechia. We relocated to new premises in Southend. One of our first stores to open in the Netherlands, a small store in Alkmaar, was closed. Downsizing of the Downtown Crossing store in Boston was successfully completed in September. Encouragingly sales in the three German stores which were downsized last year have remained in line with pre-downsizing levels.

In the next financial year, we are planning to add a net 0.5 million sq ft of additional selling space. Eleven store openings have been confirmed: four new stores in Italy, four new stores in Spain and one store in each of US, Czechia and Ireland.

We see growth in all our existing markets. Over the next five years we expect our store estate to grow to some 530 stores from 398 at the financial year end. In particular, we will accelerate the expansion of our selling space in the major markets of the US, France, Italy and Iberia, building on our established brand recognition, proven track record of successful store openings and strengthening relationships with key landlords. Reflecting this, we are expanding our team of in-market specialist acquisition surveyors. We are increasing the use of technology and demographic data to inform our decisions about new store locations. Additionally, we expect to benefit from more store opportunities with the revival of property sector development as we emerge from the pandemic.

In the US, the potential for new stores is considerable. We successfully opened four stores in the last financial year, including new stores well beyond our existing north-east footprint, in Florida and Chicago. This financial year we are committed to opening a store on Jamaica Avenue, Queens and have already signed four further leases to expand our reach in the greater New York area and a lease for a store in Tyson's Corner, Washington.

In Western Europe, our major opportunities for growth are in Iberia, Italy and France. In Spain, our second biggest market, we opened four new stores during this financial year, including flagships in the city centres of Barcelona and Bilbao, bringing our total number to 52 at the year end. We have confirmed plans to open many more locations in this important country in the coming years, including four in the new financial year. We plan to add four new stores in Italy, the largest being Milan Via Torino.

We are also expanding into Central and Eastern Europe (CEE). A milestone was the opening of our 46,000 sq ft store in Prague's historic Wenceslas Square in June, building on our recently opened stores in Ljubljana Slovenia and in Poland. Our reception from CEE shoppers has been very positive. We are opening our second store in Czechia next summer and we have signed leases for our first store in Bratislava, Slovakia and four further stores in Poland.

In addition, we will continue to explore opportunities in new markets.

We opened 15 new stores during the financial year, including Chicago (left), Philadelphia (top right) and Miami (bottom right) in the US.

Retail in action: Primark Cares – how real change looks

Our new sustainability strategy, Primark Cares, is a clear and committed statement that tells our customers, employees, partners and suppliers that we take our responsibility as a large retailer seriously. The strategy is designed to minimise fashion waste, reduce our impact on the planet and improve the lives of the people who make our clothes.

In 2020, we renewed our ambition to accelerate our sustainability goals, with commitments to:

- eliminate single-use plastics from our business;
- significantly increase the use of recycled materials across all our product ranges; and
- grow the number of sustainable cotton products we sell through the Primark Sustainable Cotton Programme.

This year, we are now supercharging this work. Our ambition is to make more sustainable fashion affordable for all and we are doing this with a set of commitments that will transform our business to become more sustainable and circular over the next nine years:

- **Product: Giving clothing a longer life** We will change the way we make our clothes to ensure they are recyclable by design by 2027 and, by 2030, made from recycled fibres or more sustainably sourced materials. We will also put all items through more rigorous testing to make sure our clothing is made to last.
- **Planet: Protecting life on the planet** We have committed to halving carbon emissions across our entire value chain by 2030. Additionally, we will eliminate single-use plastics and all non-clothing waste by 2027 and will work with cotton farmers to deliver better soil health, biodiversity and water quality in the regions where their cotton is grown.
- **People: Enhancing the lives of the people who make our clothes** We will go further to improve the lives of people in our supply chain by 2030, pursuing a living wage for all, providing access to social protection and financial education and services. We will also increase opportunities for women through skills development and widen access to physical and mental health support.

We know our scale means we can have a real impact with every change we make. We want to get this right and will be sharing more on our strategy in the coming months. At Primark, we have always been about making great fashion affordable for everyone. Now we are doing the same for more sustainable fashion, without compromising on the low prices for which we are famous.

More sustainable products: continuing to innovate

Our Primark Cares label, denoting products made with recycled fibres or more sustainably sourced materials, can now be found on a quarter of all the clothes we sell. We have grown this by almost 10 percentage points in just a year – growth that is set to continue in the coming months and years as we work towards becoming a more sustainable business.

Products carrying the Primark Cares label include jeans made using cotton grown by farmers trained through our Primark Sustainable Cotton Programme, as well as items made using recycled materials across our women's, men's, kidswear and home departments. Customers can now buy swimwear, activewear, shoes, pyjamas, lingerie, denim, duvets and much more, all made from recycled or more sustainably sourced materials.

We added a series of exciting new ranges to our Primark Cares label during the last financial year, developed in partnership with some of the most innovative leaders in more sustainable fashion. Highlights include:

- our Cradle to Cradle Certified® Gold jeans, Primark's most sustainably made jeans yet. Low on environmental impact but big on style, these 100% organic cotton mom jeans, available in two styles, are fully recyclable and independently certified as a safe, more sustainable product, with a lower impact on people and the planet. We are incredibly proud of the Gold status, which gives our customers the confidence that what they are buying is responsibly sourced;
- our new sustainable women's leisurewear collection, launched in May and produced in partnership with Recover, the recycled cotton innovator. Each item in this eight-piece collection of classic and on-trend leisurewear is made using between 15% and 25% recycled cotton. The remainder comprises a mix of materials including sustainable cotton from our Primark Sustainable Cotton Programme, organic cotton and polyester; and
- our first fashion and home collection made using natural dyes from plant and food waste, in partnership with Archroma, the global specialty chemical company. The range uses waste generated by the food and plant industry to create a selection of beautiful, earthy fabric dyes that are both neutral and natural. Made using organic cotton and cotton from the Primark Sustainable Cotton Programme, the 22-piece collection will span menswear, womenswear, kidswear, nightwear and homeware.

Working in partnership with others to achieve our goals

Making our business more sustainable involves collaboration between teams right across Primark, from ethical trade to sourcing; from buying and merchandising to the dedicated Primark Cares team itself. But we know that real change is only possible when we work with others across and beyond our industry. For many years we have worked with multiple partners, including charities, international development organisations, government agencies and recycling companies. Here are three of the key partnerships we forged or extended in the last year:

- in October 2020 we joined the United Nations' Fashion Industry Charter for Climate Action, supporting its net zero ambition and committing to a 30% reduction in our greenhouse gas emissions by 2030. In joining the Charter, we have committed to tackling emissions from across our entire value chain. This includes Scope 3 emissions from outside our own operations, which make up the vast majority of our carbon footprint;
- in May 2021 we signed up to the Textiles 2030 initiative, a new sustainable textiles action plan led by the charity WRAP and supported by the UK Government. This important initiative aims to accelerate the fashion and textile industry's move toward circularity over the next decade, making practical interventions to significantly reduce the environmental impact of UK clothing and home fabrics. We will be reporting annually on our progress; and
- in July 2021 we were delighted to extend our relationship with the Ellen MacArthur Foundation by becoming a network partner, having first joined the Foundation's 'Make Fashion Circular' initiative in 2018. Over the next three years, we will work with other leading organisations from across the world to accelerate the transition toward a circular economy.

We launched our Primark Cares sustainability strategy with a new campaign, How Change Looks. Campaign materials, including a selection above, were displayed in stores and used on social media to promote our commitments across product, planet and people.

PRIMARK CARES How Change Looks

Retail in action: Working together to create product ranges for new and expectant parents

Customers have snapped up our licensed 'Jungle Book' collection of new-born and toddler clothing, Primark's first ever extensive range of licensed lifestyle products for the nursery.

At Primark, we are continually working to expand what we offer in store, pushing into new areas and innovating to keep pace with our customers' ever-changing needs.

In the last year alone, our teams across Primark, including specialists in design, buying and merchandising, have collaborated closely to develop two exciting new ranges: Primark's Baby Collection and Primark Parenthood.

These clothing and lifestyle products for new and expectant parents have been flying off the shelves in their first season. While we have long been known for our babywear, with the new collections we now aim to offer a full range of products, including lifestyle, nursery items, gifts and even clothing for parents.

Welcome to Primark's Baby Collection

Primark's Baby Collection is the first zone that we have dedicated to all things baby-related. Today, it is a one-stop shop that brings together five different product categories for the first time, all at the same location in store. Launched in April 2021 and now available in 162 stores, the collection takes our customers on the entire new parenthood journey, from the excitement of packing a hospital bag to the moment their child takes their first precious steps.

Highlights include our unisex range of co-ordinated baby clothing, nursery items and gifts featuring farmyard animal prints and organic fruit. Our novelty lamb rocker was a star performer and, at £28, is an example of how we are extending the price range of Primark collections while ensuring we maintain the great value for which we are so well known.

We are also proud of our range of wooden nursery toys made from FSC (Forest Stewardship Council) wood, which is a more environmentally friendly alternative to plastic. Customers have snapped up our licensed 'Jungle Book' collection of new-born and toddler clothing, Primark's first ever extensive range of licensed lifestyle products for the nursery. Featuring watercolour artwork that Disney has redrawn exclusively for us, products such as our Baloo Play Mat (made from recycled materials and priced at £30) are proving exceptionally popular.

The Parenthood Collection: inspired by customers

Our new Parenthood Collection was inspired by customers' conversations with our own colleagues in-store about their desire for affordable, stylish and comfortable fashion for expectant and new parents. The 44-piece range, designed with functionality, fit and quality front of mind, launched in January. More than half the range falls under the Primark Cares label and it is already a huge hit with our customers.

Parenthood features wardrobe essentials such as mom jeans, as well as trend products including denim dungarees and knitted dresses. Our designers have placed an emphasis on comfortable fabrics, and have ensured that tops, dresses and nightwear are all easily adjustable for nursing.

We have worked hard to make the range as functional as possible for new parents. Details like the zipper feature on the two-pack sleepsuit make these really easy to get on and off. Adding popper details on the rompers make changing time that much easier for parents. Our new-born starter set is a great giftable item that also has room-to-grow features like its turned waistband.

The collection is currently available in 82 stores across Europe. We are now excited about the upcoming launch of new products under the Parenthood banner, including cosmetics, sleep spray and essential body oils, all staying true to the Primark strategy of affordable prices.

Licensed product posts on Instagram drove over 1 million clicks to the Primark website this year and included our best-performing post featuring Lilo & Stitch (pictured left).

Retail in action: Licensed products – sparking excitement and business growth

Licensed products such as our Disney, Netflix and Warner Brothers ranges have become a familiar sight in Primark stores in recent years. Since 2013 our licensed offering has grown strongly to encompass areas such as music, film and TV, gaming and toys. We are proud of our work to make Primark the go-to destination for licensed products across an ever-increasing range of categories in clothing, lifestyle and in-store experiences like cafés.

For our customers, these exclusive collections and collaborations are a much-loved part of the Primark offer. However, our partnerships with popular global brands, from PlayStation to the NBA, are also increasingly important to us from a strategic perspective. Licensed ranges are an effective way to drive online engagement, create enticing physical environments in our stores and help Primark's growth in new markets such as the US.

Focus on sports

Sports brands have been just one example of this over the last year. Our collection of NBA products – produced in partnership with the world's leading professional basketball league – has been hugely popular since its launch in May 2021, particularly in the US. The range is street fashion-led across jersey t-shirts, leisure and accessories, offering products that connect with our US customers whatever their team, whether it's the Chicago Bulls, the LA Lakers or the Brooklyn Nets.

Our collection of NBA products – produced in partnership with the world's leading professional basketball league – has been hugely popular since its launch in May 2021, particularly in the US.

This autumn/winter we are building on the success of the NBA range with our American football collection with the NFL. We are also delighted to have launched partnerships with a string of classic sportswear brands including Penn and Lotto.

In addition, we have announced a series of new lifestyle collaborations which include partnerships with Pineapple Dance Studios and The Stronghold, the heritage LA denim brand. Primark is an attractive partner for potential licensors in a diverse array of sectors and we will continue to create new collaborations with the widest possible range of brands to offer our customers exclusive products.

Using licensed products to enhance stores and drive engagement online

This October we launched a branded menswear sports zone in a selection of our stores as part of our strategy of using licensing partnerships to enhance our experience-led shopping environment. The Primark store experience is a key part of our business strategy and we have been working hard to ensure we are at the forefront of experience-led retail with dedicated areas in our flagship stores, including Disney and Friends zones, which have experiences like the Friends Central Perk Café. The new sports zone is the latest step on this journey.

Social media posts featuring licensed product generate some of the highest engagement on Primark's social channels and drive significant traffic to our website. Between August 2020 and August 2021 we reached 278 million people on Instagram with our licensed product campaigns, with our best performing post – featuring Lilo & Stitch products – reaching over 2.5 million people and receiving 122,000 likes. In total, our licensed products posts on Instragram drove over 1 million clicks through to the Primark website during this 12-month period.

Financial review

Group performance

Group revenue was in line with last year on a reported basis at £13.9bn. On a reported basis adjusted operating profit of £1,011m was 1% lower than last financial year. In calculating adjusted operating profit, the amortisation charge on non-operating intangibles, profits less losses on disposal of non-current assets, transaction costs, amortisation of acquired inventory fair value adjustments and exceptional items are excluded from statutory operating profit.

The income statement this year included a net charge for exceptional items of £151m. This mainly comprised the impairment of certain plant and equipment in our sugar business. In Spain, our current view for yield and sugar content from beet sugar and lower margins due to the expected increase in future raw refining volumes, resulted in a non-cash exceptional charge of €136m to write-down the net asset value of this business. Given the ongoing trading challenges in some of our smaller sugar businesses, following a review of our projections for the forecast evolution of beet area and yields, we have made a non-cash adjustment of £21m to the relevant net asset values as an exceptional charge this year. An inventory charge of £21m in Primark was taken at the half year which related to the clearance from our stores before reopening after lockdown of certain seasonal items on display and which could not be sold before the end of the season. This provision was used during the second half of the year. Prior year exceptional items included a mark-down provision of £22m for potential damage to Primark inventory stored on our behalf by suppliers for longer than usual as a result of the pandemic. Minimal damage was found and the majority of the provision was released this year.

On an unadjusted basis, statutory operating profit was in line with last year at £808m.

The strengthening of sterling this year against some of our trading currencies resulted in a loss on translation of £36m.

Net finance expense decreased this year due to the repayment of £25m of private placement debt and no RCF interest charges following the repayment of the facility at the end of the last financial year. Profits on the sale and closure of businesses amounted to £20m and profits less losses on sale of non-current assets were £4m.

Statutory profit before tax on a reported basis was up 6% to £725m. On our adjusted basis profit before tax was down by 1% to £908m.

Acquisitions and disposals

In May 2021, the Group's Ingredients business acquired DR Healthcare España, a Spanish enzymes producer for a total consideration of £14m.

During the period the Group contributed £43m to the bakery ingredients joint venture in China with Wilmar International. These businesses were classified as a disposal group and held for sale at the previous year end. In August 2021, the Group agreed the sale, subject to regulatory approval, of a further factory in China to this joint venture and a non-cash reversal of £10m for the impairment of these assets has been included in profit on sale and closure of business.

Closure provisions of £3m relating to disposals made in previous years which are no longer required were released to sale and closure of business in Ingredients and Grocery, both in Asia Pacific.

Taxation

We recognise the importance of complying fully with all applicable tax laws as well as paying and collecting the right amount of tax in every country in which the Group operates. Our Board-adopted tax strategy is based on seven tax principles that are embedded in the financial and non-financial processes and controls of the Group. This tax strategy is available on the Group's website at: www.abf.co.uk/documents/pdfs/policies/abf_tax_strategy.pdf.

This year's tax charge on the adjusted profit before tax was £255m at an effective rate of 28.1% (2020 – 28.8%). Based on current tax rates at the time of writing and with the recovery in Primark's profitability, we expect the Group's effective tax rate to fall next year to a level closer to pre-COVID rates.

Looking ahead beyond next year, we anticipate upward pressure on the effective tax rate due to the impact of corporation tax increases, notably the increase enacted in the UK, and the proposed increase recently announced in Ireland. We continue to monitor developments in other jurisdictions and also in respect of the OECD's BEPS 2.0 proposals.

The total tax charge for the year of £227m benefited from a credit of £27m (2020 - £42m) for tax relief on the amortisation of non-operating intangible assets, amortisation of acquired inventory fair value adjustments, profits on disposal of non-current assets, losses on disposal of businesses and exceptional items.

Earnings and dividends

Earnings attributable to equity shareholders in the current year were £478m and the weighted average number of shares in issue during the year, which is used to calculate earnings per share, was 790 million (2020 – 790 million). Given the marginal decline in operating profits and the reduction in the adjusted effective tax rate from 28.8% to 28.1%, earnings per ordinary share were 5% higher than last year at 60.5p. Adjusted earnings per share, which provides a more consistent measure of trading performance, declined by 1% from 81.1p to 80.1p.

We decided not to declare an interim dividend nor propose a final dividend relating to the last financial year. This was due to the impact of COVID-19 on the Group's cash flow driven by the duration and number of Primark store closures. This year the Board declared an interim dividend of 6.2 pence per share (2020: nil) which was paid on 9 July 2021 to shareholders registered at the close of business on 4 June 2021.

For the full year, the Board has proposed a final dividend of 20.5p per share giving a full year dividend of 26.7p per share. Further, the Board has declared the payment of a special dividend, to be paid as a second interim dividend, of 13.8p per share. The payment date for the 2021 final dividend and second interim dividend will be 14 January 2022 to shareholders on the register on 17 December 2021.

Total dividends for the 2021 financial year would therefore be 40.5p per share at a total cost of £320m.

Balance sheet

Non-current assets of £10.8bn were £0.1bn lower than last year. This was driven by a decrease in the investment in property, plant and equipment and right-of-use assets with depreciation, amortisation and impairments higher than capital expenditure and acquisitions made in the year. This was mostly offset by an increase in employee benefits assets as the surplus in the UK defined benefit pension scheme improved significantly.

Working capital at the year end was marginally higher than last year.

Net cash at the year end excluding lease liabilities was £1.9bn compared with net cash at the end of last year of £1.6bn reflecting the strong operating cash flow in the year. Net debt including lease liabilities was £1.4bn compared with £2.1bn last year.

The Group's net assets of £10bn were £0.6bn higher than last year. Return on capital employed for the Group which is calculated by expressing adjusted operating profit as a percentage of the average capital employed for the year, was higher this year at 9.8% compared with 9.5% last year.

Cash flow

Net cash inflow from operating activities decreased from £1,753m last year to £1,413m this year mainly as a result of the increase in the change in working capital compared to the prior year. Capital expenditure increased by £5m compared to the prior year and £21m was realised from the sale of property, plant and equipment. The net cash outlay on acquisitions and disposals was £23m.

Tax paid in the year amounted to £298m (2020 - £254m). The increase in tax paid was primarily due to the state aid payment of £23m and tax top up payments made due to strong final quarter results at the end of 2020.

Financing and liquidity

The financing of the Group is managed by a central treasury department.

The Board's treasury policies are in place to maintain a strong capital base and manage the Group's balance sheet to ensure long-term financial stability. They are the basis for investor, creditor and market confidence and enable the successful future development of the business.

The Board has approved a financial leverage policy for the Group. In the ordinary course, the Board prefers to see the Group's ratio of net debt including lease liabilities: Adjusted EBITDA to be well under 1.5 times at each half-year and year-end reporting date. In exceptional circumstances, it will be prepared to see leverage above that level for a short period of time.

We are pleased that S&P Global announced that they had assigned to the Group an 'A' grade long-term issuer credit rating, with a stable outlook, which reflected the strength of each of the Group's businesses, their diversity, and ABF's strong credit metrics underpinned by a conservative financial policy.

At the year end, the Group had total committed borrowing facilities amounting to £1.5bn, comprising £1.1bn provided under the RCF, £0.3bn of US private placement notes, maturing between 2021 and 2024, and £0.1bn of local committed facilities in Africa. At the year end, £0.3bn was drawn down under the private placement notes and local committed facilities. The Group also had access to £0.5bn of uncommitted credit lines under which £0.1bn was drawn at the year end.

Cash and cash equivalents totalled £2.3bn at the year end, of which centrally available cash on hand was £1.9bn.

The Group holds substantial net cash bank balances, which reduce its net debt, which include lease liabilities, and most importantly ensure that it has sufficient liquidity to meet unforeseen requirements.

Pensions

The Group's defined benefit pension schemes were in surplus by £493m at the year end compared with a deficit last year of £66m. The UK scheme, which accounts for 91% of the Group's gross pension assets, was in surplus by £633m (2020 - £94m). The increase in the UK pension surplus was driven by large asset gains on the pension assets, whereas the defined benefit obligations increased marginally driven by adverse changes in inflation assumptions. The pension surplus for the Group will result in an increased interest income compared to last year, and this will be reported in other financial income.

The last triennial valuation of the UK scheme was undertaken at 5 April 2020 which determined a deficit of £302m. This valuation was performed just after the first COVID-19 measures were introduced. Although we were required to agree a recovery plan with the trustees, in the light of the subsequent asset performance, we do not currently expect to make any payments.

The charge for the year for the Group's defined contribution schemes, which was equal to the contributions made, amounted to £81m (2020 - £79m). This compared with the cash contribution to the defined benefit schemes of £42m (2020 - £37m).

New accounting policies

The following accounting standards and amendments were adopted during the year and had no significant impact on the Group:

- Amendments to IFRS 3 *Definition of a Business*
- Amendments to IAS 1 and IAS 8 *Definition of Material*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 1*
- Amendments to *References to the Conceptual Framework in IFRS Standards*

John Bason
Finance Director

Engaging with our stakeholders

The following section describes how the directors take into account stakeholder and other matters in carrying out their duties and the impact on decision-making. Regardless of the legal duties, the directors consider regular engagement with stakeholders to be fundamental to the success of the Group and that it reflects our value of progressing through collaboration.

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 18 and 19, the role of the corporate centre, 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 both generally and also in navigating the COVID-19 pandemic.

Authority for the operational management of the Group's businesses is delegated to the Chief Executive for execution or for further delegation by him 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.

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 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.

While day-to-day operational decisions are generally made locally, in addition to providing input on the principal decisions and strategy, the Board supports individual businesses by facilitating the sharing of best practice and know-how between the businesses. In the following pages, we set out the key stakeholder groups with whom engagement is fundamental to the Group's ongoing success.

Employees

The Group employs 128,000 people. Our people are central to our success.

Key issues

- Health and safety
- Diversity and inclusion
- Engagement and development

How the businesses engage with this stakeholder group

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

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

- Richard Reid, as designated Non-Executive Director for engagement with the workforce in accordance with the UK Corporate Governance Code, continued to assess the best way that communication processes can work through the businesses to ensure that the 'voice' of each workforce is heard - please see Richard's letter on this on page 102. As well as Richard Reid meeting with employees from a selection of businesses, each business division also specifically reports to the Board annually on workforce engagement within that division. The Board also receives two specific updates each year on progress on workforce engagement.
- 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 continued to engage with Company employees at the corporate centre through virtual town halls covering issues such as business updates and ESG topics.
- Nearly 400 employees from headquarters and across the Group were invited to attend virtual events following the ESG investor events and had the opportunity to ask questions.

→ **See further details on pages 80 to 84 and page 102.**

Suppliers

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

Key issues

- Payment practices
- Responsible sourcing
- Supply chain sustainability

How the businesses engage with this stakeholder group

- Conversations (face-to-face or virtual)
- Training
- Communications sessions
- Correspondence
- Audits

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.

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

- Primark supplier sentiment in the wake of the COVID-19 pandemic and major events impacting suppliers;
- dealings with suppliers, including landlords, in respect of the impact of COVID-19 and temporary closure of stores;
- communications with suppliers in respect of the new Primark Cares sustainability strategy; and
- modern slavery and human rights, including approval of the Modern Slavery and Human Trafficking Statement.

→ **See further details on pages 75 to 76.**

Customers/Consumers

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

Key issues

- Healthy and safe products
- Value for money
- Availability of products
- Impact on environment
- Store environment
- Customer relations

How the businesses engage with this stakeholder group

- In-store signage (Primark)
- Customer surveys
- Labelling
- Social media
- Customer/consumer information lines

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

- The Board is regularly updated by each business division on key customers and key issues impacting customers and consumers.
- The Group Director of Financial Control provides the Board with an annual report on food and feed safety.

Key matters on which the Board was briefed include:

- the wide-reaching Primark Cares new sustainability strategy founded on a commitment to make more sustainable fashion affordable for all;
- ongoing safety measures throughout the Primark stores in response to COVID-19, including through extended opening hours and the use of booking systems in some countries; and
- helping to continue to keep people fed by implementing safety measures to keep production sites open and operating safely during the pandemic and by careful planning and scheduling of customer orders.

→ **See further details on pages 84 to 85.**

Communities and the environment	Shareholders and institutional investors	Governments
Supporting society and respecting the environment are two of the key ways we live our values and make a difference.	**The Company has a mix of individual and institutional shareholders whose views are valued.**	**The Group is impacted by changes in laws and public policy.**
Key issues		
• Climate change mitigation and adaptation • Natural resources and circular economy	• Return on investment • Business and financial performance • Sustainability	• Corporate governance and audit reform • COVID-19 • Tax and business rates • Agricultural policy • Climate and environment-related matters • Public health • Support of businesses and workers • Job retention schemes
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	• Website • Annual general meeting • Annual report • Responsibility Update and ESG Insights • Press releases • Results announcements • Meetings • Registrar	• Meetings, calls and correspondence (e.g. on COVID-19 guidelines) • Responding to consultations • Applications to participate in government schemes
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 at least annually on ESG matters. • The Board reviews risk assessments undertaken by the businesses each year, which consider climate change impacts and risks. • The Board now receives separate updates on environmental matters reflecting additional focus on climate and sustainability issues (previously dealt with in a broader Health, Safety and Environmental update), the most recent update being in September 2021. • In addition to the Group Safety and Environment Manager engaging with the Board on operational safety and environmental issues in our direct manufacturing operations, the Director of Legal Services and Company Secretary and Group Corporate Responsibility Director also present to the Board on the broader corporate responsibility issues that sit beyond our direct manufacturing operations e.g. in the supply chain. • See also the new Primark Cares sustainability strategy (see pages 58 to 59). → **See further details on pages 77 to 79 and 84 to 87.**	• 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, both scheduled as well as additional announcements, keep investors updated on business and financial performance and other matters. • Each year, the Chairman invites the Company's largest institutional shareholders to share views and discuss any 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, including any significant concerns raised. • The Remuneration Committee Chair meets with investors and analysts to answer queries and feedback around remuneration issues. • The Responsibility Update and ESG Insights are approved by the Board and are produced to provide greater transparency and 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 page 137). → **See further details on page 103, which includes details on this year's annual general meeting.**	• The Company engages with governments to contribute to, and anticipate, important changes in public policy. • The Board is briefed on engagement with governments including on matters specifically related to dealing with the impacts of COVID-19 and job retention schemes. • The Board takes into account the interplay between commercial decisions and government policies and aims, for example with the reopening of the Vivergo bioethanol plant assisting with the country reaching its climate change goals. → **See the example on page 70 in relation to the reopening of the Vivergo bioethanol plant.**

The Group employs 128,000 people, central to our success. Pictured here are two colleagues at AB Enzymes' new pilot plant in Rajamäki, Finland.

Principal decisions

The ongoing impact of COVID-19 for much of the financial year has meant that the principal decisions of the Company (and the Group as a whole) have often related to mitigating the adverse effects of COVID-19. However, learnings from handling the pandemic in the last financial year meant that other important decisions could also be taken.

As was the case for the previous financial year, there was a need to ensure that the consequences of decisions were the right thing for promoting the long-term success of the Company, as well as having regard to maintaining a reputation for high standards of business conduct.

Some examples of principal decisions that were taken during the year and how stakeholder views were taken into account and impacted on those decisions are provided in the following examples.

Queues outside Primark's Liverpool store when it reopened in April 2021.

Decision not to pay a final dividend in January 2021 and to pay an interim dividend in July 2021.

Which stakeholders most affected?
- Shareholders/Institutional investors

Consideration of stakeholder views/interests and impact on decision-making
Being acutely aware of the importance of dividends to our shareholders and institutional investors, we gave much consideration in November 2020 to the declaration of a final dividend relating to the 2019/20 financial year (having previously also decided not to pay an interim dividend relating to that year). The increasing restrictions at that time in a number of Primark's major markets led us to be cautious due to the impact of COVID-19 on the Group's cash flow driven by the duration and number of Primark store closures. On balance, we therefore decided not to propose a final dividend for the 2019/20 financial year while we monitored the impact of further COVID-19 restrictions on Primark during the important Christmas trading season.

That degree of uncertainty was substantially lower by April 2021 due to a large proportion of the UK adult population having been vaccinated and the successful reopening of Primark's English and Welsh stores, these stores reaching record sales in the week after reopening on 12 April 2021. Shareholder sentiment on payment of an interim dividend was sought through engagement with our brokers. These factors and this engagement provided more certainty and gave us additional confidence to decide, in April 2021, to declare an interim dividend of 6.2 pence per share in respect of the 2020/21 financial year.

Considerations leading to these decisions, including the amount of the interim dividend, took into account the likely long-term consequences of these decisions. The decision to pay an interim dividend factored in the net cash position before lease liabilities for the Group of £705m reported at the half year and our cash flow projections demonstrating the substantial headroom available to the Group.

Decision to repay job retention scheme money in various countries.

Which stakeholders most affected?

- Governments
- Shareholders/Institutional investors
- Employees

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

With a substantially higher degree of certainty around Primark trading by April 2021, due to a large proportion of the UK adult population having been vaccinated and the successful reopening of Primark's English and Welsh stores, we made the decision to stop receiving job retention scheme monies from that time and to repay job retention scheme monies received in the 2020/21 financial year in various countries where repayment was possible.

Repayments amounting to £94m were made in the UK, Republic of Ireland, Portugal, Czechia and Slovenia. The largest amount related to the UK, being the country in which we had most employees benefitting from the scheme, and in relation to which we engaged with HM Treasury. The decision to repay reflected the greater certainty as to the Group's financial position at that time, the greater comfort that the repayment would not be detrimental to its long-term success, and reflected what the Company considered to be the responsible course of action.

Decision to reopen the Vivergo bioethanol plant in Hull.

Which stakeholders most affected?

- Communities/Environment
- Government
- Customers/Consumers
- Employees

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

The UK Department for Transport announced in February 2021 that it had increased the mandated inclusion levels of renewable ethanol from a nominal 5% inclusion, E5, up to a nominal 10% inclusion, E10. Following this announcement, we announced in our pre-close trading update in February 2021 our plans to reopen our Vivergo facility in Hull, UK, which uses domestic feed-grade wheat to produce bioethanol.

The project to reopen the plant included engagement with multiple stakeholders, including the UK Department for Transport. The Board also took into account the contribution of the project towards the UK's carbon reduction commitments. As well as the creation of additional employment, the plant is estimated to help cut transport CO_2 emissions by more than 550,000 tonnes per year, which is estimated to be the equivalent of taking 260,000 cars off the road.

Decision to invest in a market-leading digital platform for Primark.

Which stakeholders most affected?

- Customers/Consumers
- Employees
- Communities/Environment

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

Digital continues to have a critical role to play as part of Primark's marketing mix and we have grown our following across Primark's social media channels to 24 million from 22 million since the end of the last financial year.

As announced in the July 2021 trading update, and in response to customer insights, we are now investing in a market-leading digital platform. A key component of this will be the launch of a new customer-facing Primark website early in the next calendar year with improved functionality. This will allow us to showcase a much larger proportion of the Primark range and provide to customers range availability by store. We are also strengthening our digital marketing capability to enable us to deliver more personalised content to customers.

Vivergo's bioethanol plant in Hull, the reopening of which was announced in February 2021.

Decision to launch the Primark Cares sustainability strategy.

Which stakeholders most affected?

- Shareholders/Institutional investors
- Communities/Environment
- Customers/Consumers
- Employees
- Suppliers

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

On 15 September 2021, we announced Primark's wide-reaching new sustainability strategy founded on a commitment to make more sustainable fashion affordable for all. The nine-year programme addresses Primark's most material ESG factors with commitments across product, planet and people. The commitments include all clothes being made using recycled or more sustainably sourced materials, halving carbon emissions across the value chain and pursuing a living wage for workers in our global product supply chain by 2030.

The Board was briefed by Primark senior management on engagement with suppliers on reducing their carbon emissions, on the results of customer insights data and on testing of the strategy with stakeholders such as the charity WRAP and the Ellen MacArthur Foundation, as well as a variety of other organisations.

The Board had the opportunity to ask questions about the sustainability strategy and to provide feedback, including on the importance of understanding how others would react to the launch of the Primark Cares strategy and the various commitments made.

ABF's ESG investor briefing on Primark and Sustainability was held in September 2021 (left to right: John Bason, Katharine Stewart, George Weston, Paul Marchant, Lynne Walker and Paul Lister).

Decision to hold a series of ESG investor events.

Which stakeholders most affected?

- Shareholders/Institutional investors
- Communities/Environment
- Employees

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

We decided to launch a series of ESG investor events in 2021 to better articulate our values and actions in this area. Our decision to do so took into account feedback from investors and increasing numbers of questions around our stance on ESG matters.

The first event was held in March 2021, with presentations by the Chairman, Chief Executive, Finance Director, Director of Legal Services and Company Secretary, Group Corporate Responsibility Director and Chief People and Performance Officer. Investors had the opportunity to ask questions and three subsequent events were held for banks, insurers and employees respectively, giving them the opportunity to ask questions.

A second investor event was held on 17 September 2021, focusing on the Primark Cares sustainability strategy and included presentations from the Chief Executive, Finance Director, Director of Legal Services and Company Secretary, Group Corporate Responsibility Director, Primark CEO and Primark Cares Director (see photo above). As with the first event, investors had the opportunity to ask questions and three subsequent events were held for banks, insurers and employees, respectively, giving them the opportunity to ask questions. Separately, Primark also held a supplier event and an event for its employees.

A third investor event is currently planned to be held in 2022 focusing on sustainability and climate-related issues across a broader range of companies in the Group, with similar opportunities to ask questions.

As stated at the first ESG investor event, these events are the beginning of what we hope will develop into a deeper engagement with stakeholders as we continue to integrate ESG factors into our financial calendar. Feedback from these sessions can then be factored into our future decision-making.

Creating value together

2021 has been another challenging year, but one thing has remained constant: our commitment to operating responsibly at all times.

Our purpose is to provide safe, nutritious and affordable food, and clothing that is great value for money. In doing these things well, we know we are doing good, helping to make millions of people's lives better.

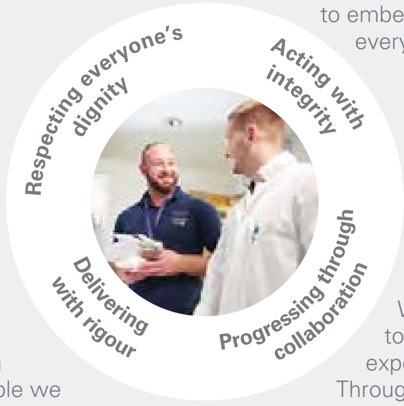
We live and breathe our values through the work we do every day. They guide our behaviour and help us deliver long-term benefits for our people, suppliers, communities, customers and the environment.

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

Our values are:

Respecting everyone's dignity
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.

Acting with integrity
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.



Delivering with rigour
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.

Progressing through collaboration
We work with others to leverage our global expertise for local good. Through collaboration with our stakeholders, including non-governmental organisations (NGOs), we are working to create safer, fairer working environments and promoting thriving, resilient communities.

We work to understand and focus our actions on what matters most; what is material to our businesses and our stakeholders, including society and the planet.

Our supply chains
- Respecting human rights and labour rights
- Increasing traceability and transparency
- Improving farming
- Improving standards in our suppliers' factories

Our operations
- Focusing on climate change
- Becoming more energy efficient
- Making finite resources go further
- Valuing water

Our people
- Prioritising safety
- Supporting health and wellbeing
- Embracing diversity, and encouraging equity and inclusion
- Building engagement and supporting their development

Our products, consumers and communities
- Offering safe, healthier and affordable products
- Helping others cut their carbon emissions
- Widening customer awareness
- Adding value to local communities

Making a positive contribution

Our businesses aim to make a lasting contribution to society. Our values help us to articulate the long-term benefits we can deliver for our people, suppliers, communities, customers and the environment.

Investing in our people

We prioritise the safety and wellbeing of our employees, contractors and others we work with, and aim to cultivate diverse and inclusive workplaces where everyone is respected, supported and empowered to fulfil their potential.

128,000

people employed

£39m

invested in safety risk management

53%

of our total workforce and 37% of our senior management are women

>70%

of our people have access to an employee assistance programme

Supporting society and strengthening our supply chains

We respect the rights of people within and beyond our operations, develop products that help to support healthy lifestyles and aim to strengthen the communities where our suppliers live and work.

2,200

hours of social and environmental training delivered to Primark suppliers

544,000

people's lives improved since the launch of Twinings' Sourced with Care programme

2.8m

meals provided through surplus food donations to foodbanks

1,206

audits of supplier factories by Primark

Respecting the environment

We work hard to reduce greenhouse gas emissions, use natural resources efficiently and promote ecosystems, biodiversity and animal health and welfare.

54%

of the energy we used came from renewables*

79%

of the waste we generated was sent for recycling, recovery or other beneficial use

25%

of total water abstracted was reused before being returned to the environment

£34m

invested in environmental risk management

* This renewable energy is mainly generated on our sites from biogenic sources.

Reporting and stakeholders

Non-financial reporting requirements

The Companies Act 2006 requires the Company to disclose certain non-financial reporting information within the Annual Report and Accounts. Accordingly, the disclosures required in the Company's non-financial 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 from the pages noted):

- information on our employees (pages 80 to 83);
- information on diversity (page 81);
- information on our Anti-bribery and Corruption Policy (page 83);
- information on our Whistleblowing Policy (page 84);
- information on our approach to human rights (pages 75 and 76);
- information on social matters (pages 75, 76, 84 and 85); and
- information on our Environment Policy and management (pages 77 to 79).

→ **Further information on these can also be found in our 2021 Responsibility Update and our ESG Insights.**

Further responsibility and ESG disclosures

This year we have continued to evolve our responsibility reporting to better address the requirements of different stakeholders. We are publishing our Responsibility Update, Creating Value Together, which showcases our values in action and demonstrates how our businesses make lasting positive contributions across their value chains by investing in supply chains; in operations; in people; and in products and the customers and communities who use them.

In recognition of increasing expectations to disclose the non-financial performance of our material impacts, we will report more detailed information to complement the Responsibility Update. Last year this information was contained in the ESG Appendix. This year we are replacing the ESG Appendix with our ESG Insights. Our ESG Insights will more clearly provide information relating to the commitments, approach, performance and impact of ABF and our businesses.

We engaged Ernst and Young (EY) to provide limited assurance over the reliability of 18 environment and safety key performance indicators (KPIs) for the year ended 31 July 2021. These are marked with the symbol $^{\Delta}$ in these pages.

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 to CDP.

Engaging with stakeholders

We employ 128,000 people across operations in 53 countries, and our scale means that our activities matter to, or have an impact on, many people and the planet. Our reporting is intended to provide all stakeholders with an overview of our approach to addressing social and environmental issues.

Detailed information about our approach to stakeholder engagement and specific activities this year can be found on pages 65 to 85 of this annual report.

At a Group level we engage with a variety of stakeholder groups including shareholders, governments, media and investors. Also as part of daily business activities and through structured processes, our businesses routinely engage with customers, suppliers, regulators and industry bodies.

Below are some examples of how we disclose information, collaborate and engage with others through our responsibility focus areas.

People

We were pleased to be one of 141 global companies to join the pilot phase of the Workforce Disclosure Initiative and are in the process of submitting our response to its fifth survey.

Society and supply chains

The Group and our businesses engage with a number of organisations on issues around human rights, including the Corporate Human Rights Benchmark (CHRB), Ethical Trading Initiative (ETI) and KnowTheChain. Our non-Retail businesses collaborate with suppliers, through SEDEX and AIM-PROGRESS.

Examples of business-level engagement with NGOs on local and subject-specific matters are shared in our 2021 Responsibility Update.

Twinings' Sourced with Care programme is designed to improve the quality of life in the communities the business sources from.

Environment

Through CDP reporting, we share our annual performance in mitigating the risks associated with climate change, water and deforestation, as well as maximising the business opportunities and any necessary operational adaptations. Our reports are publicly available at www.cdp.net and on our website.

The Group and our businesses also engage with industry bodies and others in our sectors on a range of environmental issues. These include energy, sustainable agriculture, climate change and water stewardship. This recognises that when we collaborate with others, we can all learn from each other and drive greater positive industry impact.

ESG assessments

Investor interest in ESG-related issues has grown in recent years as more emphasis is placed on valuing the long-term worth of companies; their contribution to society and the environment; and on robust and transparent governance. We receive multiple requests throughout the year and we engage with individual investors and investor-related ESG research agencies to provide the information they require.

This year, to better support our stakeholders' understanding of our business model and our approach to responsibility and sustainability, we have structured our reporting in line with our value chain, breaking it down into four chapters.

These focus on:

- our supply chains;
- our operations;
- our people; and
- our products, consumers, and our support for local communities.

Our ESG Insights are also published online in response to increasing requests for ESG-related information such as business commitments and performance data.

Our supply chains

Together with our suppliers, from large businesses to smallholder farmers, we are working hard to build more equitable, ethical and sustainable supply chains.

We are focused on what really matters:

- respecting human rights and labour rights, because when you respect people, treat them with dignity and make sure they can make a good living, you can build mutually beneficial relationships;
- addressing modern slavery, a global issue that requires global action;
- increasing traceability and transparency, so that we, our customers, and consumers can make choices based on quality, sustainability and ethical factors;
- improving farming, working together with farmers and nature to help develop more sustainable farming practices, now and for the future; and
- improving standards in our suppliers' factories, tackling social, environmental and safety issues.

Our values drive us to place considerable importance on the long-term wellbeing of the communities in which we operate, the benefits we can deliver to the people we rely on in our supply chains, and the consumers who buy our products.

We are committed to respecting the rights of everyone within our own operations, as well as in our supply chains and beyond. This commitment is more important than ever during times of crisis and we have worked to minimise the impact of any human rights risks associated with COVID-19.

Respecting human rights and labour rights

In recent years there has been a growth in legislation and reporting requirements on businesses' responsibility to respect human rights. We have welcomed this trend towards mandating greater disclosure about human rights impacts. Motivated by our Group's values, we have consistently sought to provide our stakeholders with relevant information about the work being undertaken across our businesses to promote and respect human rights.

Tackling modern slavery

ABF produces a statement on behalf of itself and relevant entities in the Group, in accordance with the UK Modern Slavery Act. A number of our businesses have also produced statements containing further details in respect of their own operations. Links to these can be found at: www.abf.co.uk

We provide opportunities that respect human rights and dignity every day through the employment we create, both directly and indirectly in our global supply chains, and through the positive contribution our products make to people's lives. As a Group we work to respect the human rights of all the people with whom we interact. Whether they are direct employees, temporary workers or those in our supply chain, we know we can play a role in enhancing their lives.

In line with the decentralised nature of the Group, human rights matters are primarily managed by our individual businesses. This also enables the most salient human rights risks to be tackled most effectively by those who best understand the local context. We engage and collaborate with a broad range of stakeholder groups, seeking to remain sensitive to the risks of adverse human rights impacts resulting from our products, services and operations.

Every year, we have sought to deepen our efforts to tackle modern slavery and respect human rights. We are proud of the work that is being undertaken across our businesses. However, the last 12 months have seen unprecedented human impact as a result of COVID-19. This impact has touched the lives of our employees, customers and workers in the supply chain and we recognise that in a time of crisis the most vulnerable are the ones impacted greatest. We continue to work to ensure we have effective policy, due diligence and remediation in place, and our focus remains on doing all we can to support our suppliers.

This year, we are pleased that many of our businesses have engaged in activities that align with the internationally recognised framework of the United Nations Guiding Principles on Business and Human Rights (UNGPs): for example;

- policy: as a Group we have policies that set out our standards with respect to human rights, such as our Supplier Code of Conduct and our Speak Up Policy;

- due diligence: Twinings and AB Agri have sought to understand the actual and potential human rights risks throughout the value chain and our sugar businesses conducted due diligence to understand the different risks across their operations; and
- remedy: over the last few years, Primark has been working to review, revise and improve its approach to remedy and grievance mechanisms. Primark uses the Company IQ mobile phone application, developed by Microbenefits. The app offers access to digital wage slips, a confidential grievance mechanism and 'micro-training' modules on a range of topics to 20 supplier factories in China.

For further information see pages 13 to 21 of our 2021 Responsibility Update with additional information provided in the ESG Insights.

Raising awareness and training

In collaboration with Twinings, we developed an online ethical training module designed to raise awareness of modern slavery. The training seeks to educate our people about modern slavery and forced labour, providing real-life examples and highlighting the importance of managing known business risks. The training also outlines how those operating in our supply chain can help to keep it free from modern slavery. This training was made available to all our businesses and, since it was launched, has been completed by almost 1,000 employees.

A number of our businesses have created tailored training to raise awareness. For example:

- all newly appointed Westmill employees with recruitment responsibility completed the Stronger2gether e-learning training within their first three months in role;
- AB Agri trained nearly 200 transport managers, commercial teams and delivery drivers (who visit more than a thousand farms across the UK every year) to recognise the signs of modern slavery and forced labour;
- AB Sugar created online training to raise awareness of the potential for modern slavery in their supply chain and to provide staff with advice on how to act on concerns, such as contacting independent whistleblowing hotlines. AB Sugar is currently exploring how the training can be shared with suppliers. So far, over 75% of those employees invited have completed the training; and

By 2027, Primark will ensure that all the cotton used to make their clothes will be organic, recycled or sourced from the Primark Sustainable Cotton Programme (PSCP).

- this year Jordans Dorset Ryvita completed their first face-to-face supplier training on modern slavery, with traders for their Turkish commodities, and rolled out an online e-learning module in modern slavery beyond the buying team to over 50 colleagues in sales and marketing.

Increasing traceability and transparency

We want to make sure our products are manufactured, sourced and transported responsibly. Growing numbers of customers and consumers share our concerns, and increasing traceability and transparency ensures they have better information to inform their actions. Better traceability enables us to understand more about our supply chains. Many of our businesses are doing this by making supply chain data publicly available through online global sourcing maps.

Our businesses purchase a significant variety of different commodities to make the food we manufacture and the clothing we sell. Our businesses have identified a range of priority commodities that they will focus on.

Primark prioritised the traceability of cotton as it is the most commonly used fibre in their products. Through the Primark Sustainable Cotton Programme (PSCP) the business works directly with cotton farmers and suppliers to achieve traceability from the communities where it is grown, through to the products in store.

Improving farming

We want to work with farmers and nature to produce the food and fibres we need now and for the future. This collaboration can work for farmers, their families and communities, for consumers and for our planet.

Some of our businesses are encouraging and helping farmers to explore regenerative farming techniques, designed to naturally support soil quality and enhance biodiversity, including crop pollinating insect species. These techniques can help farmers become more climate resilient, for example, by using more water-efficient irrigation methods, while also reducing greenhouse gas emissions.

Improving standards in our suppliers' factories

Our businesses often use their influence as customers to support better ethical, environmental and safety standards in their suppliers' factories. In many instances, these factories fulfil contracts for other customers, so it is not simply a case of demanding change. Our businesses have to help suppliers to see the benefits to them of making positive changes.

Primark has made a significant impact on supplier factory practices through the work of their Ethical Trade and Environmental Sustainability team. Primark was one of the first brands to sign up to the Accord on Fire and Building Safety and recently to the International Accord for Health and Safety in the Textile and Garment Industry, which replaced the prior agreements. Primark launched its own structural integrity programme in 2013, drawing on expertise provided by the engineering firm Mott MacDonald. This programme now covers Bangladesh, Pakistan and Myanmar.

Our operations

A growing global population needs more accessible, ethical and affordable food and clothing but with less cost to our planet's finite resources and climate. We play a role in meeting people's present needs but we also aim to shape a more sustainable future. This means cutting carbon emissions in our operations, making them more energy efficient, and using resources, such as water, in more circular ways to reduce the impact of serving our customers.

We are focused on what really matters:

- climate change: because it presents an existential risk and the world needs to cut emissions to secure a net zero future. Becoming more energy efficient, by producing more from less energy, and switching to renewable options are key to cutting carbon and costs in the long run;
- making finite resources go further: because the future is circular, with resources used, re-used, recycled, and reconstituted for as long as possible; and
- valuing water: because we recognise water is a valuable, shared resource for our operations and the communities in which we operate.

Focusing on climate change

For us and for many of our stakeholders, climate change is not a new challenge. We have factored the implications of climate change, its associated risks and opportunities, into our commercial decision-making. For example, we assess the annual risk that drought poses for our wheat supply to our Australian bakery business.

Our businesses and supply chains operate in many areas subject to climate change risks and opportunities as we transition to a lower-carbon world.

Our businesses are committed to cutting carbon emissions from their operations. For example, from combined heat and power plants or using machinery and vehicles (Scope 1) and their indirect emissions, including those from any energy, such as the electricity they buy (Scope 2). In addition, our businesses are currently making progress to calculate the indirect emissions upstream in their supply chains and downstream through their products (Scope 3).

Climate change presents various economic, business and social risks and opportunities, which all have the potential to affect our businesses in the near, medium and long-term.

This year, we engaged formally with each division on the Taskforce for Climate-related Financial Disclosure (TCFD), building on existing awareness and action on climate change issues.

To better understand how the potential long-term impacts of climate change might affect our businesses, our performance and our balance sheet, this year we began scenario analysis, engaging the support of third-party experts.

AB Mauri's Veracruz site, in Mexico, installed 205 solar panels, which generate half of all the energy used by their site offices.

We decided to undertake a detailed assessment of our most financially material businesses, AB Sugar, Primark and Twinings, which account for 73% of Group adjusted operating profit and 69% of Scope 1 and 2 GHG emissions. We will also review our other businesses to ensure we capture all material risks and opportunities.

Managing climate risks effectively and taking advantage of the opportunities in transitioning to a lower-carbon world requires us to develop robust action plans for the near-term. We must also be able to adapt rapidly, as governments in the countries where we operate consider carbon taxes and other regulatory responses that could affect our future.

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

The high level of diversity across our businesses means that it is not appropriate to set groupwide targets for different elements of climate change risk. Our businesses are responsible for setting targets appropriate to their specific business and taking action to achieve these. AB Sugar, Primark and Twinings have all set emissions reductions targets appropriate to their operations. AB Sugar has a target of a 30% reduction in its end-to-end carbon emissions by 2030. Primark, where GHG emissions arise primarily in Scope 3, has targeted a 50% reduction in absolute terms by 2030. Twinings has set a target of carbon neutrality from bush to shelf for tea and herbal infusions by 2030.

For more information on our approach to managing climate risk and opportunities, see pages 86 and 87 on The Climate-related Financial Disclosures, page 93, and further details in our 2021 Responsibility Update.

Our total emissions (Scopes 1 and 2) have reduced again this year. For 2021, we report an 11% reduction compared with last year from 3.55 million tonnes CO_2e to 3.16 million tonnes CO_2e $^{\Delta}$.

We publish further detail on our climate-related governance and risk management through CDP's report at www.cdp.net.

Our greenhouse gas emissions

	2021	2020
Scope 1		
Combustion of fuel and operation of machinery (000 tCO_2e)	**2,370**	2,719
Generation and use of renewables (000 tCO_2e)	**80**	78
Total Scope 1 (000tCO_2e)	**2,450Δ**	2,797
Scope 2		
Emissions from purchased energy - location method (000 tCO_2e)	**711Δ**	758
Emissions from purchased energy - market method (000 tCO_2e)	**777Δ**	783
Total Scopes 1 and 2 - location method (000 tCO_2e)	**3,161Δ**	3,555
Scope 3		
Indirect emissions from use of third-party transport (000 tCO_2e)	**621Δ**	764
Primark's scope 3 emissions (000 tCO_2e)	**4,606Δ**	–
Total Scope 3 (000 tCO_2e)	**5,227Δ***	–
Biogenic carbon (000 tCO_2e)	**4,208**	4,045
Emission intensity (Scopes 1 and 2)		
Tonnes per £1m of revenue	**228**	256

* We report our GHG inventory using the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard Revised Edition as our framework for calculations and disclosure. We use carbon conversion factors published by the UK's Department for Business, Energy and Industrial Strategy (BEIS) in July 2021, other internationally recognised sources, and bespoke factors based on laboratory calculations at selected locations. This includes all activities where we have operational control. Scope 2 market-based emissions have been calculated in accordance with the GHG Protocol Scope 2 Guidance on procured renewable energy. For 2020 and 2021, the Group's Scope 3 emissions are our third-party transport emissions only. For 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. See our ESG Insights 2021 Climate Change for more details.

Streamlined energy and carbon reporting

		2021 Δ	2020	2019
Energy consumed (GWh)[1]	UK operations	**4,692**	5,292	5,826
	Outside UK operations	**17,298**	17,585	17,740
Scope 1 and 2 emissions (000 tCO_2e)[2]	UK operations	**1,130**	1,299	1,532
	Outside UK operations	**2,031**	2,256	2,461

1 To calculate our energy in GWh, we divide the total KWh by a million.
2 We report our Scope 2 location method emissions for 2019, 2020 and 2021.

We report our energy consumed and associated GHG emissions from electricity and fuel, Scopes 1 and 2 location method using WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard Revised Edition as our framework for calculations. See our ESG Insights for more detail.

Reducing our energy use

As energy generation is our primary source of GHG emissions in our own operations, our businesses are working hard to improve their energy efficiency on a continuous basis, as well as through investment projects. In addition, the price volatility of the energy we purchase means that rigorous energy management is a key operational focus.

In 2021, our total energy use was 21,990 GWh Δ, a 4% decrease on 2020. Our sugar businesses consumed 82% of the Group's total, or 17,950 GWh Δ.

In 2021, we exported 910 GWh Δ of energy, which is a 9% decrease compared with last year. Some of our sites generate energy on-site using renewable sources of fuel and when this is surplus to their needs, they export it to the national grid or other organisations.

For over 10 years we have reported our Group and, more recently, business division energy use and greenhouse gas emissions. In compliance with UK reporting requirements, we have provided in the table above our UK energy and greenhouse gas emissions data. The principal energy efficiency measures to reduce our carbon emissions include the introduction of energy monitoring systems; conversions to LED lighting; and upgrades to production machinery such as compressors and boilers to improve efficiencies. For more examples of energy efficiency actions, see our 2021 Responsibility Update and more detailed performance data included in our ESG Insights.

We report our energy consumed and associated GHG emissions from electricity and fuel, Scopes 1 and 2 location method using WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard Revised Edition as our framework for calculations. See our ESG Insights for more detail.

We also continuously explore how we can better use renewable energy. Of the total energy we used this year, 54% or 11,855 GWh Δ, came from renewable sources. This equates to a 5% decrease. This 5% decrease relates to the reduction in all renewable sources (bagasse, wood, trash and biogas). This energy comes mainly from on site renewables generated from biogenics. Specifically, 89% came from bagasse, the residual fibre left after sugar is extracted from our sugar cane operations in Africa. We also use on-site anaerobic digesters (AD) to generate biogas from waste streams, such as British Sugar's AD plant in Suffolk and AB Agri's facility in Yorkshire. This year biogas accounted for 2% of the total renewable fuels generated and used on our sites.

Making finite resources go further

We look for ways to re-use or re-purpose the waste we create, through recycling or by creating by-products such as energy, soil or animal feed. Ultimately, we are seeking to work towards a circular economy.

This year we generated 571,000 tonnes Δ of waste which is a 2% decrease compared with last year. Of the total generated, 79% was recycled, or recovered and re-used. Through the continuous improvement in waste segregation, working with local suppliers to manage increasing quantities of waste which can be recycled, whilst reducing the inputs that create waste in the first place, we are achieving meaningful progress in waste management.

Valuing water

We recognise water as a valuable shared resource that can be scarce in some parts of the world. Where we have operations, our approach focuses on reducing the amount of water we abstract from local sources to make our products, while reusing process water for cleaning or cooling and in certain locations using wastewater for irrigation.

We have carried out our third iteration of water risk assessments using internationally recognised methodologies to identify the operational sites that may have a high or extremely high water risk. This definition includes water availability, for example droughts and floods, water quality issues, legal risks and reputational risks. We provide a more detailed report about water risks in our CDP submission.

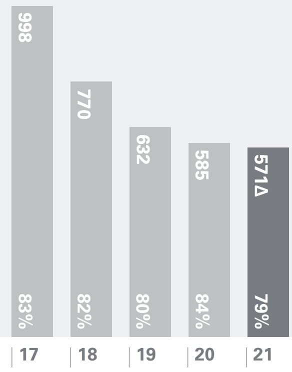
Our businesses invest in initiatives to reduce water abstraction per tonne of product and increase their ability to reuse water for cleaning or cooling equipment or for irrigation before returning it to the environment. By reusing water, we reduce the amount which is abstracted in the first place. In 2021, we abstracted 864 million m^3 Δ of water which is a 2% increase compared with last year. Of the total water abstracted, 25% was reused within our operations before finally returning it to the watercourse.

Our sites managed 127million m^3 Δ of waste water which was treated and then returned to the watercourse. This is an 11% increase compared with last year, which is a reflection of improved collection of this data as well as an increase in the amount of water brought onto our sites.

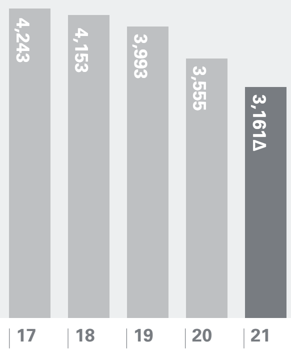
Environmental compliance

This year we received 15 environmental fines Δ with a cost of £75,000 Δ which fell within the reporting year. These were largely due to the treatment of waste water, management of on-site waste and dust. All the sites have addressed the issues and liaised with the local authorities and regulators to ensure standards are met.

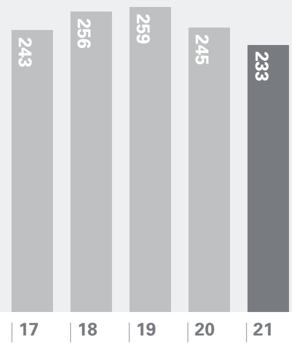
Waste generated (000 tonnes) and proportion recycled



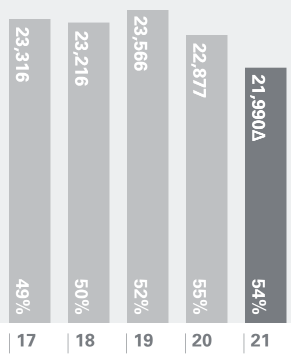
Scope 1 and 2 GHG emissions (000 tonnes CO_2e)



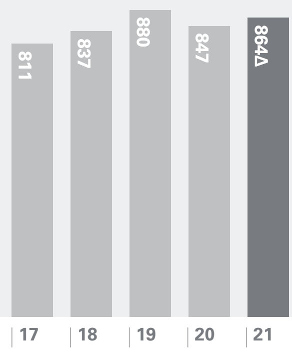
Quantity of packaging used (000 tonnes)



Energy consumption (GWh) and proportion from renewable sources



Water abstracted (million m^3)



Our people

Our people are exceptional. We benefit every day from the breadth of their backgrounds, ideas, opinions and skills. We invest in their development and prioritise their safety, health and wellbeing.

We are focused on what really matters:

- prioritising health, safety and wellbeing, because nothing matters more than our people. It is as simple and fundamental as that. We must keep them safe at work and support their health and wellbeing;
- embracing diversity and encouraging equity and inclusion to break down barriers to talent and welcome talented people whatever their unique characteristics and irrespective of their ethnicity or race, religion, gender, age, nationality, sexual orientation, disability or socio-economic background; and
- building engagement and supporting development, because people as proactive, passionate and productive as ours deserve to be heard and supported at every stage of their careers.

Prioritising health, safety and wellbeing

We want everyone who works for us to be, and feel, safe at work. Their health and wellbeing has been more important than ever during this second year of the COVID-19 pandemic.

Loss of life in our operations is entirely unacceptable and we are deeply saddened to report two work-related fatalities this year ∆.

We investigate all fatalities and serious accidents thoroughly, share the learnings with all our operations and take remedial action where possible to minimise the risk of such events recurring.

Our approach to safety

Keeping our people safe, including contractors and those affected by our activities, is a priority and the leadership team in every business is responsible for creating a culture that promotes safe working practices. All our businesses must comply with the Associated British Foods Health and Safety (H&S) Policy (www.abf.co.uk/responsibility) and work within the safety framework provided by the Group, against which business division and site-level safety performance is monitored, audited and remedial actions are tracked.

We have many safety programmes in place to encourage our people to take responsibility for keeping themselves and their colleagues safe. In particular, this year we started a pilot programme to monitor the road safety of vehicles which transport our goods. We deliver a wide range of training on high-risk areas to ensure our people are equipped with robust safety knowledge.

Our businesses invest in programmes to drive continuous improvements in standards for health and safety. This year, over £39m was invested in safety risk management, of which 24% was dedicated to COVID-19 safety measures for employees, customers and other visitors to our stores and manufacturing sites. Investments this year included improving working in confined spaces and at height, fire risk assessments and equipment upgrades, dust monitoring and air quality, improvements to lighting and safety signage and emergency first aid training.

Our safety performance this year

This year, 77% of our factories and retail operations achieved a year's operation without any Reportable Injuries and 67% did not have an employee Lost Time Injury (LTI).

In 2021, LTIs among employees decreased by 15% from 406 last year to 346 ∆. This equates to an LTI rate of 0.39% of full time equivalent (FTE) employees experiencing an injury that resulted in time off work. For contractors, the LTI rate for the year was 0.18%. There was also an 18% decrease in Reportable Injuries to employees from 306 in 2020 to 250 this year. This equates to 0.28% of our employees having a Reportable Injury.

A healthy workforce extends beyond managing health and safety risks. Our holistic approach includes programmes to help employees, and in many cases their families, to maintain and improve their wellbeing. Sound mental health is an essential part of this and we continue to invest in programmes that raise awareness and provide practical assistance to our people. This has been an even greater priority during the pandemic.

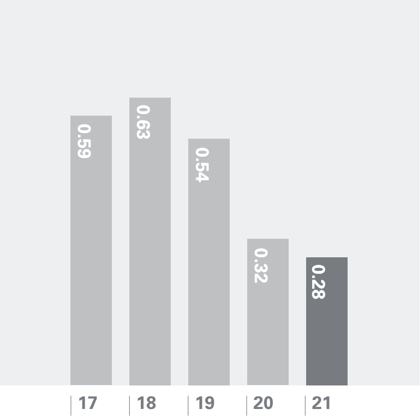
Health and safety fines

During 2021, we received three safety fines ∆ with a cost of £67,000∆ which fell within the reporting year. All the businesses involved are required to report to Associated British Foods' Group Safety and Environment Manager on when and how remedial actions are implemented.

For more details on health, safety and wellbeing across our businesses, see our 2021 Responsibility Update and our ESG Insights for performance data.

Number of employees

Reportable injury rate (%)



Embracing diversity and encouraging equity and inclusion

Our businesses benefit by embracing diversity, equity and inclusion (DEI). It widens their talent pools, makes them more attractive employers and connects them to the diverse communities they serve. Their DEI activities are underpinned by the ethos 'no barriers to talent'. Many of our businesses have their own policies, programmes and teams in addition to our Group-wide initiatives. Our Group DEI Network brings together people from across the Group to share knowledge, best practices and ideas. We also provide unconscious bias training for people in our businesses.

For details on diversity as it relates to the Board of the Company, please see page 108.

Gender metrics

We are delighted that 53% of the people we employ across our global business are women, which demonstrates the success of our various initiatives to achieve no barrier to talent. Among the most senior levels, reporting to the divisional chief executives and Group functional directors, our gender balance, as reported to Hampton Alexander, has remained at 23% women. We remain committed to increasing the diversity and inclusion within our workforce at all levels and will do this in a way that is right for our decentralised structure. Given our decentralised business model, many policies that foster diversity in the workforce are developed and delivered locally. We also operate initiatives across Associated British Foods to promote diversity and these include:

- many of our managerial and professional women are invited to join 'Women in ABF', which meets three times a year providing a chance for networking, learning and support for personal career development. The group currently has over 900 members;
- the Group DEI Network, through which representatives from across the business share knowledge and embed best practice into our core processes and unconscious bias training for people in our business; and
- a two-way mentoring programme, through which more than 100 individuals from 13 countries have received mentorship and support from a senior leader in a business different to their own.

Examples from across the Group:

- AB Agri and George Weston Foods ran activities to support International Day for People with Disability as part of their ongoing programme. AB Agri also marked Purple Light Up, a UK-focused initiative, by turning the lights on its trucks and sites purple;
- AB World Foods' leadership team has an equal gender balance and 144 line managers have completed unconscious bias workshops;
- Westmill Foods is offering 20 employees career coaching with senior leaders – with 75% of those being coached from under-represented groups. The business has also reduced its gender pay gap from 4.9% to 0.4% for 2021; and
- George Weston Foods' 'Wear it purple day' was attended by around 400 colleagues, helping to raise awareness and inclusion of LGBT+ people.

Gender pay gap reporting

Overall, the gender balance of ABF is fairly equal, with women making up 53% of our total global workforce. Consistent with previous years, we have chosen voluntarily to report on the gender pay gap that relates to our employee population in Great Britain as of 5 April 2021. However, more than half of our workforce is employed outside Great Britain and therefore not included in this Gender Pay analysis.

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 are pleased that we now meet the requirements of both Hampton Alexander and the Parker Review.

	Total employees*	Men in workforce	Women in workforce	Percentage of workforce who are women	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	15,815	10,499	5,316	34%	782	494	288	37%
Sugar	31,960	26,342	5,618	18%	290	200	90	31%
Agriculture	2,622	1,834	788	30%	378	218	160	42%
Ingredients	6,344	4,725	1,619	26%	564	401	163	29%
Retail	70,667	15,955	54,712	77%	185	111	74	40%
Central	504	306	198	39%	68	50	18	26%
Total	**127,912**	**59,661**	**68,251**	**53%**	**2,267**	**1,474**	**793**	**35%**

* Full-time, part-time and seasonal/contractors.
** Includes directorships of subsidiary undertakings.

→ **See the ESG Insights for definitions.**

Last year's data excluded Primark employees because the majority were on the Government job retention scheme or had taken voluntary pay cuts at the reporting date. As a result, we have compared the 2021 numbers with the 2019 numbers, which are on the same basis, and have also reported the data for the Group without Primark to enable comparison with 2020.

Group

In the main, the pay gap remains similar to prior years. The overall Group pay gap is in favour of men as we have a significant number of female employees who work as retail assistants. 75% of roles in the lower quartile of the pay data are taken by women. Men on the other hand take up more of the highest-paid roles.

One of our strengths is that the leaders of our businesses have detailed knowledge of every aspect of the organisations they lead. That knowledge often comes from many years in role. This is a Group with very long average tenure, which means that the gender balance at the top of the Group changes slowly. For example, Twinings has had two Managing Directors in 47 years and George Weston is only the fourth Chief Executive since ABF was founded in 1935. In those years since his appointment, there have been only two changes in his direct head office reports.

Long tenure is not just at the leadership level. Across all of our businesses, there are numerous examples of colleagues who have spent years immersed in the details of our operations. Institutional memory is critical. We benefit from this tenure with a perspective on what will make the business successful over time. When opportunities do emerge for succession, we appoint the best person for the role, and when appropriate, bring in expertise from the outside to complement internal experience and knowledge.

The greater presence of senior men in the bonus pool has a distorting effect on the mean bonus gap. The median bonus, as in previous years, demonstrates a gap in favour of women. This difference reflects the varying composition of bonuses across our different businesses, and the methodology of the Gender Pay calculation which includes long service awards and recognition awards. Recognition awards are typically smaller in quantum and given to men in the manufacturing environment. They are compared to bonuses for women in middle management.

2021 Gender Pay Gap Reporting

ABF Group			ABF Group (excluding Primark)	
2021	2019		**2021**	2020
– 34.1%	– 34.2%	Women's mean hourly pay rate	**+ 5.4%**	+ 4.0%
– 24.3%	– 28.0%	Women's median hourly pay rate	**+ 11.5%**	+ 8.8%
– 23.6%	– 38.2%	Women's mean bonus pay rate	**– 23.7%**	– 50.3%
+ 36.0%	+ 95.9%	Women's median bonus pay rate	**+ 36.3%**	+ 79.4%
20.2	20.9	% Men received bonus	**40.8**	36.3
5.7	6.3	% Women received bonus	**57.0**	47.5

Key:

+ Higher than that of men

– Lower than that of men

Gender pay and bonus gaps are calculated by comparing the mean (average) and median (central value in the data list) measures for women to that of men and identifying the percentage difference between the two.

Non-retail businesses

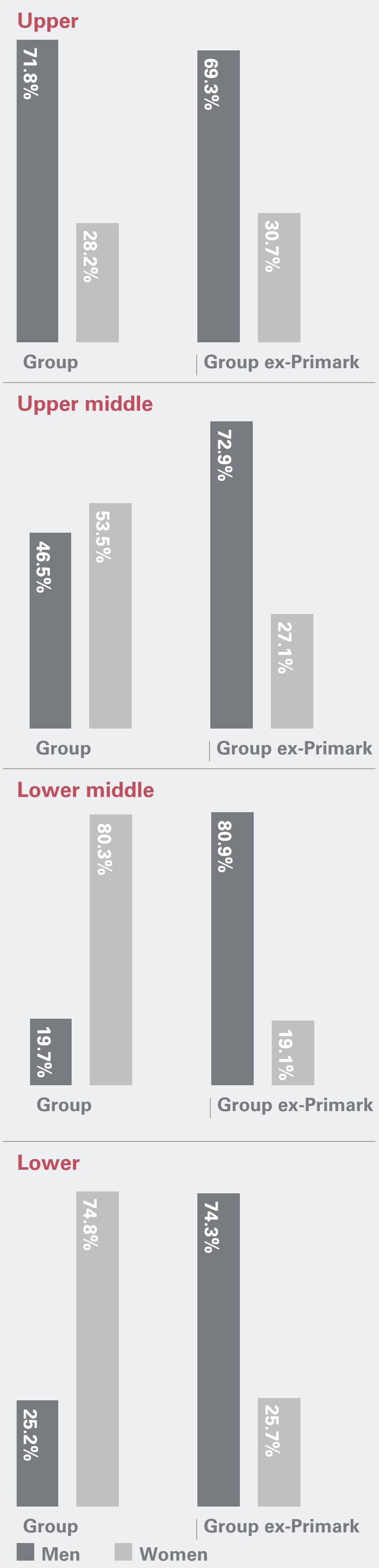
In the non-retail businesses the pay gap remains in favour of women as we have a significant majority of male employees in the food businesses who work in a manufacturing environment. These employees are being compared to women who, on average, work in middle management. In our food businesses in Great Britain there are more women in the upper quartile than any other, however they remain underrepresented at the most senior level of the organisation. The bonus picture for these businesses is affected by the distorting effect of recognition awards mentioned previously. We are acting to address this gap at the top, both at Group level, for example by providing women with mentoring opportunities, and at local business level. In AB Agri for example, the 'Good Recruitment Campaign' uses a gender decoder to ensure that advertisements are suitable and appealing to all. They also offers a Women's Sponsorship Programme aimed at their most talented women, and Thrive projects to allow all colleagues to share and develop their skills and build their networks on cross-functional projects.

Primark

Primark cares about the careers and wellbeing of their colleagues. The data for Primark for 2020 can be found on their website, and the 2021 data will also be shared online in April 2022, ahead of their reporting deadline. In Primark, roles have either a fixed rate of pay, or a scale, or a salary that is determined by a robust job evaluation system. At median we have no pay gap in Primark and at mean, the gap reflects the fact that over 90% of colleagues are retail assistants and supervisors, 75% of these colleagues being women. This means we have more women in junior roles than men. Our aim is to continue successfully to operate in a post-COVID world in a way that all colleagues, regardless of their gender, ethnicity or other characteristics can grow and progress in.

As required by the UK Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, we submit data for our relevant legal entities to the UK Government through its website.

Proportion of men and women in each pay quartile



Building engagement and supporting development

We need to attract the most talented people available into our businesses and work with them throughout their careers with us. This means constantly engaging them in what we are doing and why, and providing them with opportunities to learn and grow as they develop their careers.

Richard Reid, our designated Non-Executive Director for engagement with the workforce, has undertaken various meetings with employees over the last year in this role. Knowledge from these meetings and a formalised process for communicating information about the business-level workforce, are shared with the Board to keep them informed of employee issues including engagement and communication, learning and development, and safety and wellbeing.

Effectively sharing information is key to our success here, whether via leadership updates and regular internal communications, such as emails, intranet or magazines, or employee town hall meetings where a two-way conversation is encouraged.

We measure employee engagement through surveys which allow us to focus resources on the areas where improvement would generate the most benefit for our people.

Our engagement programmes also include opportunities to celebrate our business successes, employee recognition schemes and social events. Corporate responsibility programmes play an important role too, by creating opportunities for our people to volunteer or raise money for good causes which are important to them.

Across the Group, we invest in apprenticeships, graduate schemes, bursaries and training for young people, as well as extensive development programmes for promising talent, managers and leaders. These programmes are bespoke, ensuring they meet the specific needs of each business division.

Anti-Bribery and Corruption Policy

Our values commit us to acting with integrity, meaning that compliance with relevant legislation is a given and we hold ourselves to higher ethical standards. Our Anti-Bribery and Corruption Policy and related procedures apply to all our people.

They set out the behaviours and principles required and contain guidance on issues such as engaging new suppliers and other third parties and the giving and receiving of gifts, hospitality and entertainment.

Our approach to governance is to respect not simply the letter, but also the spirit, of our policy and act always 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 at: www.abf.co.uk/responsibility.

Our products, customers and communities

Whistleblowing Policy

Effective and honest communication is essential if wrongdoing is to be dealt with effectively. We are serious in wanting to hear from colleagues about any examples of malpractice.

Our Whistleblowing Policy provided guidelines for people who feel they need to raise certain issues in confidence. It was designed to protect those raising a genuine concern, in line with the Public Interest Disclosure Act 1998 or other jurisdictional legislation.

We had a whistleblowing telephone line which could be used by our people, or others, wherever they work in the world. Any contact made was disseminated to the senior management team responsible for investigating the issues raised. A thorough investigation was then undertaken and any remediation agreed.

In the year to June 2021, 79 notifications were received, of which:

- 21% were resolved, with outcomes ranging from reviews of processes and support for individual employees to, where necessary, termination of contracts;
- 49% were unsubstantiated and required no action; and
- 30% remain under investigation.

Launched in September 2021, Speak Up is our new approach for reporting and dealing with concerns about inappropriate behaviour at work. This includes both a telephone line and a web reporting device managed by People Intouch. As previously, any contact made is disseminated to the senior management team responsible for investigating the issues raised. A thorough investigation is then undertaken and any remediation agreed.

Our Speak Up Policy replaces the Whistleblowing Policy and is designed to protect our culture of fairness, trust, accountability and respect, encouraging effective and honest communication at all levels.

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.

A copy of the ABF Speak Up Policy is available at: www.abf.co.uk/documents/pdfs/policies/abf_speakup_policy.pdf.

We are united by our purpose to provide safe, nutritious, and affordable food, and clothing that offers great value for money. We also want to support the local communities in which consumers enjoy our products because their strength feeds our success.

We are focused on what really matters:

- product safety is non-negotiable, and increasingly consumers want products that support their health and overall sense of wellbeing, including their environmental and social expectations;
- helping customers and consumers to cut their carbon emissions, from seeds that reduce the need for fertilisers to enzymes that enable clothes to be successfully washed at lower temperatures;
- widening customer and consumer awareness, helping them make more informed choices about our products; and
- adding value to local communities, because our stores, operations and products connect us to the places where consumers live and their strength feeds our success.

Offering safe, nutritious and more sustainable products that consumers can afford

As a Group that is proud to sell a range of food items and ingredients, we take seriously our responsibility to promote healthy diets and lifestyles. We do this in five main ways:

Guaranteeing food safety

Maintaining food safety and quality is a core part of our work, both across the Group and within our individual businesses. Each of our businesses has clear policies, procedures and the identification of individuals with responsibility for food safety as part of its quality management system.

Product reformulation

This is driven by customers' specifications, consumers' preferences, evolving legislation, supply chain availability and our own responsibility and sustainability agendas. A great example of proactive, health-supporting reformulation is Jordans Dorset Ryvita's Good Food Commitment to make more naturally healthy food with minimally processed ingredients. All products are assessed against a recognised nutritional modelling profile to increase their fibre, wholegrain, fruit, nut and seed content while reducing added saturated fat, sugars and salt.

More sustainable fashion

Fashion is increasingly in the spotlight due to its environmental impact. Primark's ambition is to make more sustainable fashion affordable for all, and they are doing this with a set of commitments that will transform the business to become more sustainable and circular over the next nine years. One of the three pillars of the sustainability strategy is 'Product: Giving clothing a longer life'.

Primark will change the way their clothes are made to ensure they are recyclable by design by 2027 and made from recycled fibres or more sustainably sourced materials by 2030. They will also put all items through more rigorous testing to make sure their clothing is made to last.

Labelling our products

We are transparent about the ingredients our products contain and their potential to be recycled. We understand that 'transparency' in this context means using language, graphics and icons that consumers understand. This can be challenging as labelling regulations vary from market to market and are evolving all the time. Our customers sometimes have their own ingredient labelling programmes for food, which can also add another level of complexity.

Many products now carry recycling information and provenance details, including their point of origin and sustainability credentials. We have to incorporate this information alongside ingredients labelling on our product packaging, in ways that makes all elements visible and understandable.

Packaging and plastics

Packaging is essential for containing and protecting our products during transit and on the shelf and we remain committed to initiatives that improve recyclability and recycling rates, reduce volume and weight and avoid waste. In 2021, ABF used 233,000 tonnes $^{\Delta}$ of packaging. This is a 4% decrease compared with last year.

Opportunities to use innovative, bio-based materials are limited, not least due to the strict regulations governing the materials that can be used in contact with food. However, we continue to explore potential new packaging solutions. We believe that all stakeholders need to work together to create the recycling infrastructure needed for a truly circular economy for plastics and welcome initiatives which encourage this development.

In line with The UK Plastics Pact, signed in 2018, our UK Grocery businesses have committed to:

- eliminate problematic and unnecessary single-use plastic packaging such as PVC and polystyrene;
- have 100% recyclable, reusable or compostable plastic packaging; and
- achieve 30% average recycled content in their packaging.

Furthermore, in 2021 Primark removed 316 million units of single-use plastic from the business, including single-use labels and hangers.

Kingsmill has started using recycled content in Kingsmill No Crusts 50/50 bread bags, a first for any bakery brand.

Helping customers and consumers to cut their carbon emissions

Our customers are increasingly looking to their suppliers to provide ways to reduce their carbon footprint. Our responses to this demand include seeds that reduce the need for fertilisers, and enzymes that enable clothes to be successfully washed at lower temperatures.

At our Vivergo plant, near Hull in the UK, we are set to become one of Europe's biggest bioethanol producers and the UK's largest single-source supplier of animal feed. The UK and EU are committed to reducing emissions from transport through the Renewable Transport Fuel Obligation (RTFO) and Fuel Quality Directive, and sustainable biofuels will be the main approach for achieving this target.

In September 2021, the UK Government introduced E10 petrol, a cleaner, greener fuel at UK petrol forecourts up and down the country.

Vivergo Fuels' production capacity will represent around one third of the current UK demands under the RTFO, contributing to a more diverse energy mix, and helping to tackle energy security and climate change. The inclusion of Vivergo bioethanol is anticipated to save more than 554,000 tonnes of CO_2e emissions, equivalent to the emissions from more than 260,000 cars per year.

Widening customer and consumer awareness

A balanced diet is important to overall health and wellbeing. We want to help consumers to enjoy our products as part of a balanced diet. We also want to help to educate customers and consumers about the sustainability credentials of our products.

Health education focused on food starts with the way we label our products, but we can also inform consumers through other communication and engagement channels. Some good examples of this include the Ryvita FibreFit campaign and AB Sugar's Making Sense of Sugar campaign, which has recently been expanded to a global audience.

Adding value to local communities

Our operations, stores and people are part of local communities and we want to do the right thing for them. We add value directly through the products we provide for residents; as an employer; potential customer for local suppliers; and as a tax-payer.

We also invest to help communities thrive through targeted social investments, financial donations and by giving products to charities and other organisations that benefit from them. This year UK Grocery donated around 316 tonnes of surplus food, equivalent to more than 747,000 meals for distribution to those in need through FareShare, while AB World Foods' Leigh operation sent around 21,500 jars of sauce to food banks, local NGOs and workers in the NHS.

→ **For more details on our products, customers and communities, see our 2021 Responsibility Update and ESG Insights.**

Climate-related Financial Disclosures (TCFD)

We recognise that climate change is a material risk, posing challenges for some of our businesses worldwide and throughout our supply chains. We support policies that are aligned with the goals of the Paris Climate Agreement to limit the rise in global temperatures to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.

The diversified nature of our businesses means we do not set Group targets. However, our most financially material businesses, which accounted for 73% of Group adjusted operating profit (and 69% of Scope 1 and 2 GHG emissions) – AB Sugar, Primark and Twinings – have all set emissions reductions targets appropriate to their operations. AB Sugar has a target of a 30% reduction in its end-to-end carbon emissions by 2030. Primark, where GHG emissions arise primarily in Scope 3, has targeted a 50% reduction across the value chain in absolute terms by 2030. Twinings has set a target of carbon neutrality from bush to shelf for tea and herbal infusions by 2030.

We have made climate-related financial disclosures consistent with elements of the TCFD framework as our implementation progresses to enable us to assess and report our climate-related risks and opportunities. We have begun scenario analysis for those businesses where climate is likely to have the most material impact, as well as a groupwide analysis to identify where there is exposure across our other businesses that could be material.

Governance

The Board is responsible for overseeing climate-related issues. The governance process is set out in the table below.

The Board receives an annual update from the Group Corporate Responsibility Director and the Chief People and Performance Officer on environmental issues, which includes climate-related topics. Specific and routine Board agenda items also address environmental issues.

Each business also updates the Board regularly on key issues which may include climate-related matters:

- in January, the Board approved Vivergo's plan to recommission its bioethanol facility in Hull to help meet the demand for increased bioethanol inclusion in UK petrol supplies; and
- Primark reported to the Board in June 2021, on detailed plans for reducing Primark's carbon footprint.

The Audit Committee and the Board have received specific briefings on climate change matters and on TCFD. Further briefings will be provided as appropriate. We have engaged external experts to support our TCFD programme and established a steering committee to oversee its governance. Given that climate change runs across all businesses and functions, the steering committee includes senior group functional representation from Corporate Social Responsibility, EHS, Finance, Risk Management and Corporate Affairs, together with senior representation from AB Sugar and Primark.

The Director of Legal Services and Company Secretary has overall accountability to the Chief Executive for corporate responsibility issues and acts as the focal point for communications to the Board and with shareholders on corporate responsibility matters.

The Group Corporate Responsibility Director, who reports to the Director of Legal Services and Company Secretary, is responsible for monitoring climate-related activities across the Group and for reviewing the robustness of external non-financial targets set by each of our businesses. She leads the Corporate Responsibility Hub, which supports all our businesses on environmental and human rights issues and brings together all the professionals in our businesses working in these areas to share knowledge and best practice.

Outline action plan for 2022

Scenario analysis		Outputs
Model impacts using 4° Celsius and well below 2° Celsius scenarios		• Quantify risks and opportunities • Assess resilience of divisional strategies to hypothetical scenarios • Refine climate mitigation/adaptation actions • Define key metrics
Physical risks/opportunities	• Cotton, sugar, tea • Review impacts of climate on Group locations • Assess other potentially material climate impacts	
Transition risks/opportunities	• Impact of carbon taxes in <1.5°, <2° and <3° Celsius scenarios • Assess other potentially material climate impacts	
We decided to do a deep dive into businesses where climate change is likely to have the most material impact on the Group – Primark, AB Sugar and Twinings. We will focus in particular on agriculture where risks can be more challenging to mitigate. We will undertake a review of risks and opportunities in other divisions.		
2025 (short term), 2030 (medium term), 2050 (long term)		

The Chief People and Performance Officer, who reports to the Chief Executive, is responsible for measuring and reporting our environmental performance.

Strategy and action

Climate change, with its associated risks and opportunities, is not a new issue. It has long been important to us and our stakeholders. Although we have not previously completed formal scenario analysis, taking action to address the effect of material climate change impacts has been embedded into our businesses as part of normal commercial decision-making. Primark's longstanding Sustainable Cotton Programme and the assessment of drought risk to the wheat supply in our Australian bakery business are just two examples.

This year, we engaged formally with each business on TCFD, building on existing awareness and action on climate change issues.

To better understand how the potential long-term impacts of climate change might affect our businesses, our performance and our balance sheet, this year we began scenario analysis, engaging the support of third-party experts.

We decided to undertake a detailed assessment of climate risks and opportunities in Primark, AB Sugar and Twinings as the businesses where climate change is likely to have the most material impacts. These three businesses comprise in aggregate 73% of adjusted operating profit, 69% of Scope 1 and 2 emissions and 97% of water usage. We will also perform a review of our other businesses to ensure we capture material risks and opportunities.

Risk management

The Board is responsible for all risk-related matters including climate risk. Climate risk has been identified as a material risk, recognising the impact it may have on our business in the short, medium and long term (2025, 2030 and 2050, respectively).

We operate a diversified and decentralised business model. 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.

The Group undertakes an annual assessment to identify and assess material risks. These risks, including climate risks, are collated and reviewed at both a business and divisional level, and then reported to the Director of Financial Control who reviews the key risks with the Board.

The Board also monitors the Group's exposure to risks as part of performance reviews with the businesses.

Metrics and targets

The high level of diversity across our businesses means that it is not appropriate to set groupwide targets for different elements of climate change risk. Our businesses are responsible for setting targets appropriate to their specific business and taking action to achieve these.

Primark has completed significant work on identifying its material Scope 3 emissions, which have been assured by the Carbon Trust. Primark reports on this for the first time this year.

Our latest emissions figures can be found on page 78.

Primark has recently launched its market-leading sustainability strategy, Primark Cares. Primark's primary commitments (including those on climate change) are set out below:

- Primark will halve its absolute carbon footprint by 2030 across the whole supply chain;
- Primark will be carbon neutral in its own operations by 2025;
- Primark's Sustainable Cotton Programme will use regenerative agricultural practices by 2030; and
- by 2030, Primark will reduce the aggregate water footprint of new products sold by 30% as part of a broader water management strategy.

AB Sugar has committed to reduce its end-to-end supply chain water and CO_2 footprints by 30% by 2030 compared to 2019.

By 2030, Twinings will make all tea and herbal infusions carbon neutral from bush to shelf.

We will continue to build our understanding and take action to manage the risks and opportunities that will come as a result of decarbonising economies and the physical impacts of climate change.

Managing our risks

Our approach to risk management

The delivery of our strategic objectives and the sustainable growth (or 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 we continue to navigate our way through the ongoing challenges resulting from COVID-19 and the changing risk landscape as the world starts to emerge from the pandemic.

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 or reputational impact.

The Board is accountable for effective risk management, for agreeing the principal, including emerging, risks facing the Group and ensuring they are successfully managed. The Board undertakes a robust annual assessment of the principal risks, including emerging 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 performance reviews conducted at each Board meeting. Financial risks are specifically reviewed by the Audit Committee.

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 compliance with relevant legislation, our business principles and Group policies.

Our businesses perform risk assessments which consider materiality, risk controls and specific local risks 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 individual business level, with key management being close to their geographies. These risks are identified, as part of the overall risk management process, through a variety of horizon-scanning methods including geopolitical insights; ongoing assessment 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 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 the Group from delivering its 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 Risk Guidance).

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

COVID-19

Effective communication both within our businesses and across the Group has ensured that our food businesses continued to operate, providing safe, nutritious and affordable food to customers. Primark's leadership demonstrated agility in responding to store activities being restricted at short notice. In addition, its effective planning ensured that the UK stores were well prepared for a safe reopening from 12 April.

COVID-19 has resulted in increased volatility and uncertainty in almost all of our markets, particularly the UK, Europe and the US, where there is a high risk of inflation impacting on energy, commodities and wages. During the year, changes in public health measures in our major markets to control the spread of COVID-19, and the Delta variant in particular, have impacted both our customers and employees. Whilst the UK now has an advanced vaccination programme and the majority of COVID-19 restrictions have been lifted, the outlook is currently more mixed in a number of countries in which we operate. For example, there continue to be ongoing lockdowns in place across Australia and New Zealand. In addition, our retail business continues to adapt to localised restrictions and special arrangements for shoppers in some of our markets, for example in Portugal and Slovenia.

As the world starts to emerge from the COVID-19 pandemic, there are continuing impacts our consumers, customers, retailers, suppliers and our employees. Across a number of our businesses, there is the risk of increased pressure on the supply chains resulting from labour shortages as economies reopen which are exacerbated by employee health and safety concerns. The closure of the Suez Canal in March compounded some supply chain challenges that resulted from the pandemic and increased buying as economies have reopened. We have contracts in place for major parts of our business to ensure that we have the cost, stability and interim security of volumes in the volatile inbound market. Our businesses are reliant on the availability of skilled HGV drivers. Whilst there is currently a shortage of drivers in other parts of Europe, the USA and Australia, the situation has been exacerbated in the UK as a result of the EU exit. We continue to work closely with our major carriers and logistics partners to minimise supply chain disruption. The situation remains fluid and is being closely managed and monitored.

Throughout the pandemic, the Audit Committee, on behalf of the Board has provided ongoing support and challenge to management's processes and internal controls. Numerous lessons have been learnt and we have developed a flexible set of possible responses that are ready to be deployed in the event of further restrictions being imposed, whether that be locally, regionally or globally.

EU exit

Our businesses were well prepared for the end of the Brexit transition period and we have seen no material disruption to our supply chains. We have experienced a small increase in the administrative costs of trading and in limited cases duties related to our trading with the EU.

Regulatory changes

Our businesses are facing a large number of regulatory changes over the coming years with new requirements being developed in a number of areas including the Task Force on Climate-related Financial Disclosures (TCFD), Environmental, Social and Governance (ESG), extended producer responsibility regarding packaging and plastics and the potential requirements resulting from the BEIS White Paper: Restoring Trust in Audit and Corporate Governance. For each of these areas, groupwide initiatives are well advanced to meet the specific requirements. The extent of change will have an impact on the capacity of management at the time when they are dealing with the ongoing challenges resulting from COVID-19, alongside the day-to-day growth of our businesses.

Environment

We have a clear sense of social purpose: it exists to provide safe, nutritious and affordable food, and clothing that is great value for money. We are set on a mission: to continue to make food and clothes available and affordable and also carbon neutral as quickly as we can. The people in our businesses are motivated by the excitement that comes from driving social and environmental improvement. ESG isn't simply a matter of risk mitigation. ESG factors, including the potential implications of climate change, are considered as part of our well-established risk management framework and they also frame opportunities for our businesses to become better. Our leaders are empowered to include the prioritisation of mitigation of environmental impacts as a central aspect of their business plans, sharing learnings from the leaders in other Group businesses and from the Group and applying industry best practice. The Board reviews each business segment in depth every year, and ESG factors are central to the analysis and discussion.

Our culture and values, and particularly our devolved decision-making model, empower the people closest to risks to make the right judgements to mitigate risks. In respect of ESG, each of our businesses has prioritised and is devoting most resources to those ESG factors which are of greatest relevance and will make the greatest long-term difference. They 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 the Group, including emerging risks, that would threaten its 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.

The Group is exposed to a variety of other risks related to a range of issues such as human resources and talent, 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 2021 Responsibility Update. 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 2020' describe our experience and activity over the last year.

External risks

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 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.

Cross-currency swaps are used to align borrowings with the underlying currencies of the Group's net assets (refer to note 26 to the financial statements for more information).

Changes since 2020

Sterling strengthened against most of our trading currencies this year, resulting in a loss on translation of £36m.

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 positive transactional effect from changes in the US dollar exchange rate on Primark's largely dollar-denominated purchases for the year in aggregate.

The strengthening of sterling against our major trading currencies during the financial year has largely been a result of better certainty with the EU exit completion at the end of 2020 and improved confidence as the UK's roadmap out of the COVID-19 lockdown was developed and restrictions subsequently eased.

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 of these 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 2020

Commodity price inflation has been a global factor throughout the year. A number of our food and agriculture businesses have seen increases in energy and agricultural commodity prices in the latter part of the financial year, with expectations of further increases in the new financial year. The price of corn oil, in particular, has increased, impacting profit margins in ACH. Energy prices, particularly in the UK and Europe, have recently increased materially as a result of significant market uncertainty. Businesses continue to manage price risk under their existing risk management frameworks and, where appropriate, reflect this in pricing of products.

Sugar prices in Europe and Africa have increased during the year, with a positive impact on profitability.

Operating in global markets

Context and potential impact

Associated British Foods operates in 53 countries with sales and supply chains in many more, so we are 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.

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.

We engage with governments, local regulators and community organisations to contribute to, and anticipate, important changes in public policy.

We conduct rigorous due diligence when entering or commencing business activities in new markets.

Changes since 2020

COVID-19 has resulted in increased volatility and uncertainty in a number of our markets, particularly the UK, Europe and the US, where there is a high risk of inflation impacting on energy, commodities and wages.

There is continued uncertainty as a result of the COVID-19 pandemic. Authorities continue to impose restrictions on both a regional and local basis.

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

Fifteen new Primark stores were opened in the year including our first store in Czechia.

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.

Mitigation
Consumer preferences and market trends are monitored continually.

Recipes are regularly reviewed and reformulated to improve the nutritional value of our products.

All of our grocery products are labelled with nutritional information.

We actively consider consumer health in the context of brand development and merger and acquisition activity, for example, the launch of the Twinings wellness range. Branded grocery acquisitions over the past decade include Acetum, producers of Balsamic Vinegar of Modena, that is typically consumed as an accompaniment to salads; and Dorset Cereals, producers of high-fibre breakfast cereals made from whole grains and dried fruits, nuts and seeds.

Our brands develop partnerships with other organisations to promote healthy options, for example, Ryvita has partnered with Cancer Research UK on a campaign to promote fibre consumption in the UK.

Before COVID-19, our specialist sports-nutrition brand HIGH5 typically supported over 600 events which promote exercise across the UK each year, helping over 500,000 people improve their fitness levels. These events are predominantly promoted online, and HIGH5 assists in this promotion by highlighting events on its website and via social media in conjunction with nutritional advice.

We invest in research with experts to improve our understanding of the science and societal trends.

Changes since 2020
Our Sugar and Grocery businesses have invested in communication linked to nutrition and health during the year to help consumers make informed choices about their diet.

Notable examples include the Ryvita 'Fibre Fit' campaign in the UK, through which the business has continued to engage over 50,000 consumers in relation to the benefit of a high-fibre diet.

In addition, our Sugar business's campaign 'Making Sense of Sugar' has continued to develop into a global platform. The aim is to provide 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.

Our businesses continue to assess the nutritional content of their products on an ongoing basis; and engage with stakeholders, directly and through trade associations, in relation to nutrition science and changes to the regulatory and consumer operating environment.

Operational risks

Workplace health and safety

Context and potential impact
Many of our operations, by their nature, have the potential for loss of life or workplace injuries to employees, contractors and visitors.

We are saddened that since the start of the pandemic in March 2020, we have lost 43 colleagues to COVID-19. We deeply mourn their passing and our hearts go out to their families and colleagues.

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 and Safety Policy and Practices are firmly embedded in each business, supporting a strong ethos of workplace safety.

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

Best practice safety and occupational health guidance is shared across the businesses, co-ordinated from the corporate centre, to supplement the delivery of their own programmes.

Changes since 2020
The safety performance of the Group is reported in the 2021 Responsibility Update at www.abf.co.uk/responsibility.

We are saddened to report that in the year there were two work-related fatalities in our southern Africa sugar operations. Our businesses have conducted thorough root cause analyses and have implemented safety changes.

This year over £39m was invested in reducing the safety and health risks across a wide range of operational hazards. As part of this, we invested £9.3m dedicated to COVID-19 safety measures for employees, customers and other visitors to our stores and manufacturing sites. A Group-level steering committee has shared best practice for minimising the risk of infection across all of our businesses.

In Illovo, we launched a Group Vaccination Roll-out Campaign which has seen almost 20,000 employees, dependants, growers and community members vaccinated against COVID-19 to date. We plan to continue the campaign in the coming months to reach many more.

↑ Increased
→ Unchanged
↓ Decreased

Operational risks *continued*

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 inspections centres and management of its supply base.

Changes since 2020
We did not have any major product recalls.

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

Breaches of IT and information security

Context and potential impact
To meet 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 by the use of relevant technologies and the sharing of information. We are therefore subject to potential cyber-threats such as 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
In parallel to building IT roadmaps and developing our technology systems, we invest in developing the IT skills and capabilities of our people across our businesses.

We continue to actively monitor and mitigate any cyber-threats and suspicious IT activity.

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.

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

Changes since 2020
As the number of employees working at home as a result of COVID-19 restrictions remains high, the impact on the delivery of IT services and the need for increased information security has been enveloped into our daily practices.

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.

To maintain the support for seamless homeworking we continue to modify our IT infrastructure, manage bandwidth with our telecommunications partners and improve our collaboration tools.

The extent of remote working has increased the risk of users falling victim to phishing attacks because users rely primarily on email communication. We have an ongoing phishing testing regime and there is regular communication with all users to remind them of the risks. We have raised the level of monitoring for phishing attempts and other security threats. In addition, we have issued security awareness advice on secure homeworking best practices.

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 are regularly patched and upgraded to reflect changing IT security threats. Revised guidance for laptop and desktop patching has been issued to all businesses to ensure that systems are up to date and secure.

During the year we have reviewed and tested IT disaster recovery plans across the businesses.

Our use of natural resources and managing our environmental impact

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 and others are vulnerable based on the operational choices we take. Our material environmental impacts come from fuel use, energy use and agricultural operations giving rise to greenhouse gas emissions, use of land related to agricultural operations, the abstraction and management of water in water-stressed areas and waste which is not yet eliminated at source, reused or recycled, including single-use plastics.

Our businesses and supply chains operate in many areas subject to climate change risks and opportunities as we transition to a lower-carbon world. Our ongoing success depends on mitigating these risks and making the most of the opportunities. 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. The diversified and decentralised nature of the Group means that mitigation or adaptation strategies are considered and implemented by individual businesses and divisions.

Our operations generate a range of emissions such as dust, 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.

Mitigation

We continuously seek ways to improve the efficiency of our operations, using technologies and techniques to reduce our use of natural resources and subsequent impact on the environment.

Climate change, with its associated risks and opportunities, is not a new issue. It has long been important to us and our stakeholders. We have considered some of these issues for many years as part of normal commercial decision-making, for example Primark's long-standing Sustainable Cotton Programme, the assessment of drought risk to the wheat supply in our Australian bakery business, and long-standing progress in reducing energy in sugar refining. It is not a separate and parallel discipline; it is already part of the ordinary course of business and we are working to understand and improve this further.

The Board receives a formal update from the Group Corporate Responsibility Director, the Chief People and Performance Officer and the Group Safety and Environment Manager on environmental issues annually including on GHG emissions and carbon management. In addition, environmental issues are addressed as part of both specific and routine Board agenda items. As an example, Primark reported to the Board in June 2021 on its carbon reduction footprint.

The Audit Committee and the Board have received specific briefings on climate change matters and on our approach to achieving TCFD compliance. We have engaged external experts to support our TCFD implementation and established a steering committee to oversee its governance, which reports to the Audit Committee. The steering committee comprises senior functional leaders from Corporate Social Responsibility, Environment, Finance, Risk Management, Corporate Affairs and HR, together with senior representation from AB Sugar and Primark.

Our packaging and product design teams are working together to address the use of single-use plastics and scale up innovative solutions to the environmental impacts of single-use plastic.

Our businesses aim to be a good neighbour within their local communities. Aspects of this include the monitoring and management of noise, particle and odour pollution and community engagement. Where possible, our businesses implement circular economy principles to use more from less and continuously seek ways to recycle or reuse all waste materials.

AB Sugar and AB Agri have set commitments for their own operations and supply chain to improve sustainability performance.

Primark is committed to the Textiles 2030 Initiative, to accelerate the whole fashion and textiles industry's move towards circularity and system change in the UK.

Through Primark's Sustainable Cotton Programme we have committed to train 160,000 farmers in more sustainable farming methods by 2022. This is a significant commitment towards helping Primark fulfil our long-term ambition of ensuring all the cotton used in our supply chain is sustainably sourced.

Changes since 2020

The environmental performance of the Group is reported in the 2021 Responsibility Update at www.abf.co.uk/responsibility.

This year, we began engaging formally with each business in respect of TCFD, building on existing awareness of climate change issues. This will continue in the coming year until full reporting under TCFD begins for ABF in 2022 and thereafter on an ongoing basis. We are currently reviewing the governance of climate-related risks and opportunities to ensure the Board is enabled to fully consider these while setting our strategy and overseeing major decisions.

To better understand how the potential long-term impacts of climate change might affect our businesses, our performance and our balance sheet, this year we began scenario analysis. Our overall focus is on the specific businesses and raw materials with the greatest identified climate risk exposure, and those that offer the greatest transition opportunities. We identified Primark, AB Sugar and Twinings as the businesses with the most material climate-related risks and opportunities. In 2020, these three businesses comprised in aggregate 73% of adjusted operating profit, 69% of Scope 1 and 2 emissions and 97% of water usage.

This year, we also performed a high-level exercise to establish an overview of our Scope 3 emissions. These same three businesses comprised a significant proportion of those emissions. Further details can be found on page 78.

Operational risks *continued*

Our use of natural resources and managing our environmental impact continued

We continued to focus on improving our energy efficiency and optimising the use of renewable energy sources with 54% of energy used this year coming from renewables, mainly from a biomass-based fuel.

This year 79% of the waste materials generated by our businesses' operations was sent for recycling, recovery or other beneficial uses.

Twinings in the UK is a carbon neutral business thanks to energy efficiency projects and the greater use of renewable energy.

GWF achieved its GHG and water reduction targets of 20% reduction by 2020, against a 2010 baseline as set by the Australian Food & Grocery Council.

As a Group we continue to develop our single-use plastic packaging solutions to align with future environmental packaging legislation in local geographies whilst balancing the needs to minimise food waste and carbon emissions with food safety and integrity at the core. Our UK grocery business is a signatory to the Courtauld Commitment 2025 as well as the UK Plastics PACT, a collaborative initiative delivered by WRAP, that will create a circular economy for plastics.

GWF is a member of the Australian Packaging Covenant Organisation (APCO) and has committed that by 2025 its packaging will be designed to be 100% recyclable, reusable or compostable to help 'close-the-loop'.

Primark launched the Primark Cares sustainability strategy focused on People, Planet and Product with targets of halving its carbon footprint across our entire Primark value chain by 2030 and changing the way we make clothes to ensure they are recyclable by design by 2027 and, by 2030, made from recycled fibres or more sustainably sourced materials. Additionally, we will eliminate single-use plastics and all non-clothing waste by 2027 and already work with cotton farmers to deliver better soil health, biodiversity and water quality in the regions where our cotton is grown.

We report our approach to climate change, water and deforestation risk on an annual basis via CDP at www.cdp.net.

Our supply chain and ethical business practices

Context and potential impact

As an international business we understand that we have both a role to play in delivering on the UN sustainable agenda and also that we are expected to abide by internationally agreed rules of business conduct. Doing so means we are managing risks to our business and to all those involved in our supply chains, and so we expect that our supply chain partners will work within the same framework as us. We work with our supply chain partners to help them meet our standards of acceptable working conditions, financial stability, ethics and technical competence. Potential supply chain and ethical business practice risks include:

- the vulnerability of workers in our supply chains and the amplification of this as a result of the ongoing impacts of COVID-19;
- inconsistent adoption of a rigorous human rights due diligence approach across the Group; and
- low transparency of Group human rights impact.

Mitigation

Our businesses ask their suppliers to work in line with recognised standards, including the UN Guiding Principles on Business and Human Rights, International Labour Organization's Declaration on Fundamental Principles and Rights at work and our Supplier Code of Conduct. This code, which incorporates the Ethical Trading Initiative Base Code, underpins any relevant policies or standards the businesses set themselves. We have developed a groupwide online training module about modern slavery to help accelerate awareness-raising and give businesses the tools to train people.

Primark has strengthened our policies around modern slavery and published a revised Supplier Code of Conduct. This is a combination of the ABF Group Code of Conduct and the Base Code of the Ethical Trading Initiative, of which Primark is a member. Our new Code is tailored specifically to some of the risks Primark perceives in our supply chains. We are internationally recognised for our ethical trade programme. More information is available at https://corporate.primark.com/en.

Twinings uses a comprehensive Community Needs Assessment Framework, which has been developed in consultation with expert organisations to help understand what supply chain communities really need. In addition to human and labour rights, it covers housing, water and sanitation, health and nutrition, gender and children's rights, land rights, farming practices and more.

Primark, Twinings and AB Sugar have all produced interactive sourcing maps to better understand and address the challenges in their supply chain operations.

Primark's map shows suppliers' production sites covering 95% of Primark products for sale in stores: https://corporate.primark.com/en/our-approach/our-standards/global-sourcing-map.

Twinings' map outlines where we source tea and ingredients: https://www.sourcedwithcare.com/en/our-approach/sourcing-map.

AB Sugar's map outlines where we grow, source and export sugar: www.absugar.com/sourcing-map.

Changes since 2020

Our Modern Slavery and Human Trafficking Statement 2021, together with the steps we take to try to ensure that any forms of modern slavery are not present within our own operations or supply chains, are reported in detail in the 2021 Responsibility Update at www.abf.co.uk/responsibility.

In June 2021, the UK Government's Business Against Slavery Forum coalition hosted a Ministerial Forum at which the chief executives of member companies discussed relevant issues with ministers. Our Chief Executive, George Weston, attended this event and contributed to discussions on several themes, including the UK Government's forthcoming Modern Slavery Strategy Review, the challenges involved in modern slavery due diligence and how to harness the power of transparency and other levers for positive change.

AB Agri's Human Rights Policy addresses modern slavery and other issues in line with the Universal Declaration of Human Rights.

AB Sugar have further developed their modern slavery policy and created their 'We Listen, We Act, We Remedy' toolkit.

Primark has reviewed and updated their Code of Conduct, strengthening the requirements that guard against forced labour and adding a new clause that requires all their suppliers to have effective grievance procedures for workers in place.

Twinings published their Human Rights Policy in 2021.

Twinings set a target in 2016 to positively impact 500,000 people through Sourced with Care. The programme has now reached almost 544,000 people and delivered lasting change.

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 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 and which are typically of three years 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 88 to 94 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. 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; to breach its debt covenants; the financial implications of making any strategic acquisitions and a variety of factors that have the potential to reduce profit substantially. We considered actions which could damage the Group's reputation for the long term, macro-economic influences such as fluctuations in commodity markets, and climate-related business risks. Specific consideration has been given to the potential ongoing risks associated with COVID-19. These risks include its impact on Primark's trading performance and to a lesser extent our ability to run our factories efficiently with the potential for disruption through shortage of labour or logistical issues caused by port constraints.

At the year end the Group had gross cash of £2,307m and £1,088m of undrawn committed Revolving Credit Facilities (RCF) which together provide some £3,395m of liquidity. In August 2020, a two-year extension to the Group's RCF was agreed with its relationship banks extending the maturity of the facility to July 2023. During the course of this assessment all of the £297m of outstanding private placement notes will mature and the RCF will require refinancing. It is the opinion of the Board based on the credit rating and the strength of the balance sheet that this facility can be renewed, and that substantial further funding could be secured should the need arise. Events of COVID-19 and the last year show that there was a value in having sufficient financial resources and credit strength to manage the operational challenges faced across our businesses. ABF has sought an external validation of our credit strength and the A grade credit rating from S&P Global reflects this.

The diversity of the Group is such that we have some 60 different businesses operating in different markets, sectors, customers, geographies and products. The importance of food production has been highlighted by recent events and the resilience of the Group has been demonstrated by our ability to ensure the continuity of the food supply chain. While the principal risks considered all have the potential to affect future performance, none of them are considered individually or collectively likely to give rise to a deterioration in trading to a level that might 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 extremely 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 14 September 2024.

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 28 February 2023 has been updated for the business's latest trading in October and is our best estimate of cashflow in the period. Having reviewed this forecast and having applied a downside sensitivity and performed a reverse stress test, we consider it a remote possibility that the financial headroom could be exhausted.

At the full year, the Group had net cash before lease liabilities of £1,901m and had an undrawn, committed RCF of £1,088m for the coming year. The directors have satisfied themselves that the RCF is available for at least the going concern assessment period, having assessed the Group's projected compliance with the remaining terms and covenants of these facilities. Events of COVID-19 and the last year show that there was a value in having sufficient financial resources and credit strength to manage the operational challenges faced across our businesses. ABF has sought an external validation of our credit strength and the A grade credit rating from S&P Global reflects this.

In August 2020, a two-year extension to the Group's RCF was agreed with its relationship banks, extending the maturity of the facility to July 2023. Whilst this maturity date is beyond the going concern assessment period, it is the opinion of the Board, based on the credit rating and the strength of the balance sheet, that this facility can be renewed, and that substantial further funding could be secured should the need arise.

In reviewing the cash flow forecast for the period, the directors reviewed the trading for both Primark and the non-Primark businesses in light of the experience gained from the last eighteen months 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.

The diversity of the Group is such that we have some 60 different businesses operating in different markets, sectors, customer groups, geographies and products. The importance of food production has been highlighted by recent events and the resilience of the Group has been demonstrated by our ability to ensure the continuity of the food supply chain. While the principal risks considered all have the potential to affect future performance, none of them are considered individually or collectively likely to give rise to a deterioration in trading to a level that might threaten the viability of the Company for the period of the assessment.

As a downside scenario, the directors considered the extreme adverse scenario in which half of the Primark estate was closed for six months including the forthcoming Christmas trading period, without taking any of the available cost mitigation actions within their control and assuming no available job retention scheme support. Under this downside scenario the Group has a forecast net cash position throughout the period and forecast compliance with the covenants in the debt facilities.

In addition, we also considered the circumstances which would be needed to exhaust the Group's cash resources over the assessment period - a reverse stress test. This would indicate that all Primark stores would need to remain completely closed for more than 12 months, including the peak Christmas sales period. The likelihood of these circumstances is considered remote for two reasons. Firstly, over such a long period, management could take substantial mitigating actions, such as cost cutting measures and reducing capital investment. Secondly, we have seen governments develop a number of measures to contain the virus, including widespread vaccination programmes, which make it likely that any future lockdowns would be regional.

The Strategic report was approved by the Board and signed on its behalf

Michael McLintock
Chairman

George Weston
Chief Executive

John Bason
Finance Director