

ESG Insights 2021

Governance, reporting and assurance

Associated
British Foods
plc

Why it is important

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

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

As a major multinational company with businesses operating in a wide range of sectors and markets, and sourcing from countries across the world, it is right that information and data we publish is subject to significant scrutiny to ensure its robustness. We see independent assurance as a key part of our reporting. It supports us to identify areas for improvement, while reassuring our stakeholders that the data we publish is meaningful and accurate.



Our approach

Accountability

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

Diversified Group, consistent approach: The Red Book

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

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

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

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

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

The Red Book is an internal document that contains all the information our executives need to meet their obligations and to operate freely within the framework. The Red Book applies to all subsidiaries plus (subject to some exceptions) joint ventures and associates of Associated British Foods plc.

The Red Book states:

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

Responsibility, governance and risk

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

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

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

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

Our performance

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

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

Our environmental risks may range from macro issues, such as climate change and water availability, to more local issues, such as managing emissions from factories and working within the local waste management infrastructure. At a Group level, our material environmental risks are linked with climate change, water, waste and packaging. Our efforts to reduce our environmental footprint also present opportunities, including cost reduction, improved efficiency and resilience, increased brand value and collaborative work with partners along our supply chain. Our social risks may arise from our interactions with, and responsibility towards, employees and contractors, suppliers, communities and consumers. Some of our material social risks include safety, health, human rights and talent management. Our management approach to the different risks we face and the opportunities they present are outlined below. Read more about our approach to risk management in our 2021 Annual Report and Accounts.

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

Our performance scope

Associated British Foods plc has five divisions: Grocery, Sugar, Agriculture, Ingredients and Retail. Across these divisions, we have 289 factories or manufacturing sites, warehouses, distribution centres and offices which have collated their relevant environment and safety data for this reporting period. The data reported also accounts for 398 Primark stores, offices and distribution centres. Where relevant, the data also includes Primark sites which closed during the reporting year along with some new locations that are preparing to open.

How we assess our performance

We use a range of internal verification processes and we commission independent external audits to help us to continuously improve our responsibility performance, report accurately and meet recognised standards. Environment and safety data is entered by each site into a Group-managed data system. All data is reviewed and approved at the individual business level, usually by a senior environmental, safety, operational or financial representative, or a cross-functional team representing these roles. Greenhouse gas (GHG) emissions data receives additional review and approval by Finance. Our Health, Safety and Environment (HSE) Team implements an annual internal verification process for the Group's HSE data to ensure it is complete,

accurate and aligned with our Group guidelines. Throughout the year, we collaborate with all our businesses to help them with continuous improvement in data accuracy. This work includes regular training, distribution of materials and consultation if changes are made to data requirements or the reporting system.

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

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

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

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



FTSE4Good

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



– MSCI: In 2020 ABF received an AA rating (on a scale of AAA-CCC); <https://www.msci.com/our-solutions/esg-investing/esg-ratings/esg-ratings-corporate-search-tool/issuer/associated-british-foods-plc/IID000000002123767>



– Refinitiv: In 2021, ABF was rated as 28 out of 362 companies in its industry sector; <https://www.refinitiv.com/en/sustainable-finance/esg-scores#company-esg-scores>



– Sustainalytics: As of the last update in March 2020 ABF was rated 90 out of 567 companies in its industry sector; and www.sustainalytics.com



– Vigeo-Eiris: In 2021, ABF was ranked 6/40 in its sector. www.vigeo-eiris.com

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

- We disclose our annual performance and approach through CDP questionnaires about climate change, water, and forests.
- Through the World Benchmarking Alliance (WBA) we report against the [Corporate Rights Human Benchmark \(CHRB\)](#), the [Food and Agriculture Benchmark](#) and the [Gender Benchmark](#).
- Organisations such as KnowTheChain assess our performance on human rights and labour rights issues.

Our performance continued

- Our approach to animal health and welfare is guided by the [Business Benchmark on Farm Animal Welfare \(BBFAW\)](#), the leading global measure of farm animal welfare management, policy commitment, performance and disclosure in food companies.
- We participate in [ShareAction's Workforce Disclosure Initiative \(WDI\)](#), providing information about how we manage issues like diversity, health and safety, and worker engagement, to help improve the quality of employment in the operations and supply chains of multinational companies.

ABF is also committed to reporting against the requirements of the [Task Force on Climate-related Financial Disclosure \(TCFD\)](#) and we are working to produce our first disclosure by the end of our 2022 reporting period. Please read [here](#) to find our preliminary disclosure statement.

Compliance and investment

Environmental compliance: In 2021, the various businesses within our Group had 61 environmental complaints, fifteen more than last year. Most of these were associated with noise, dust and odour from their manufacturing sites. This year, our businesses received 15 environmental fines Δ with a cost of £75,000 Δ . These were largely due to the treatment of waste water, with three quarters of this year's fines attributable to one site which is managing legacy issues relating to waste water.

These issues are being addressed by sites across the Group with targeted support being provided to the specific sites. We regret any issues caused as a result of these incidents, and always prioritise remedial action to ensure we meet the standards expected of us by our neighbours and other stakeholders, as well as the regulations under which we operate.

We had 355 visits from regulatory authorities, of which 339 were routine inspections. These are welcomed as part of our continuous improvement and to address specific issues such as waste water quality monitoring and water testing. In some locations, regulator visits decreased because of COVID-19-related restrictions. In some cases, regulator meetings were held via telecommunications and these have been recorded in our annual data. Visits or meetings were held to discuss air quality, marine health and to address collaborative working on waste water trials.

This year, 64% of our manufacturing sites and retail operations hold an internationally recognised environmental management system certification such as ISO 14001 (environmental management) or ISO 50001 (energy management). As part of the ISO certification, these facilities undergo audits to ensure they are maintaining the expected standards in, and continuously developing their approach to, sound environmental and energy management.

During the year, £34m was invested in environmental risk management across our businesses to support the approach of continuously improving our environmental performance. Over £3m was invested in improving waste water, including capital projects in wastewater treatment plants.

Safety compliance: This year, we received three safety fines Δ , one of which was paid within this reporting year totalling £67,000. The two other fines will be paid in the next reporting year. The fine this year relates to general safe working environment standards and this issue has been addressed by the site.

We had 426 visits from safety regulatory authorities, including 328 for routine inspections. The number of routine visits increased this year due to COVID-19-related activity and closer engagement with local safety authorities. Other visits were as a follow-up to complaints or incidents, fire department visits or to support continuous improvement. We welcome these regulatory visits as an opportunity to learn from safety specialists and, particularly this year, to ensure we are meeting specific COVID-19 safe working practices

This year we invested £39m in safety risk management of which 24% was dedicated to COVID-19 safety measures. These included significant investments in sneeze screens, the hiring of container offices to enable social distancing and air purification systems. Safety investments were made across a wide spectrum of activities to address site-specific improvements including specialist training, fire safety upgrades, machine guarding, repairs to drainage to prevent flooding, upgrades to dust extraction and improvements in minimising dust risks and repairs to building structures such as floors, roofs, and lightning protection.

Methodologies

Our approach to assurance

We commissioned EY to assure our report against the International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information ISAE 3000 (Revised). As part of this assurance, EY provided limited assurance over the reliability of 18 key performance indicators and their associated datasets for the year ending 31 July 2021. These are marked with the symbol Δ on the relevant pages.

Independent Assurance Statement for Associated British Foods Plc

We have been engaged by Associated British Foods plc ("the Group") to perform a 'limited assurance engagement,' as defined by International Standard for Assurance Engagements (ISAE 3000 Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, hereafter referred to as the engagement, to report on the Group's selected performance data and statements (the "Subject Matter Information") presented in the Group's 2021 Responsibility Update Report, ESG Insights Report and Annual Report and Accounts 2021 (collectively referred to as "the Reports").

In preparing the Subject Matter Information, Associated British Foods applied the methodology as defined in the 'Methodologies' sections throughout the Environmental, Social and Governance (ESG) Insights 2021 document (the 'Criteria').

Respective responsibilities

Associated British Foods' management is responsible for selecting the Criteria, and for presenting the performance data within the Reports in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter Information, such that it is free from material misstatement, whether due to fraud or error.

Our responsibility, in accordance with our engagement terms with Associated British Foods' management, is to carry out a 'limited level' assurance engagement on the Subject Matter Information set out below. The Subject Matter Information has been indicated with a Δ symbol in the Reports. We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Reports is entirely at its own risk.

What we did to form our conclusions

Our assurance engagement has been planned and performed in accordance with the ISAE 3000 Revised. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter Information is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

The 'Subject Matter Information' comprises the following data sets in the Reports regarding the Health, Safety and Environmental (HSE) performance of the Group.

- Number of work-related deaths to employees
- Number of work-related deaths to independent contractors as a result of Associated British Foods' work activities
- Number of Lost Time Injuries (LTIs) to employees
- Number of Lost Time Injuries (LTIs) to contractors as a result of Associated British Foods' work activities
- Number of health and safety fines against sites
- Cost of health and safety fines received
- Number of environmental fines against sites
- Cost of environmental fines received
- Energy consumption (GWh) consisting of: electricity imported, natural gas used, coal and anthracite used, heavy fuel oil used, renewable fuel (biogas, bagasse, residue, trash and wood), imported steam used, gas oil used, diesel used, kerosene used, petrol used, coke used, and LPG used
- Electricity exported (GWh)
- Greenhouse gas emissions (tCO₂e) consisting of:
 - Scope 1 emissions
 - Scope 2 location-based emissions
 - Scope 2 market-based emissions
 - Scope 3 emissions (transportation and distribution only)
- Total volume of water used (m³)
- Water reused or recycled (m³)
- Effluent leaving the site for final disposal (m³)
- Quantity of non-hazardous waste sent for disposal (tonnes)
- Quantity of hazardous waste sent for disposal (tonnes)
- Quantity of waste sent for recycling or recovery or other beneficial use (tonnes)
- Quantity of packaging used for the containment, protection, handling, delivery and presentation of goods (tonnes)
- Tonnes of product
- HSE data sets (Business segment specific)
- Greenhouse gas emissions (Scope 3) (tCO₂e) for the Primark Retail business

The procedures we performed were based on our professional judgement and included the steps outlined below:

1. Interviewed a selection of the Group's management to understand the progress made in the area of HSE performance during the reporting year and to test the coverage of topics within the Reports.
2. Conducted remote and in-person business and site-level reviews for 11 Associated British Foods businesses to review local-level HSE performance and data collection processes and to test back to underlying source evidence.
3. Reviewed the coverage of key issues within the Reports against the topics discussed in our management interviews and business and site-level reviews.

Methodologies *continued*

4. Performed detailed testing on Group and Business Segment HSE data and carried out the following activities to review the 'Subject Matter Information':
 - i. Reviewed the disaggregated HSE data for a sample of businesses within each of the five strategic business segments (Retail, Sugar, Grocery, Ingredients and Agriculture) back to source evidence.
 - ii. Assessed whether the HSE data has been collected, consolidated and reported appropriately at a Group and Business Segment level in line with the Group's reporting guidance.
5. Reviewed information or explanation about selected statements and assertions regarding the HSE performance of the Group.

Limitations of our review

Our evidence gathering procedures were designed to obtain a 'limited level' of assurance (as set out in ISAE 3000 Revised) on which to base our conclusions. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and, therefore, a lower level of assurance is provided.

Completion of our testing activities has involved placing reliance on Associated British Foods' controls for managing and reporting HSE information, with the degree of reliance informed by the results of our review of the effectiveness of these controls. We have not sought to review systems and controls at Associated British Foods beyond those used for the 'Subject Matter Information' (as presented above). The responsibility for the prevention and detection of fraud, error and non-compliance with laws or regulations rests with Associated British Foods' management. Our work should not be relied upon to disclose all such material misstatements, frauds, errors or instances of non-compliance that may exist.

We have only sought evidence to support the performance data of the 2021 reporting period. We do not provide conclusions on any other data from prior years. We have not sought any supporting evidence for data that has been sourced from Associated British Foods' Annual Report and Accounts, and we have not provided assurance over claims made by Associated British Foods that are statements of belief or forward looking in nature.

Our conclusions

Based on the scope of our review our conclusions are outlined below:

Completeness and accuracy of performance information

How complete and accurate is the 'Subject Matter Information' presented in the Reports?

- With the exception of the limitations identified in the Reports, we are not aware of any material reporting units that have been omitted from the 'Subject Matter Information' relating to the topics above.
- Nothing has come to our attention that causes us to believe that the 'Subject Matter Information' was not prepared, in all material respects, in accordance with the Criteria, which were applied by management.

How plausible are the statements and claims within the Reports?

- We have reviewed information or explanation on selected statements regarding the Group's HSE activities presented in the Reports and we are not aware of any misstatements in the assertions made.

Observations and areas for improvement

Our observations and areas for improvement will be raised in a report to the Group's management. Selected observations are provided below. These observations do not affect our conclusions on the Reports set out above.

- We have identified instances where safety and environment data review processes were not always effective at the site and business level in identifying errors prior to year-end submission to the Group, particularly for fuel usage, safety fines and waste KPIs. In some cases, the site-level errors were material at both the Group and division level. Whilst these errors were ultimately corrected before publication, data accuracy and supporting review processes should continue to be areas of focus for the Group. Associated British Foods' should consider further refinement to the groupwide reporting guidance and target engagement (including potential training) with the sites, businesses, and geographical regions to enhance data accuracy and completeness.
- Associated British Foods has disclosed Primark Scope 3 emissions within the Reports and the data has been subject to our limited assurance. We reviewed the methodology and its application to the data model. There were material errors in the original calculation, which have been corrected in the course of our review. The reporting and monitoring of the Primark Scope 3 emissions is a significant step forward in Associated British Foods' understanding and management of climate-related risks of these risks as encouraged by the Task Force on Climate-related Financial Disclosures (TCFD).

Our independence and competence

We have implemented measures to comply with the applicable independence and professional competence rules as articulated by the IFAC Code of Ethics for Professional Accountants and ISQC12. EY's independence policies apply to the firm, partners and professional staff. These policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies.

We confirm annually to the Group whether there have been any events including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services in 2020/2021. Our assurance team has been drawn from our global Climate Change and Sustainability Services Practice, which undertakes engagements similar to this with a number of significant UK and international businesses.

Ernst & Young LLP, London

5 November 2021