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Dear fellow shareholders

I am pleased to present the Associated British Foods plc corporate governance report for the year ended 14 September 2019. In my first report last year, I looked forward to continuing along the path of strong governance with a focus on ethics, whilst encouraging management to take a long-term view and to invest in the future as our businesses grew. I believe that we have made and continue to make good progress along that path.

As Chairman, my role is to get the best out of the board. This involves ensuring that, whilst the businesses are run through an appropriate and sound executive team, issues are raised and properly discussed around the board table.

This has been a year of consolidating on the existing board and building on the changes that were made last year. Ruth Cairnie was appointed to the role of Senior Independent Director in late 2018. During the course of the year, with the assistance of the Head of Secretariat, we undertook an internal evaluation of the board and its committees. As has been our custom, this was led by the most recently appointed independent non-executive director, in this case Graham Allan, who joined us in September 2018. Overall, the results concluded that our board and committees are regarded as highly effective in providing oversight of the Company and its governance, as well as supporting appropriate growth plans. Further information on this is provided on page 74.

You will note that, at this year's annual general meeting ('AGM'), we will be seeking approval for proposed changes to our remuneration policy. Further details on this can be found on pages 91 to 96 of this annual report.

As I have mentioned before, Associated British Foods is an organisation built upon sound ethical foundations with a strong culture. This is embodied in the values we seek to live by, namely: respecting everyone's dignity; acting with integrity; progressing through collaboration; and pursuing with rigour. We discuss these in further detail in the Responsibility section of this annual report at pages 53 to 61 and also in more detail in our 2019 Responsibility Report which highlights the way each of our businesses work bearing these values in mind. This new report is available on the Company's website at www.abf.co.uk/responsibility.

Last year I mentioned that management at a group level are continually looking to find ways to improve communication links with the businesses. With this in mind, and also taking into account impending changes to corporate governance, I'm pleased to report that Richard Reid was appointed as designated non-executive director for engagement with the workforce. Richard has already made good progress ascertaining the level of engagement already in place, as well as reinforcing the employee engagement processes both with the heads of each division when joining me at the CEO conference in April 2019 as well as with the HR directors of the businesses at their conference over the summer. I look forward to reporting further progress on this in my corporate governance statement next year.

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 '2016 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.

The board has received regular updates on the 2018 UK Corporate Governance Code (the '2018 Code') and the changes which this introduces. The 2018 Code applies to companies with financial years beginning on or after 1 January 2019. We will therefore report in accordance with the 2018 Code in our annual report for the year ending 12 September 2020.

The board has already started a programme to implement the changes suggested in the 2018 Code. For example, the board has recently appointed Richard Reid as designated non-executive director for engagement with the workforce.

The board considers that the Company has, throughout the year ended 14 September 2019, applied the main principles and complied in full with the provisions set out in the 2016 Code.

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 (which was amended and restated by agreement dated 29 March 2019). 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 starting on page 77.

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 which, taken

together, cover a broad range of jurisdictions, bringing valuable external perspective to the board's deliberations through their experience and insight from different sectors and geographies. This enables them to contribute significantly to board decision-making, whilst the small size of the board is conducive to open and candid discussions. The formal letters of appointment of non-executive directors are available for inspection at the Company's registered office.

Re-election of directors

In accordance with the Code's recommendations, all directors currently in office will be proposed for re-election at the 2019 AGM to be held in December.

Board meetings

The board held eight 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 April meeting was held at the Primark Birmingham store, which included a tour of the store and meeting with employees. The May meeting was held at the Primark office in Dublin.

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
Michael McLintock	8/8	–	1/1	8/8
George Weston	8/8	–	–	–
John Bason	8/8	–	–	–
Emma Adamo	8/8	–	–	–
Graham Allan	8/8	4/4	–	8/8
Ruth Cairnie	8/8	4/4	1/1	8/8
Wolfhart Hauser	8/8	4/4	1/1	8/8
Richard Reid	8/8	4/4	1/1	8/8
Javier Ferrán ¹	1/1	–	–	1/1

¹ Javier Ferrán retired from the board on 7 December 2018

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

Corporate governance

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 entry into a yeast and bakery ingredients joint venture with Wilmar International in China, subject to regulatory clearances;
- approving the acquisition of Anthony's Goods; and
- receiving regular updates on proposed 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 2019/20 financial year;
- approving the Company's full year and interim results;
- recommending the 2018 final dividend and approving the 2019 interim dividend; and
- approving banking mandate updates and various other 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 2018 board evaluation;
- participating in the 2019 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 enhanced reporting on responsibility;
- 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; and
- receiving reports from the designated non-executive director for engagement with the workforce.

People

- appointment of Ruth Cairnie as Senior Independent Director;
 - receiving a presentation on workforce engagement from the Group HR Director;
 - appointment of Richard Reid as designated non-executive director for engagement with the workforce; and
 - reviewing and approving share allocations for senior management and non-executive director/committee chair fees.
-

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 83. 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 2018 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

Wolfgang 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.

The board considered Richard Reid's independence by reference to the relevant provisions of the UK Corporate Governance Code and concluded that he is independent notwithstanding his past relationship with KPMG, which was formerly the group's auditor. It has now been four years since KPMG ceased to be the Company's auditor in November 2015, following a competitive tender for the external audit. Richard was formerly a partner at KPMG, retiring from that role in September 2015. He had no personal engagement with any business within the Associated British Foods group during the four years prior to his appointment by the Company in April 2016.

As at the date of this report, the board comprises the Chairman, Chief Executive, Finance Director and five non-executive directors. Biographical and related information about the directors is set out on pages 68 and 69.

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 77 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. Graham Allan, who joined the board in September 2018, met with senior management across the business as part of his induction. With the Chairman, he visited: AB Enzymes' site in Rajamaki, Finland; AB Vista in Marlborough; and Twinings in Andover. With Ruth Cairnie and members of the Primark Ethical team, Graham visited community projects, suppliers and factories in Coimbatore, India. Graham also visited: Primark's office in Dublin; Illovo Sugar in Durban, South Africa; and the Wisington sugar factory and Riverside Glasshouse, also visiting local sugar beet fields.

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.

The Chief Executive encourages other board members to visit operations either with him, with other directors or on their own. During the year, Ruth Cairnie visited tea estates in Sri Lanka which supply tea to Twinings and two factories which supply products to Primark. Richard Reid, in his capacity of Chair of the Audit committee, regularly visits Primark in Dublin for meetings with finance and internal audit teams. The Chairman visited AB World Foods in Leigh, meeting with local management and getting an overview of the business. The Chairman and Chief Executive together visited: the Primark Gran Via store in Madrid, meeting with local and senior management teams; and Azucarera factories in La Baneza and Benavente, meeting with local senior management. The Chairman and Richard Reid each attended the ABF CEO conference and the Chairman also attended the Illovo Leadership Conference.

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.

Corporate governance

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 2018 evaluation

During the year, the Chairman oversaw the implementation and progression of various recommendations arising from the 2018 evaluation, which included the actions set out below:

Progress on 2018 objectives

People

The board has kept under review the board succession plan as well as succession to key roles within the broader group, both at the corporate centre and in the businesses.

In terms of engagement with the workforce, good progress has been made, with Richard Reid having been appointed as designated non-executive director for engagement with the workforce and having met with divisional CEOs to reinforce this process, as well as with HR directors. The board continues to discuss succession planning and workforce engagement in an open manner.

Corporate responsibility

Businesses have been required to include corporate responsibility priorities within their presentations to the board. A new format of responsibility report has been produced this year aimed at better promoting the work that has been done and is continuing to be done by the group.

Meeting processes

Following up on the recommendations from previous years, board members are generally content with the timing and content of board and committee papers which are provided through the online board pack system.

Board meetings are considered to be conducted with efficiency and in a manner which underwrites a collaborative yet appropriately challenging spirit.

2019 evaluation

This year the board undertook a further internal performance evaluation. The review was carried out during June and July of 2019 and was managed by Graham Allan, the most recently appointed independent non-executive director, with the assistance of the Head of Secretariat.

The 2019 review involved each board member as well as the Company Secretary, the CEO of UK Grocery, the Group HR Director, the Head of Reward and the Lead Audit Partner of our external auditor. Each individual met with Graham Allan and the Head of Secretariat to discuss various topics.

A discussion framework 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 (including Committee meetings)** – composition, tone and dynamics of meetings, rotation of topics, process for recruitment, diversity, skills and experience
- **Employees and organisation** – workforce engagement (bearing in mind the 2018 Code), succession planning, visibility of organisation strength
- **Responsibility/Environmental, Social and Governance (ESG)** – progress and communication of activities
- **Governance** – effectiveness of the board and committees, visibility and management of key risks, on-boarding, ongoing maintenance of skills, training
- **Individual directors** – effectiveness of the Chairman and Senior Independent Director (bearing in mind that they have only been in place for a relatively short period)

A written report was prepared and sent to board members in advance of the September board meeting. The recommended actions, listed below, arising from this year's evaluation are being implemented under the direction of the Chairman.

Priorities identified from the 2019 evaluation

Board composition

- To continue to emphasise generalist skills in board recruitment
- Gender and racial diversity to be factors in board searches

Workforce engagement and organisation

- To monitor and remain open to additional steps on workforce engagement
- To have more in-depth discussions about succession around the group as part of the annual board agenda
- Board directors to have oral briefings from the Group HR Director on specific succession issues on request and prior to any visits to businesses

Board/Committee agendas

- To ensure additional time on individual business unit strategy issues (if required)
- To ensure board members are fully briefed of key developments between board meetings

Responsibility/ESG

- To sustain momentum on progress and communication of activities

Governance

- To continue to monitor co-ordination of IT across divisions

Overall, it was concluded that the board and its committees were regarded as highly effective in providing oversight of the Company and its governance, as well as supporting appropriate growth plans. 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, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Company produced a paper in this respect, which was presented to the Audit committee.

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 strategy sections of the operating review on pages 12 to 49. 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 67.

Risk management and internal control

The board acknowledges its overall responsibility for monitoring the group's risk management and internal control systems to facilitate the identification, assessment and management of risk and the protection of shareholders' investments and the group's assets. The directors 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 group-wide 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 business unit level and centrally, with variances being reported promptly. The cash position at group and business level is monitored constantly and variances from expected levels are investigated thoroughly.

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

Corporate governance

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 (except where expressly permitted by the Audit committee)) 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 Director of Financial Control, 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 Director of Financial Control meets with the Chair of the Audit committee as appropriate but at least quarterly, without the presence of executive management, and has direct access to the Chairman of the board.

Assessment of principal risks

The directors confirm that, during the year, the board has carried out a thorough assessment of the principal risks facing the group, including those that could threaten its business model, future performance, solvency or liquidity, together with emerging risks. A description of the principal risks and how they are being managed and mitigated is set out on pages 62 to 66.

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 14 September 2019 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 pages 62 to 66 for details of the process undertaken); and
- the annual assessment of internal control, which, following consideration by the Audit committee, provided assurance to the board around the control environment and processes in place around the group, specifically those relating to internal financial control.

The board evaluated the effectiveness of management's processes for monitoring and reviewing risk management and internal control. No significant 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 2016 Code.

Remuneration

A separate Remuneration report is set out on pages 83 to 106 which provides details of our remuneration policy and how it has been implemented, together with the activities of the Remuneration committee and proposed changes to the remuneration policy.

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 107 to 109.

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 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 2019 AGM will be held on Friday 6 December 2019 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 2018, 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, responsibility section, governance section and financial statements. The annual report is available in paper format and on our website: www.abf.co.uk.

Responsibility/ESG

We publish a 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, employee welfare, 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 (taking into account proposed changes to the remuneration policy).

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 (Chair)
Ruth Cairnie
Richard Reid
Wolfhart Hauser

All members served on the committee throughout the year.

Meetings

The committee met once 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.

Corporate governance

Committee activities during the year Succession planning

Given the relatively recent changes to the board with the appointment of the current Chairman in April 2018, the appointment of Graham Allan as a new independent non-executive director in September 2018 and the appointment of Ruth Cairnie as Senior Independent Director in late 2018, the focus this year has been on consolidating existing board responsibilities. Priorities identified for 2019 include continuing to emphasise generalist skills in board recruitment and continuing to factor in gender and racial diversity.

As noted in last year's report, the Company engaged Spencer Stuart, an external executive search and leadership consulting firm and a signatory to the 'Voluntary Code of Conduct for Executive Search Firms' on gender diversity and best practice, to help identify potential candidates as part of a process of progressive refreshment of the board. That process resulted in Graham Allan joining the board with effect from 5 September 2018. In March 2019, the Chairman joined the advisory board of Spencer Stuart. Spencer Stuart is otherwise independent of the Company.

Re-election of non-executive directors

The committee members 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. Wolfhart Hauser, independent non-executive director of the Company, stepped down from the role of Chair of FirstGroup plc with effect from 25 July 2019. Ruth Cairnie, Senior Independent Director of the Company, was appointed Chair of Babcock International Group PLC in July 2019. Ruth stepped down from the board of ContourGlobal plc with effect from 30 September 2019 and it has also been announced that Ruth will be stepping down from the board of Rolls-Royce Holdings plc on 31 December 2019.

The committee members considered the re-election of directors prior to their recommended approval by shareholders at the annual general meeting.

Performance evaluation

The committee's effectiveness was reviewed as part of the board's performance evaluation process which was carried out during June and July of 2019. 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 advisers may be invited to attend meetings as and when appropriate.

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

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

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 Chair. 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 important 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 and are a factor in searches for new candidates, as identified in our priorities for 2019. It continues to be our policy to ask any executive search agencies engaged to ensure that half of the candidates they put forward for consideration are women.

We recognise that our approach of not setting a target, but instead focussing on initiatives to achieve no barriers to talent, means that we are unlikely to meet the 2020 expectations of the Hampton-Alexander Review. However, we believe that our approach is right for the decentralised structure of our broader business and will continue to deliver a strong, stable and increasingly balanced senior team.

For details of diversity as it applies to the group's wider workforce, please see pages 56 and 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 (Chair)
Graham Allan
Ruth Cairnie
Wolfhart Hauser

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

- the principles of, and developments in, financial reporting including the applicable accounting standards 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.

Corporate governance

The committee's effectiveness was reviewed during the second half 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 74 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. These reviews considered:

- the description of performance in the annual report to ensure it was fair, balanced and understandable;
- the accounting principles, policies and practices adopted in the group's financial statements, any proposed changes to them, and the adequacy of their disclosure. This included preparation for the adoption of IFRS 16 *Leases* from the next financial year and the disclosures in this year's interim and annual reports;
- 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; 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 LLP ('EY') as external auditor, reviewed the suitability of the accounting policies which have been adopted and whether management has made appropriate estimates and judgements.

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

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 and fair value less costs to sell, 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 considered that the £65m impairment charge to the tangible fixed assets of Allied Bakeries was appropriately recognised and that no further impairments were required.

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 51.

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

The committee reviewed and challenged the provisions recorded and the contingent liabilities disclosed at the balance sheet date and management confirmed that they represent their best estimate of the 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.

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

Leases

The group will adopt IFRS 16 *Leases* from the next financial year and the effects of transition to this new accounting standard are set out in the Significant Accounting Policies. Judgement is required in determining the term of each lease, the discount rate used to value the lease liabilities and right-of-use assets disclosed and in identifying lease arrangements under the scope of IFRS 16.

Audit committee assurance

The committee received updates from management outlining the effect of the new standard, including the judgements and key assumptions used in the estimation of the impact.

The committee reviewed the judgement applied in identifying lease arrangements and the reasonableness of lease terms determined by management including their assessments of options to terminate and extend leases. The committee was satisfied that the discount rate assumptions appropriately reflected current market assessments of the incremental borrowing rate for each of the group's subsidiaries in respect of their lease commitments.

The external auditor undertook an assessment of management's assumptions, using independent experts, and considered that the transition disclosure in respect of the adoption of IFRS 16 from the next financial year was 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.

- an assessment of business continuity plans in place in the group's businesses;
- reports on fraud perpetrated against the group;
- the group's approach to anti-bribery 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.

To fulfil its duties, the committee reviewed:

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

The Chair of the committee met with the Director of Financial Control regularly during the year to monitor the effectiveness of the internal audit function, receiving updates on audit progress and statistics on outstanding issues.

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 actions arising therefrom. Further details on the policy can be found on page 57.

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.

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;
- internal audit's evaluation of the group's readiness for a 'no deal' Brexit;

Corporate governance

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 except in very exceptional circumstances where specialist knowledge is required. The aggregate expenditure with the group auditor is reviewed by the Audit committee. No individually significant non-audit assignments that would require disclosure were undertaken in the financial year.

The Company has a policy that any partners, directors or senior managers hired directly from the external auditor must be pre-approved by the 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 the external auditor. EY has reported to the committee confirming that it believes it remained independent throughout the year, within the meaning of the regulations on this matter and in accordance with 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 EY for the 52 weeks ended 14 September 2019 were £8.6m of which £0.8m related to non-audit work. Further details are provided in note 2 to the financial statements.

Auditor effectiveness

To assess the effectiveness of the external 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 via questionnaires evaluating the performance of each assigned audit team, planning, challenge and interaction with the business; and
- a report on EY, as a firm, from the Audit Quality Review Team ('AQRT') 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.

FRC Audit Quality Review of the Company's 2018 audit by EY

During the year, the Audit Quality Review Team from the FRC undertook a review of EY's audit of the Group's 2018 financial statements. At the time of writing the AQRT had yet to conclude this review. Indicative recommendations for improvement included impairment testing, including how EY evidenced they had challenged management's assumptions and evidenced their involvement in and oversight of the work of component audit teams.

The Audit committee discussed the indicative review findings with EY, reviewed EY's proposed actions to address these findings and is satisfied that these changes were implemented for the 2019 audit.

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.

The Company's current external auditor, EY, was first appointed at the Annual General Meeting in December 2015, with effect from 2016, following the conclusion of a competitive tender process. The Audit committee is satisfied with the auditor's effectiveness and independence and has recommended to the board that EY be reappointed as the Company's external auditor for 2019/20. The Company has no current retendering plans, but keeps such plans under review in light of the applicable legal and regulatory framework.

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.