

DEAR SHAREHOLDERS

I am pleased to present my first Associated British Foods corporate governance report since my appointment as Chairman.

Firstly, I would like to thank my predecessor, Charles Sinclair, for the support he provided to me as non-executive director prior to my appointment as Chairman on 11 April 2018. Charles was a great believer in strong governance and a focus on ethics, whilst encouraging management to take a long-term view and to invest in the future. I look forward to continuing along this path as our businesses grow.

The board is aware of the forthcoming changes to the UK Corporate Governance Code which will apply to companies with financial year ends beginning on or after 1 January 2019 and we intend to review this in advance of our 2019 annual report. Over the last few months, the board and committees have reviewed their activities to take into consideration these upcoming changes and we have already started to take action; for example, we have enhanced our remuneration reporting which is further detailed in the Remuneration report on page 80.

As Chairman, my role is to manage the board to ensure that it operates effectively. In line with our plans to continue refreshing the board, we were delighted to welcome Graham Allan as an independent non-executive director in September 2018. Graham brings a wealth of experience from prior executive roles within various multinational retail, food and beverage businesses. As I also mentioned earlier in this annual report, Javier Ferrán will retire from the board in December 2018 and will be succeeded in the role of Senior Independent Director by Ruth Cairnie.

We are continuing to make good progress with a number of actions identified in our external board evaluation led by Lintstock Limited in 2017. Additionally, earlier this year, with the assistance of the Head of Secretariat, we undertook an internal evaluation of the board and its committees. Overall, the results concluded our board and committees are functioning well. Further information on this is provided on pages 71 and 72.

Associated British Foods is an organisation built upon sound ethical foundations with a strong culture, known internally as the 'Essence of Associated British Foods'. The board is aware of its important role in helping to foster the group's culture and values. An important aspect of this, as a leading food and retail business, is our wider corporate responsibility. Much good work is carried out by our colleagues throughout the group which has a positive impact on the communities in which we operate and protects human rights and vulnerable people in our supply chains. I am encouraging the executive directors and senior management to talk more about the constructive role that we play, remembering that we can never be complacent. This is an important factor in protecting and delivering sustainable long-term value for all of our stakeholders, including our shareholders. We believe that, by combining great value products with doing the right thing for our people, we do good every day. Our Corporate Responsibility Report and supporting Update Reports highlight the ethical ways in which each of our businesses work. These publications are available on the Company's website, www.abf.co.uk, and highlights of what we have done during 2018 can be found on pages 52 to 59.

Employee engagement is another topic to which the board attaches importance. Associated British Foods operates a decentralised model, comprised of a large number of distinct businesses with employees located throughout the world. Engaging with these employees on a group basis can be logistically challenging. Local management do a very good job of engaging with their employees and keeping them apprised of relevant issues within their businesses. At the group level, management are continually looking to find ways to improve communication links with the businesses. I am working on this with the executive directors and senior management and I will report further on this in my 2019 governance statement.

Michael McLintock
Chairman

Compliance with the UK Corporate Governance Code

As a premium listed company on the London Stock Exchange, the Company is reporting in accordance with the UK Corporate Governance Code published in April 2016 (the 'Code') which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. The Code is published by the UK Financial Reporting Council ('FRC') and a copy of the Code is available from the FRC website: www.frc.org.uk.

Since 11 April 2018, the board considers that the Company has applied the main principles and complied in full with the provisions set out in the Code, with the following exception prior to that date:

Code provision

D.2.1 – The Chairman should not chair the Remuneration committee.

Explanation

The board of Associated British Foods plc considered that Charles Sinclair, due to his experience, was best suited to chair the Remuneration committee. No director had any involvement in the determination of their own remuneration. The board believes that the Company maintained robust governance while at the same time benefiting from having Charles Sinclair as Chair of this committee.

Status

Until his resignation from the board, Charles Sinclair was both Chairman of the Company and Chairman of the Remuneration committee. On 11 April 2018, Michael McLintock was appointed as Chairman of the Company and Ruth Cairnie was appointed as Chair of the Remuneration committee.

Leadership

The board

The board of directors is collectively responsible to the Company's shareholders for the direction and oversight of the Company to ensure its long-term success. The board met regularly throughout the year to approve the group's strategic objectives, to lead the group within a framework of effective controls which enable risk to be assessed and managed and to ensure that sufficient resources are available to meet the objectives set.

There are a number of matters which are specifically reserved for the board's approval. These are set out in a clearly defined schedule and include: matters relating to the group's strategic plan; approving the annual business strategy and objectives; the nature and extent of principal risks to be taken to achieve the strategic objectives; changes relating to structure and capital; approval of trading statements, interim results, final results and annual report; declaring interim dividends and recommending final dividends; the group's policies and systems of internal control and risk management; approving capital projects, acquisitions and disposals valued at over £30m; provision of adequate succession planning; approving major group policies and matters relating to the compliance with the terms of the Relationship Agreement between the Company and its controlling shareholders dated 14 November 2014. The schedule of matters reserved is available to view on the corporate governance section of the Company's website: www.abf.co.uk.

Certain specific responsibilities are delegated to the board committees, being the Audit, Remuneration and Nomination committees, which operate within clearly defined terms of reference and report regularly to the board. For further details, please see the 'Board committees' section on page 74.

Authority for the operational management of the group's business has been delegated to the Chief Executive for execution or further delegation by him for 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.

Chairman and Chief Executive

The roles of the Chairman and the Chief Executive are separately held and the division of their responsibilities is clearly established, set out in writing, and agreed by the board to ensure that no one has unfettered powers of decision. The Chairman is responsible for the operation and leadership of the board, ensuring its effectiveness and setting its agenda. The Chief Executive is responsible for leading and managing the group's business within a set of authorities delegated by the board and for the implementation of board strategy and policy.

Senior Independent Director

The purpose of this role is to act as a sounding board for the Chairman and to serve as an intermediary for other directors where necessary. The Senior Independent Director is also available to shareholders should a need arise to convey concerns to the board which they have been unable to convey through the Chairman or through the executive directors.

The non-executive directors

The non-executive directors, in addition to their responsibilities for strategy and business results, play a key role in providing a solid foundation for good corporate governance and ensure that no individual or group dominates the board's decision-making. They each occupy, or have occupied, senior positions in industry, bringing valuable external perspective to the board's deliberations through their experience and insight from other sectors enabling them to contribute significantly to board decision-making. The formal letters of

appointment of non-executive directors are available for inspection at the Company's registered office.

Election and re-election of directors

In accordance with the Code's recommendations, all directors currently in office, with the exception of Javier Ferrán, will be proposed for election or re-election, as appropriate, at the 2018 AGM to be held in December.

Board meetings

The board held nine meetings during the financial year. Periodically, board meetings are held away from the corporate centre in London. As part of the board's engagement with employees, the February meeting was held in Birmingham and the board visited the Allied Bakeries premises in West Bromwich, where the board met local management and were given a tour of the factory. At that time, the board also visited the Primark Pavilions redevelopment site in Birmingham.

In May, the board met Primark's management team in New York. They visited Primark stores in Brooklyn and New Jersey, meeting with the employees and reviewing the operations for each store.

The attendance of the directors at board and committee meetings during the year is shown in the table below. If a director is unable to participate in a meeting either in person or remotely, the Chairman will solicit their views on key items of business in advance of the relevant meeting and share these with the meeting so that they are able to contribute to the debate.

	Board	Audit committee	Nomination committee	Remuneration committee
Charles Sinclair ¹	5/5	–	1/1	2/2
Michael McLintock ²	9/9	2/2	3/3	4/4
George Weston	9/9	–	–	–
John Bason	9/9	–	–	–
Emma Adamo	9/9	–	–	–
Graham Allan ³	–	–	–	–
Ruth Cairnie	9/9	4/4	3/3	4/4
Tim Clarke ⁴	2/2	–	–	1/1
Javier Ferrán	9/9	–	3/3	4/4
Wolfhart Hauser	9/9	4/4	3/3	4/4
Richard Reid	9/9	4/4	1/1	4/4

¹ Charles Sinclair retired from the board on 11 April 2018.

² Michael McLintock was appointed to the board on 1 November 2017.

³ Graham Allan joined the board on 5 September 2018.

⁴ Tim Clarke retired from the board on 30 November 2017.

All of the above attended those meetings that they were eligible to attend.

The work of the board during the year

During the financial year, key activities of the board included:

Strategy

- conducting regular strategy update sessions in board meetings;
- holding an annual 'away-day' focused on strategy; and
- receiving a strategy update from the Chief Executive and Director of Business Development.

Acquisitions/disposals

- approving the acquisition of Yumi's Quality Foods Pty Limited; and
- receiving regular updates on acquisitions and disposals.

Financial and Operational Performance

- receiving regular reports to the board from the Chief Executive;
- receiving, on a rolling basis, senior management presentations from each of the group business areas;
- approving the group budget for the 2018/19 financial year;
- approving the Company's full year and interim results;
- recommending the 2017 final dividend and approving the 2018 interim dividend; and
- approving new banking mandate and other various treasury-related matters.

Governance and risk

- annual review of the material financial and non-financial risks facing the group's businesses;
- scenario planning discussion of possible business effects of any political changes within the UK;
- half yearly review of progress in implementing actions arising from the 2017 board evaluation;
- participating in the 2018 annual board performance evaluation and considering the report received on the review;
- receiving regular updates on corporate governance and regulatory matters;
- receiving reports from the board committee chairs;
- confirming directors' independence and conflicts of interest;
- reviewing and approving gender pay reporting and Modern Slavery Statement; and
- undertaking appropriate preparations for the holding of the annual general meeting including considering and approving an 'outlook' statement and subsequently, discussing issues arising from the annual general meeting.

Corporate responsibility

- approving the Corporate Responsibility Update 2018;
- receiving regular management reports and an annual presentation on health, safety and environmental issues; and
- receiving updates on Primark ethical sourcing.

Investor Relations and other Stakeholder Engagement

- receiving reports on investor relations activities and regular feedback on directors' meetings held with institutional investors.

People

- appointment of Michael McLintock as Chairman;
- appointment of Ruth Cairnie as Chair of the Remuneration committee;
- appointment of Graham Allan as an independent non-executive director;
- reviewing and approving share allocations for senior management and non-executive director/committee chair fees; and
- receiving updates on and considering senior succession planning and people activities with presentation from the Group HR Director.

Senior executives below board level are invited, when appropriate, to attend board meetings and to make presentations on the results and strategies of their business units.

Papers for board and committee meetings are generally provided to directors a week in advance of the meetings.

Board committees

The board has established three principal board committees, to which it has delegated certain of its responsibilities. These are the Audit, Nomination and Remuneration committees. The membership, responsibilities and activities of these committees are described later in this corporate governance report and, in the case of the Remuneration committee, in the Remuneration report which starts on page 80. Membership of these committees is reviewed annually. Minutes of committee meetings are made available to all directors on a timely basis.

The Chairs of the Audit, Nomination and Remuneration committees were present at the 2017 AGM and intend to be present at this year's AGM to answer questions on the work of their respective committees.

The written terms of reference for the Audit, Nomination and Remuneration committees are available on the Company's website, www.abf.co.uk, and hard copies are available on request.

Effectiveness**Board composition**

At the date of this report, the board comprises the following directors:

Chairman

Michael McLintock

Executive directors

George Weston (Chief Executive)
John Bason (Finance Director)

Non-executive directors

Emma Adamo
Graham Allan
Ruth Cairnie
Javier Ferrán
Wolfhart Hauser
Richard Reid

Board independence

Emma Adamo is not considered by the board to be independent in view of her relationship with Wittington Investments Limited, the Company's majority shareholder. She was appointed in December 2011 to represent this shareholding on the board of the Company. The board considers that the other non-executive directors are independent in character and judgement and that they are each free from any business or other relationships which would materially interfere with the exercise of their independent judgement.

Although the Company has always deemed Richard Reid to be independent, as at the date of the 2018 AGM Richard Reid will also be fully independent in accordance with the Code, as the relationship between the Company and KPMG LLP, of which Richard was formerly a partner, will have ended over three years ago (KPMG LLP ceased to be the Company's auditor in November 2015).

As at the date of this report, the board comprises the Chairman, Chief Executive, Finance Director and six non-executive directors. Biographical and related information about the directors is set out on pages 66 and 67.

Appointments to the board

There is a formal and transparent procedure for the appointment of new directors to the board. Details are available in the Nomination committee report on page 75 which also provides details of the committee's activities.

Commitment

The letters of appointment for the Chairman and the non-executive directors set out the expected time commitment required of them and are available for inspection by any person during normal business hours at the Company's registered office and at the AGM. Other significant commitments of the Chairman and non-executive directors are disclosed on appointment and require approval thereafter.

Board development

The Chairman, with the support of the Company Secretary, is responsible for the induction of new directors and the continuing development of directors.

Board induction

The Company provides all non-executive directors with a tailored and thorough programme of induction, which is facilitated by the Chairman and the Company Secretary and which takes account of prior experience and business perspectives and the committees on which he or she serves. Michael McLintock, who joined the board in November 2017, met with senior management across the business as part of his induction. He visited Primark's head office and local Primark stores in Dublin; visited the British Sugar site at Wisington; participated in a supply chain overview at Primark's warehouse in Slip and visited Illovo's sugar sites in Malawi, Tanzania and Eswatini. Together with the board, Michael also visited the Allied Bakeries premises in West Bromwich and some of the Primark stores in the US.

Graham Allan is also undergoing an induction programme which we will report on in our 2019 annual report.

Training and development

The Chairman has overall responsibility for ensuring that the directors receive suitable training to enable them to carry out their duties and is supported in this by the Company Secretary. Directors are also encouraged personally to identify any additional training requirements that would assist them in carrying out their role. Training is provided in briefing papers, such as the regular update from the Company Secretary as part of the board pack ahead of each meeting covering developments in legal, regulatory and governance matters, and by way of presentations and meetings with senior executives or other external sources. During the year, there was also training on competition compliance and dawn raid procedures.

Information flow

The Company Secretary manages the provision of information to the board at appropriate times in consultation with the Chairman and Chief Executive. In addition to formal meetings, the Chairman and Chief Executive maintain regular contact with all directors. The Chairman holds informal meetings with non-executive directors, without any of the executives being present, to discuss issues affecting the group, when appropriate. Regular management updates are sent to directors to keep the non-executive directors informed of events throughout the group between board meetings and

to ensure that they are advised of the latest issues affecting the group.

Board performance evaluation

An evaluation to assess the performance of the board as a whole, its committees and the individual directors is conducted annually with the aim of improving the effectiveness of the board and its members and the performance of the group.

Progress from 2017 evaluation

During the year, the Chairman oversaw the implementation and progression of various recommendations arising from the 2017 external evaluation, which included the actions set out in the table below:

Progress on 2017 objectives

Succession planning

Focus on succession planning for the board continued. When Charles Sinclair retired, Michael McLintock was appointed as Chairman of the Company and Ruth Cairnie as Chair of the Remuneration committee.

Graham Allan was appointed as an independent non-executive director in September 2018. Javier Ferrán will retire from the board in December 2018 and Ruth Cairnie will be appointed as the Senior Independent Director.

The board will continue to discuss succession planning in an open manner.

Retail business

Additional time in board meetings was given to the retail business, with directors discussing key projects, challenges and opportunities facing the retail business. Regular board time is now set aside to discuss the retail business in full.

Risk management

Board meetings continue to receive detailed papers on the ongoing risk management process that affect the business on a daily basis. This enables the board to gain a better understanding of the issues facing the business and to modify the Company's approach accordingly.

2018 evaluation

Following the external review carried out in 2017, this year the board returned to an internal performance evaluation. The review was carried out during the third quarter of the financial year and was managed by the Chairman with the assistance of the Head of Secretariat.

The 2018 review involved each board member and the Company Secretary. Each individual met with the Chairman and Head of Secretariat to discuss various topics. Questionnaires had been sent

to each of the participants in advance of the meeting to enable them to consider the topics before the meeting. The topics covered included the following:

- **The board** – composition, expertise, dynamics, management of meetings, support, focus, strategy, risk management and internal control, succession planning, corporate responsibility, and priorities for change;
- **Audit, Nomination and Remuneration committees** – time management, composition, processes and support, leadership, work and effectiveness of each of the committees during the year and priorities for change; and
- **Individual directors** – assessment of individual contributions and opportunities for personal development.

A written report was prepared and sent to board members. It was then discussed at the September board meeting. Given that Michael McLintock had only been appointed as Chairman of the Company in April 2018, the non-executive directors did not meet to evaluate his performance as Chairman as it was too early in his tenure. A full evaluation of the Chairman's performance will be undertaken in 2019.

Recommended actions, listed below, arising from this year's evaluation are being implemented under the direction of the Chairman.

Priorities for change identified from the 2018 evaluation

People

- To keep under review the board succession plan
- To gain a better understanding of the emerging talent and succession planning within the group
- To further engage with the wider workforce

Corporate responsibility

- To further promote the corporate responsibility work that the group is doing
- To ensure that corporate responsibility priorities are included within business presentations to the board

Meeting processes

- To ensure that board papers are available earlier and introduce a hard backstop date by which the board papers must be uploaded to the online board pack system
- To ensure that meetings run to time, yet allow for full discussion of the matters being considered

Overall, it was concluded that the board and its committees were continuing to function well. There was mutual trust between the executives and non-executives with a good balance of challenge and support. Each director was considered to be making a valuable contribution and demonstrating proper commitment, including time, to their respective roles.

Conflicts of interest procedure

The Company has procedures in place to deal with the situation where a director has a conflict of interest. As part of this process, the board:

- considers each conflict situation separately on its particular facts;
- considers the conflict situation in conjunction with the rest of the conflicted director's duties under the Companies Act 2006;
- keeps records and board minutes as to authorisations granted by directors and the scope of any approvals given; and
- regularly reviews conflict authorisation.

Accountability

Financial and business reporting

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

We consider the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Business model

A description of the Company's business model for sustainable growth is set out in the group business model and strategy section on pages 8 and 9 and in the business strategies section on pages 12 and 13. These sections provide an explanation of the basis on which the group generates value and preserves it over the long term and its strategy for delivering its objectives.

Going concern and viability

After making enquiries the directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for a period of at least

12 months from the date of approval of these annual financial statements. Accordingly, and consistent with the guidance contained in the document titled 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published by the FRC in 2014, they continue to adopt the going concern basis in preparing the annual financial statements.

The Code requires the directors to assess and report on the prospects of the group over a longer period. This longer term viability statement is set out on page 65.

Risk management and internal control

The board acknowledges its overall responsibility for monitoring the group's risk management and internal control systems to facilitate the identification, assessment and management of risk, the protection of shareholders' investments and the group's assets. The directors recognise that they are responsible for providing a return to shareholders, which is consistent with the responsible assessment and mitigation of risks.

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

Standards

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

High level controls

All businesses prepare annual operating plans and budgets which are updated regularly. Performance against budget is monitored at operational level and centrally, with variances being reported promptly. The cash position at group and business level is monitored constantly and variances from expected levels are investigated thoroughly.

Clearly defined guidelines have been established for capital expenditure and investment decisions. These include the preparation of budgets, appraisal and review procedures and delegated authority levels.

Financial reporting

Detailed management accounts are prepared every four weeks, consolidated in a single system and reviewed by senior management and the board. They include a comprehensive set of financial reports and key performance indicators covering commercial, operational, environmental and people issues. Performance against budgets and forecasts is discussed regularly at board meetings and at meetings between operational and group management. The adequacy and suitability of key performance indicators is reviewed regularly. All chief executives and finance directors of the group's operations are asked to sign an annual confirmation that their business has complied with the Group Accounting Manual in the preparation of consolidated financial statements and specifically to confirm the adequacy and accuracy of accounting provisions.

Internal audit

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

All group businesses are required to comply with the group's financial control framework that sets out minimum control standards. A key function of the group's internal audit resources is to undertake audits to ensure compliance with the financial control framework and make recommendations for improvement in controls where appropriate. Internal

audit also conducts regular reviews to ensure that risk management procedures and controls are observed. The Audit committee receives regular reports on the results of internal audit's work and monitors the status of recommendations arising. The committee reviews annually the adequacy, qualifications and experience of the group's internal audit resources and the nature and scope of internal audit activity in the overall context of the group's risk management system. The group's Financial Controller meets with the Chair of the Audit committee as appropriate but at least quarterly, without the presence of executive management, and has direct access to the Chairman of the board.

Assessment of principal risks

The directors confirm that, during the year, the board has carried out a robust assessment of the principal risks facing the group, including those that could threaten its business model, future performance, solvency or liquidity. A description of the principal risks and how they are being managed and mitigated is set out on pages 60 to 64.

Annual review of the effectiveness of the systems

During the year, the board reviewed the effectiveness of the group's systems of risk management and internal control processes embracing all material systems, including financial, operational and compliance controls, to ensure that they remain robust. The review covered the financial year to 15 September 2018 and the period to the date of approval of this annual report. The review included:

- the annual risk management review, a comprehensive process identifying the key external and operational risks facing the group and the controls and activities in place to mitigate them, the findings of which are discussed with each member of the board individually (refer to the risk management section on page 60 for details of the process undertaken); and
- the annual assessment of internal control, which, following consideration by the Audit committee, provided assurance to the board around the control environment and processes in place around the group, specifically those relating to internal financial control.

The board evaluated the effectiveness of the management's processes for monitoring and reviewing risk

management and internal control.

No significant failings or weaknesses were identified by the review and the board is satisfied that, where areas of improvement were identified, processes are in place to ensure that remedial action is taken and progress monitored. The board confirmed that it was satisfied that the systems and processes were functioning effectively and complied with the requirements of the Code.

Remuneration

A separate Remuneration report is set out on pages 80 to 99 which provides details of our remuneration policy and how it has been implemented, together with the activities of the Remuneration committee.

Articles of association and share capital

Information in relation to share capital, the appointment and powers of directors, the issue and buy back of shares and significant interests in share capital is set out in the Directors' report on pages 100 to 102.

Relations with shareholders

Individual shareholders

We have a number of individual shareholders. All are invited to the annual general meeting, have access to our website and receive electronic communications. We have a dedicated in-house team to manage communications with our shareholders, making sure we respond directly, as appropriate, to any matters regarding their shareholdings. We also have a dedicated team at Equiniti (our share registrar) which also looks after their needs. To improve security and efficiency of communications and to reduce the amount of paper we use, our default method of communications with shareholders is e-communications. We also encourage the direct payment of dividends into bank or building society accounts.

Institutional shareholders

During the year, the board has maintained an active programme of engagement with institutional investors, the purpose of which is both to develop shareholders' understanding of the Company's strategy, operations and performance and to provide the board with an awareness of the views of significant shareholders. At each board meeting, the directors are briefed on shareholder meetings that have taken place and on feedback received, including any significant concerns raised.

Relations with shareholders *continued*

Here are some of the ways in which we engage with our shareholders:

Annual general meeting

The AGM provides an opportunity for directors to engage with shareholders, answer their questions and to meet them informally. The 2018 AGM will be held on Friday 7 December 2018 at 11.00 am at the Congress Centre in London. We encourage those who cannot attend to vote by proxy on all resolutions put forward. All votes are taken by a poll. In 2017, voting levels at the AGM were over 80% of the Company's issued share capital.

Annual report

We publish a full annual report and accounts each year which contains a strategic report, corporate responsibility report, governance section and financial statements. The annual report is available in paper format and on our website: www.abf.co.uk.

Corporate responsibility

We publish a corporate responsibility report every three years with an update report each year in between. The Company Secretary acts as a focal point for communications on matters of corporate responsibility. During the year, the Company responded to requests for meetings, telephone meetings or written information from both existing and potential shareholders and research bodies on a broad range of environmental, social and governance risk matters including matters related to climate change, water and greenhouse gas risk management, supply chain management, animal welfare, sustainable agriculture, human rights, gender balance and human capital development.

Meetings

The Chairman issues an invitation each year to the Company's largest institutional shareholders to hear their views and discuss any issues or concerns. During the year, the Chairman held meetings with a number of institutional shareholders and discussed a range of topics including the Company's strategy and approach to governance and remuneration-related matters.

On the day of the announcement of the interim and final results, the Company's largest shareholders, together with financial analysts, are invited to a presentation with a question and answer session by the Chief Executive and Finance Director, with webcast presentations of the results available for all shareholders through the Company's website. Following the results, the executive team hold one-to-one and group meetings with institutional shareholders and potential investors. These views are then reported back to the board as a whole at the nearest following board meeting to ensure that they are aware of what the Company's largest shareholders are concerned with, or not as the case may be.

Press releases

We issue press releases for all substantive news relating to Associated British Foods. You can find these on our website: www.abf.co.uk.

Results announcements

We release a full set of financial and operational results at the interim and full year stage. We release trading statements at the first and third quarter stages with reduced disclosure, whilst still providing sufficient detail to allow investors to model and value our business.

Website (www.abf.co.uk)

Our website is regularly updated and contains a comprehensive range of information on our Company. There is a section dedicated to investors which includes our investor calendar, financial results, presentations, press releases and contact details. The area dedicated to individual shareholders is an essential communication method. It includes information on shareholder news, administrative services and contact information.

Board committees**NOMINATION COMMITTEE REPORT****Members**

At the date of this report, the following are members of the committee:

Michael McLintock (Chairman)
Ruth Cairnie
Javier Ferrán
Richard Reid
Wolfhart Hauser

Charles Sinclair was Chairman of the committee until he retired from the board in April 2018 and was replaced by Michael McLintock. Richard Reid was appointed a member in July 2018 with the other members serving throughout the year.

Meetings

The committee met three times during the year under review.

Primary responsibilities

In accordance with its terms of reference, the Nomination committee's primary responsibilities include:

- leading the process for board appointments and making recommendations to the board;
- regularly reviewing the board structure, size and composition (including skills, knowledge, independence, experience and diversity), recommending any necessary changes;
- considering plans for orderly succession for appointments to the board and to senior management to maintain an appropriate balance of skills and experience within the Company and to ensure progressive refreshment of the board;
- keeping under review the leadership needs of the group, both executive and non-executive, to ensure the organisation competes efficiently in the marketplace; and
- being responsible for identifying and nominating, for the approval of the board, candidates to fill board vacancies as and when they arise.

Committee activities during the year

Succession planning

The committee reviewed the succession plan for Charles Sinclair who retired as Chairman of the Company on 11 April 2018. After due consideration and discussion, Michael McLintock was recommended to the board to replace Charles as Chairman of the Company. Ruth Cairnie was recommended to replace Charles as Chair of the Remuneration committee. Both recommendations were approved by the board as a whole.

Upon the retirement of Javier Ferrán as a director on 7 December 2018, Ruth Cairnie will replace him as the Senior Independent Director.

Appointment of a new independent non-executive director

During the year, the Chairman led the process for the appointment of a new non-executive director as part of the progressive refreshing of the board.

Spencer Stuart, an external executive search and leadership consulting firm, was engaged to help identify potential candidates. Spencer Stuart is independent of the Company, with no other connection to it. The firm is also a signatory to the 'Voluntary Code of Conduct for Executive Search Firms' on gender diversity and best practice.

Potential candidates were considered on the basis of their skills and experience in the context of the range of skills and experience held within the existing board as a whole.

Following a rigorous process of interviews and assessments and, on the recommendations of the Nomination committee, the board approved the appointment of Graham Allan with effect from 5 September 2018.

Re-election of non-executive directors

The committee reviewed the results of the annual board performance evaluation that related to the composition of the board and the time needed to fulfil the roles of Chairman, Senior Independent Director and non-executive director. It was satisfied that all members of the board are devoting sufficient time to their duties.

The committee considered the re-election of directors prior to their recommended approval by shareholders at the annual general meeting. The non-executive directors who have been on the board for more than six years were subject to particularly rigorous review.

Performance evaluation

The committee's effectiveness was reviewed as part of the board's performance evaluation process which was carried out during the final quarter of the year under review. This evaluation concluded that the committee was continuing to function effectively.

Governance

Members of the Nomination committee are appointed by the board from amongst the directors of the Company, in consultation with the Chairman. The committee comprises a minimum of three members at any time, a majority of whom are independent non-executive directors. A quorum consists of two members being either two independent non-executive directors or one independent non-executive director and the Chairman.

Only members of the committee have the right to attend committee meetings. Other individuals such as the Chief Executive, members of senior management, Group HR Director and external advisors may be invited to attend meetings as and when appropriate.

The Chairman did not chair the Nomination committee when it was dealing with the appointment of his successor. In these circumstances the committee is chaired by an independent non-executive director elected by the remaining members.

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

The committee Chairman reports the outcome of meetings to the board.

The terms of reference of the Nomination committee are available on the Investors section of the Company's website: www.abf.co.uk.

Board appointments process

The process for making new appointments is led by the Chairman. Where appropriate, external, independent consultants are engaged to conduct a search for potential candidates, who are considered on the basis of their skills, experience and fit with the existing members of the board. The Nomination committee has procedures for appointing a non-executive or an executive director and these are set out in its terms of reference.

Diversity

As a board, we recognise that diversity is essential for introducing different perspectives into board debate and decision-making and that this is a wider issue than just gender and ethnicity. We believe that members of the board should collectively possess a diverse range of skills, expertise, industry knowledge, business and other experience necessary for the effective oversight of the group.

Accordingly, the board has decided not to set any measurable objectives in relation to diversity. The Nomination committee considers diversity as one of many factors when recommending new appointments to the board, although gender and ethnicity remain important factors. Accordingly, it is our policy to ask any executive search agencies engaged to ensure that half of the candidates they put forward for consideration are women.

For details of diversity as it applies to the group's wider workforce, please see page 57.

AUDIT COMMITTEE REPORT

Members

During the year and as at the date of this report, members and Chair of the committee have been as follows:

Richard Reid (Chairman)
Graham Allan (from September 2018)
Ruth Cairnie
Wolfhart Hauser
Michael McLintock (from November 2017 to April 2018*)

* On appointment as Chairman of the Company, Michael McLintock stood down as a member of the Audit committee.

Primary responsibilities

In accordance with its terms of reference, the Audit committee's primary responsibilities include:

Financial reporting

- monitoring the integrity of the group's financial statements and any formal announcements relating to the Company's performance, reviewing significant financial reporting judgements contained in them before their submission to the board;
- informing the board of the outcome of the group's external audit and explaining how it contributed to the integrity of financial reporting;
- reviewing and challenging, where necessary, the consistency of, and changes to, accounting and treasury policies; whether the group has followed appropriate accounting policies and made appropriate estimates and judgements; the clarity and completeness of disclosure; significant adjustments resulting from the audit; the going concern assumption, the viability statement, and compliance with auditing standards;

Narrative reporting

- at the board's request, reviewing the content of the annual report and accounts and advising the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;

- where requested by the board, assisting in relation to the board's assessment of the principal risks facing the Company and the prospects of the Company for the purposes of disclosures required in the annual report and accounts;

Internal financial controls

- reviewing the effectiveness of the group's internal financial controls, including the policies and overall process for assessing established systems of internal financial control and timeliness and effectiveness of corrective action taken by management;

Whistleblowing and fraud

- overseeing the group's policies, procedures and controls for preventing bribery, identifying money laundering, and the group's arrangements for whistleblowing;

Internal audit

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

External audit

- overseeing the relationship with the group's external auditor, including reporting to the board each year whether it considers the audit contract should be put out to tender, adhering to any legal requirements for tendering or rotation of the audit services contract as appropriate, reviewing and monitoring the external auditor's objectivity and independence, agreeing the scope of their work and fees paid to them for audit, assessing the effectiveness of the audit process, and agreeing the policy in relation to the provision of non-audit services.

Governance

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

The committee structure requires the inclusion of at least one member with recent and relevant financial experience and competence in accounting or auditing (or both). The committee Chairman fulfilled this requirement during the year. All committee members are expected to be financially literate and to have an understanding of the following areas:

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

The committee as a whole has competence relevant to the sectors in which the group operates.

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

During the year, the committee held four meetings with the external auditor without any executive members of the board being present.

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

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

The committee Chairman reports the outcome of meetings to the board.

The committee's effectiveness was reviewed during the final quarter of the year as part of the board's annual performance evaluation. A description of how the evaluation was conducted is set out on page 71 of the corporate governance report.

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

Meetings

The Audit committee met four times during the year. The committee's agenda is linked to events in the group's financial calendar.

Activities during the year

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

Monitoring the integrity of reported financial information

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

During the year it formally reviewed the group's interim and annual reports, including the associated pre-close period trading updates, and the trading updates issued for the first and third quarters. These reviews considered:

- the description of performance to ensure it was fair, balanced and understandable;
- the accounting principles, policies and practices adopted in the group's financial statements, any proposed changes to them, and the adequacy of their disclosure;
- important accounting issues or areas of complexity, the actions, estimates and judgements of management in relation to financial reporting and in particular the assumptions underlying the going concern and viability statements;
- any significant adjustments to financial reporting arising from the audit;
- litigation and contingent liabilities affecting the group; and

- tax contingencies, compliance with statutory tax obligations and the group's tax policy.

Significant accounting issues considered by the Audit committee in relation to the group's financial statements

A key responsibility of the committee is to consider the significant areas of complexity, management judgement and estimation that have been applied in the preparation of the financial statements. The committee has, with support from Ernst & Young as external auditor, reviewed the suitability of the accounting policies which have been adopted and whether management has made appropriate estimates and judgements.

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

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

Impairment of goodwill, intangible and tangible assets

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

Audit committee assurance

The committee considered the reasonableness of cash flow projections which were based on the most recent budget approved by the board and reflected management's expectations of sales growth, operating costs and margins based on past experience and external sources of information. Long-term growth rates for periods not covered by the annual budget were challenged to ensure they were appropriate for the products, industries and countries in which the relevant cash generating units operate. The committee also reviewed and challenged the key assumptions made in deriving these projections: discount rates, growth rates, and expected changes in production and sales volumes, selling prices and direct costs. The committee also considered the adequacy of the disclosures in respect of the key assumptions and sensitivities. Refer to notes 8 and 9 to the financial statements for more details of these assumptions.

The committee was satisfied that the discount rate assumptions appropriately reflected current market assessments of the time value of money and the risks associated with the particular assets. The other key assumptions were all considered to be reasonable.

The external auditor undertook an independent audit of the estimate of value-in-use, including a challenge of management's underlying cash flow projections, long-term growth assumptions and discount rates. On the basis of their audit work, and their challenge of the key assumptions and associated sensitivities, they concurred with management that no impairments were required.

Areas of significant accounting judgement and estimation material to the group financial statements
Tax provisions

The level of current and deferred tax recognised in the financial statements is dependent on subjective judgements as to the outcome of decisions by tax authorities in various jurisdictions around the world and the ability of the group to use tax losses within the time limits imposed by the various tax authorities. See also reference to taxation on page 50.

Audit committee assurance

The committee reviews the Company's tax policy and principles for managing tax risks annually.

The committee reviewed and challenged the provisions recorded at the balance sheet date and management confirmed that they represent their best estimate of the likely financial exposure faced by the group.

The external auditor explained to the committee the work they had conducted during the year, including how their audit procedures were focused on those provisions requiring the highest degree of judgement. The committee discussed with both management and the external auditor the key judgements which had been made. It was satisfied that the judgements were reasonable and that, accordingly, the provision amounts recorded were appropriate.

Other accounting areas requiring management judgement or estimation
Post-retirement benefits

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

Audit committee assurance

Actuarial valuations of the group's pension scheme obligations are undertaken every three years by independent qualified actuaries who also provide advice to management on the assumptions to be used in preparing the accounting valuations each year. Details of the assumptions made in the current and previous year are disclosed in note 11 of the financial statements together with the bases on which those assumptions have been made.

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

Misstatements

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

Internal financial control and risk management

The committee is required to assist the board to fulfil its responsibilities relating to the adequacy and effectiveness of the control environment, controls over financial reporting and the group's compliance with the UK Corporate Governance Code. To fulfil these duties, the committee reviewed:

- the external auditors' management letters and their Audit committee reports;
- internal audit reports on key audit areas and any significant deficiencies in the financial control environment;
- reports on the systems of internal financial control and risk management;
- reports on fraud perpetrated against the group;

- the group's approach to anti-bribery and corruption, and whistleblowing;
- the group's approach to IT and cybersecurity; and
- reports on significant systems implementations.

Internal audit

The Audit committee is required to assist the board in fulfilling its responsibilities for ensuring the capability of the internal audit function and the adequacy of its resourcing and plans. It reviews annually internal audit's Guidelines and Operating Standards that outline the function's unrestricted scope, its purpose and responsibilities to ensure they are appropriate for the Company's needs.

To fulfil its duties, the committee reviewed:

- internal audit's reporting lines and access to the committee and all members of the board;
- internal audit's plans and its achievement of the planned activity;
- the results of key audits and other significant findings, the adequacy of management's response and the timeliness of their resolution;
- statistics on staff numbers, qualifications and experience and timeliness of reporting;
- the nature and extent of non-audit activity performed by internal audit; and

- changes since the last annual assessment of the significant financial risks and the group's ability to respond to changes in its business and the external environment.

Whistleblowing and fraud

The group's Whistleblowing Policy contains arrangements for an independent external service provider to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit committee as appropriate. The Audit committee reviewed reports from internal audit and the external service provider and the actions arising therefrom. Further details on the policy can be found on page 58.

The group's Anti-fraud Policy has been communicated to all employees and states that all employees have a responsibility for fraud prevention and detection. Any suspicion of fraud should be reported immediately and will be investigated vigorously. The Audit committee reviewed all instances of fraud perpetrated against the Company and the action taken by management both to pursue the perpetrators and to prevent recurrences.

External audit

Auditor independence

The Audit committee is responsible for the development, implementation and monitoring of policies and procedures on the use of the external auditor for non-audit services, in accordance with professional and regulatory requirements. These policies are kept under review to meet the objective of ensuring that the group benefits in a cost-effective manner from the cumulative knowledge and experience of its auditor whilst also ensuring that the auditor maintains the necessary degree of independence and objectivity. The committee's policy on the use of the external auditor to provide non-audit services is in accordance with applicable laws and takes into account the relevant ethical guidance for auditors. Any non-audit work to be undertaken by the auditor requires authorisation by the Group Finance Director and the Audit committee prior to its commencement. The committee also ensures that fees incurred, or to be incurred, for non-audit services, both individually and in aggregate, do not exceed any limits in applicable law and take into account the relevant ethical guidance for auditors.

The committee is required to approve the use of the external auditor to provide: accounting advice and training; corporate responsibility and other assurance services; financial due diligence in respect of acquisitions and disposals; and will consider other services when it is in the best interests of the Company to do so, provided they can be undertaken without jeopardising auditor independence. Tax services including tax compliance, tax planning and related implementation advice may not be undertaken by the external auditor. The aggregate expenditure with the group auditor is reviewed by the Audit committee. No individually significant non-audit assignments that would require disclosure were undertaken in the financial year.

The Company has a policy that any partners, directors or senior managers hired directly from the external auditors must be pre-approved by the Group HR Director, and the Group Finance Director or Group Financial Controller, with the Chairman of the Audit committee being consulted as appropriate.

The Audit committee has formally reviewed the independence of its auditor. Ernst & Young LLP has provided a letter confirming that it believes it remained independent throughout the year, within the meaning of the regulations on this matter and in accordance with their professional standards.

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

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

The total fees paid to Ernst & Young LLP for the year ended 15 September 2018 were £7.6m of which £0.6m related to non-audit work. Further details are provided in note 2 to the financial statements.

Consideration is also given by the Audit committee to the need to include the risk of the withdrawal of the external auditors from the market in its risk evaluation and planning.

Auditor effectiveness

To assess the effectiveness of the external auditors, the committee reviewed:

- the external auditor's fulfilment of the agreed audit plan and variations from it;
- reports highlighting the major issues that arose during the course of the audit;
- feedback from the businesses evaluating the performance of each assigned audit team; and
- a report on Ernst & Young LLP, as a firm, from the Audit Quality Review Team of the Financial Reporting Council ('FRC').

The Audit committee holds private meetings with the external auditors after each committee meeting to review key issues within their sphere of interest and responsibility.

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

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

Auditor appointment

The Audit committee reviews annually the appointment of the auditor, taking into account the auditor's effectiveness and independence, and makes a recommendation to the board accordingly. Any decision to open the external audit to tender is taken on the recommendation of the Audit committee.

In accordance with the requirements of the UK Corporate Governance Code and other changes to the EU and UK regulatory framework, the Audit committee undertook a comprehensive competitive tender for the external audit during 2015 and the appointment of Ernst & Young LLP to replace the Company's previous auditors was approved by shareholders at the 2015 AGM. Ernst & Young LLP's first audit was for the 2016 financial year and they have been reappointed as auditor at each subsequent AGM. The Audit committee is satisfied with the auditor's effectiveness and independence and has recommended to the board that Ernst & Young LLP be reappointed as the Company's external auditor for 2018/19. The Company has no current retendering plans.

Compliance with the CMA Order

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