

**Michael
McLintock**
Chairman



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Dear fellow shareholders

I am pleased to present the Associated British Foods plc corporate governance report for the year ended 12 September 2020.

Whilst our approach of strong governance with a focus on ethics has remained unchanged, events in 2020 have placed unexpected demands on the Board.

Management continues to be encouraged to take a long-term view, but inevitably the nature of the COVID-19 pandemic and frequently changing government guidance has meant that swift decisions have frequently needed to be taken. Investing in the future also needed to be temporarily paused while the group managed and mitigated the urgent profit and cash flow impacts arising from the total loss of sales resulting from the rapid closure of Primark stores in March 2020.

Following the imposition of lockdown, physical Board meetings became impossible and we could only communicate by video conference or telephone. The critical impact of the COVID-19 pandemic generally, but particularly on our retail businesses, in practice meant that there was even more frequent communication between the Board than would usually be the case in order to inform and to guide the businesses in meeting the challenges. I am grateful to all my Board colleagues for making themselves available whenever required, frequently at short notice.

The Company takes its compliance with the 2018 UK Corporate Governance Code (the '2018 Code') seriously. As noted in further detail in this report, an external evaluation of the Board was due to be carried out this year, in line with our practice, in accordance with the UK Corporate Governance Code, of conducting an external evaluation every three years. The COVID-19 pandemic struck while the Board was in the process of appointing the external facilitator and priority had to be given to management and support of the group businesses. The external evaluation will therefore be undertaken in the course of the 2020/21 financial year and the external facilitator is in the process of being appointed. It should be noted that the Board has commissioned internal evaluations in each

intervening year since the last external evaluation was conducted, and further details are included below on progress against the priorities identified from the 2019 internal evaluation. In respect of the 2018 Code provision relating to alignment of executive director pension contributions with the workforce, an explanation of our approach is set out on pages 112 and 116 of the Directors' Remuneration report.

There have been no changes to the structure or membership of the Board or its Committees since the last financial year other than Graham Allan being appointed to the Nomination Committee in January 2020. However, succession planning both at Board level and executive level has continued to be firmly on the agenda, as will continue to be the case in the coming year. In this regard, we are mindful of the Parker Review Recommendations and, in particular, the recommendation to have at least one director of colour on the Board by the end of 2021. As a Board, we consider on a continuous basis how best to meet those recommendations, as indeed is the case in respect of the Hampton-Alexander Review target of 33% representation of women on the Board.

We value having a Board which numbers eight directors; we feel this is an optimum size for the level of participation and debate that results. As we have been fortunate to enjoy stability of Board membership, vacancies have not arisen frequently which would in other circumstances have enabled us to make changes to the Board's composition.

We plan to meet the recommendations of the Hampton-Alexander and Parker reviews during the course of 2021. This is likely to result in our Board size increasing, at least for a period of time, to nine people. Whilst eight is our ideal number, we believe it is right to increase to nine in order to give effect to the reviews.

In respect of the 2020 annual general meeting ('AGM'), given the ongoing COVID-19 pandemic and in order to protect the health, safety and wellbeing of yourself, your fellow shareholders and of the group's employees, this will be a closed meeting and, regrettably, you should not attend.

We regret that the AGM will be curtailed in this way, but in the prevailing circumstances are grateful for your understanding. With your proxy form you will have received details of how to follow proceedings at the AGM through a telephone/internet stream and how to vote by proxy in advance of the meeting. Details are also provided of how you can put any questions to the Board in advance of the meeting.

You will also note that, at this year's AGM, we are proposing to amend our Articles to bring them up to date with market practice and, most importantly, to allow for hybrid meetings in order to give the flexibility for participation via electronic means in future physical AGMs, allowing for



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those who cannot attend (for example, because of rules around COVID-19 or similar) to have the ability to participate in proceedings as much as possible. Further details on these and other proposed amendments to the Articles are included in the Notice of AGM.

Richard Reid, our designated non-executive director for engagement with the workforce, has continued to make good progress with workforce engagement. It is predominantly through Richard's activities, and through business division updates to the Board on workforce engagement, that we assess and monitor culture. The COVID-19 pandemic has meant that not as much face-to-face interaction has taken place as Richard would have liked, although use of technology has allowed engagement in remote form and we will look to continue to use and embrace such technology going forward. Further details of the progress made can be found on pages 73 and 98.

We continue to build on what we believe are our sound ethical foundations and strong culture as embodied in our four values, namely respecting everyone's dignity, acting with integrity, progressing through collaboration, and pursuing with rigour. As well as being illustrated in the case studies in this annual report, in our new section 172 statement on pages 14 to 19 and the Responsibility section at pages 70 to 83, further detail can be found in our 2020 Responsibility Update and in our updated ESG Appendix, which highlight the way each of our businesses work bearing these values in mind. This new Update and Appendix are available on the Company's website at www.abf.co.uk/responsibility.

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 2018 Code. The 2018 Code applies to companies with financial years beginning on or after 1 January 2019 and sets out standards of good practice in relation to: (i) board leadership and company purpose; (ii) division of responsibilities; (iii) board composition, succession and evaluation; (iv) audit, risk and internal control; and (v) remuneration. The 2018 Code is published by the UK Financial Reporting Council ('FRC') and a copy is available from the FRC website: www.frc.org.uk.

The Board has received regular updates on the 2018 Code and the changes which it introduced and the Board had already started a programme to implement the changes suggested in the 2018 Code since before its application to the Company. For example, the Board had already appointed Richard Reid as designated non-executive director for engagement with the workforce prior to the financial year ended 12 September 2020.

The Board considers that the Company has, throughout the year ended 12 September 2020, applied the principles and complied with the provisions set out in the 2018 Code except in relation to annual evaluation of the performance of the Board (see explanation on pages 99 and 100) and alignment of executive director pension contributions with the workforce (see explanation on pages 112 and 116 of the Directors' Remuneration report).

The Company's disclosures on its application of the principles of the 2018 Code can be found on the following pages:

Board leadership and Company purpose	See pages 94 to 103
Chairman's letter	See page 94
Leadership, values, culture and purpose	See also pages 4 to 7, 12 to 19, 70 to 71 and inside front cover
Strategy	See pages 12 to 13, 20 to 21, 96
Stakeholder and shareholder engagement	See pages 14 to 19, 72 to 83, 98 to 99, 102 to 103
Division of responsibilities	See pages 96 to 97, 99
Commitment, development and information flow	See page 99
Composition, succession and evaluation	See pages 97, 99 to 100, 103 to 104
Board evaluation	See pages 99 to 100
Nomination Committee report	See pages 103 to 104
Audit, risk and internal control	See pages 101 to 102
Risks, viability and going concern	See pages 84 to 91
Audit Committee report	See pages 105 to 109
Remuneration	
Directors' Remuneration report	See pages 110 to 121

Corporate governance

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Board leadership, company purpose and division of responsibilities

The Board

The Board is collectively responsible to the Company's shareholders for the direction and oversight of the Company to ensure its long-term success.

This includes setting the Company's purpose, which is described in the Strategic report. The Board met regularly throughout the year, either in person or virtually, 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 further amended and restated by agreement dated 25 June 2020). 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 103.

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 2018 Code's recommendations, all directors currently in office will be proposed for re-election at the 2020 AGM to be held in December.

Board meetings

The Board held 11 meetings during the financial year as well as weekly phone updates from early March until mid-June. Periodically, Board meetings are held away from the corporate centre in London although, given the outbreak of the COVID-19 pandemic, Board meetings from March until the end of the financial year ended 12 September 2020 were held virtually.

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.

All of the directors attended those meetings that they were eligible to attend. Graham Allan was only appointed to the Nomination Committee in January 2020 and attended the one Nomination Committee meeting held following his appointment.

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	Audit Committee	Nomination Committee	Remuneration Committee
Michael McLintock	11/11	–	2/2	4/4
George Weston	11/11	–	–	–
John Bason	11/11	–	–	–
Emma Adamo	11/11	–	–	–
Graham Allan	11/11	4/4	1/1	4/4
Ruth Cairnie	11/11	4/4	2/2	4/4
Wolfhart Hauser	11/11	4/4	2/2	4/4
Richard Reid	11/11	4/4	2/2	4/4

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 Directors' Remuneration report which starts on page 110. 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 2019 AGM and the Notice of AGM describes how questions on the work of their respective Committees can be submitted.

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.

Composition and succession

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

Wolfhart Hauser

Richard Reid

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 a virtual 2-day meeting focused on strategy; and
- receiving a strategy update from the Chief Executive and Director of Business Development.

Acquisitions/disposals

- considering and approving various acquisitions including CowConnect ApS, Larodan AB and the minority stakes in Kilombero Holdings Limited and Illovo Distillers (Tanzania) Limited; 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;
- considering the group budget for the 2020/21 financial year;
- approving the Company's full year and interim results;
- recommending the 2019 final dividend and deciding not to pay an interim dividend in July 2020;
- drawdown, repayment and amendment and extension of the revolving credit facility;
- seeking a waiver from the covenant test for February 2021;
- seeking eligibility to access funding under the Bank of England Covid Corporate Financing Facility;
- receiving regular reports to the Board from the Finance Director on group cashflow and impact of COVID-19; 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;
- half yearly review of progress in implementing actions arising from the 2019 Board evaluation;
- 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 AGM including considering and approving an 'outlook' statement and, subsequently, discussing issues arising from the AGM.

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 a presentation on safety measures for employees and customers throughout Primark stores in response to COVID-19 and on supplier feedback.

People

- appointment of Graham Allan to the Nomination Committee;
- Richard Reid, independent non-executive director for engagement with the workforce, meeting and speaking (face-to-face or virtually) with people from across the businesses for onward reporting to the Board – see further details on page 98; and
- receiving and considering presentations on succession planning from the Group People and Performance Director.

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Richard Reid

Non-executive director for engagement with the workforce



At Associated British Foods plc, our people are our greatest asset. This is not something we say lightly – people are the cornerstone of our devolved operating model, that ensures decisions are made locally where the experience and market knowledge resides.



At Associated British Foods plc, our people are our greatest asset. This is not something we say lightly – people are the cornerstone of our devolved operating model, that ensures decisions are made locally where the experience and market knowledge resides. This ethos, in turn, motivates teams and fosters the entrepreneurial mindset we encourage, which delivers results time and again.

It is therefore critically important that we support the development of our people, over the long term and that we foster an engaging, inclusive and supportive culture that enables everyone to build a satisfying career.

Our stakeholders are increasingly interested in how we support our workforce and I have been appointed to work with leaders across the business to evolve how the Company approaches this, increasing transparency, helping to spread good practice and ensuring that voices are heard at Board level.

Over the past year, I have invested time in meeting and speaking with people across every level in the Company, from every division. Geography and, latterly, the pandemic have meant a number of these conversations have had to be held virtually, but I was pleased to visit the ABF Ingredients (ABFI) team in Hamburg and the AB Mauri team at Peterborough.

Since I was appointed to this role, I have held 14 meetings or conversations. I have encouraged open conversations across a wide variety of topics, to hear, first-hand, from individuals on their views of Associated British Foods' devolved structure, approach to talent and career management, and their experience of diversity and inclusion. I have also sought to understand how each division communicates with and engages its people. This has been a fascinating experience and I have learned a great deal to pass on to the Board especially at our meeting on this topic, held in September 2020, at which it was agreed that divisions be asked to put more emphasis on two areas for 2020/21, namely: (i) to be even more explicit about their approach to diversity and inclusion; and (ii) to give insight into how leadership is enduring in a COVID-19 environment.

In addition to these individual meetings, Associated British Foods has formalised a process for sharing information about the workforce with the Board. Every year, each division of the Company is required to provide detailed information about five key themes as part of their business report and presentations to the Board. These are:

- **Health, Safety and Wellbeing:** such as Lost Time Injury data and each division's cultural approach to safety;
- **Diversity and Inclusion:** this includes data on the gender pay gap as well as programmes initiated by the respective Diversity & Inclusion steering groups such as training to recognise unconscious bias;
- **Engagement:** employee engagement surveys and approaches to internal communications are key components, along with planned social activities and recognition schemes;
- **Demographics and Metrics:** in addition to total headcount, the divisions are increasingly encouraged to share data on tenure, turnover and promotions; and
- **Learning and Development:** from apprenticeship and graduate schemes, through to programmes for managers and leaders.

The Board is now better informed and therefore better able to manage risks and address challenges; as well as support the long-term success of the Company.

As well as supplementing the understanding that the team at the corporate centre has of these people-related topics, this new process of information sharing has also enabled good practice to be better shared and adopted more easily between divisions. Over the last two years, I have joined three discussions with divisional HR directors where these submissions have been reviewed and discussed and I am delighted to see how the sharing process has influenced action. It has informed the employer branding work conducted by Twinings and the onboarding work delivered by George Weston Foods. Similarly, ABFI leveraged ideas from other businesses as it updated its talent management approach.

Over time it is planned to standardise certain key metrics for each of these five thematic areas. This will improve the Board's oversight of the similarities and differences between the divisions, and the strengths and weaknesses of each.

It has been my pleasure to support the business on this important subject. Over the year ahead, I will be supporting the divisional leadership teams as they navigate their way through the challenges presented by COVID-19. I also intend to spend more time understanding the divisions' respective approaches to diversity and inclusion, with the intention of giving the teams' work on this important issue the profile it deserves.

Richard Reid
Non-executive director

Composition and succession continued

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. Emma was appointed in December 2011 to represent this shareholding on the Board. 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.

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 92 and 93.

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 pages 103 and 104 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 prior to appointment and subsequent appointments require prior approval.

With the approval of the Board, Graham Allan was appointed as independent non-executive director of InterContinental Hotels Group PLC with effect from 1 September 2020. The Board were satisfied that Graham would still be able to commit an appropriate amount of time to the role and considered that this would add to his valuable contributions through being able to add additional insight from a different sector.

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. This typically includes training, as well as site visits and meetings with management to get to better know the businesses.

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. As part of the Board update on strategy at the virtual Board meeting held in June 2020, Graham Allan presented to the Board on insight regarding retail and Ruth Cairnie presented on inspiration from ESG activities in the oil and gas industry.

The Chief Executive encourages other Board members to visit operations either with him, with other directors or on their own. The COVID-19 pandemic limited the scope for physical visits from March 2020 until the end of the financial year, although Richard Reid met with AB Mauri head office staff in Peterborough in November 2019, met with business teams at ABF Ingredients in Hamburg in February 2020, visited Primark in Dublin in February 2020 (followed by a virtual meeting with Primark Dublin in May 2020 and subsequent virtual meetings with new starters and the Diversity & Inclusion steering group in September 2020) and held virtual meetings with:

- new starters at ACH in the United States in June 2020;
- the neonatal nutrition team and other employees at AB Agri in July 2020; and
- employees and the Diversity & Inclusion steering group from the UK Grocery business in July 2020.

Both the Chairman and Ruth Cairnie attended the Women in ABF virtual event in June 2020.

Following his appointment in September 2018, Graham Allan's training and development continued with a visit to the Don KRC Castlemaine site in December 2019 with the chief executive of George Weston Foods in Australia.

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 or calls 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. This was particularly the case from early March until mid-June when the Board received weekly updates from the Finance Director and held regular calls.

Board evaluation

An evaluation to assess the performance of the Board as a whole, its Committees and the individual directors is usually conducted annually with the aim of improving the effectiveness of the Board and its members and the performance of the group. It had been planned that the Board would be subject to an external evaluation during the course of the financial year ended 12 September 2020, it being three years since the last external evaluation. However, given the rapid onset of COVID-19-related events leading to a closure of all Primark stores in March 2020 and triggering the urgent need to manage and mitigate the profit and cash flow impacts arising from the loss of sales, it was considered that undertaking an external Board review in the following months would likely suffer a number of limitations and disadvantages, including:

- creating a distraction at a time when the Board and executive teams were in the midst of a crisis and dealing with pressing priorities;

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- the likelihood of participants struggling to devote the time, and to give thoughtful consideration, to a review of Board and Committee performance given that their focus would inevitably be on crisis management issues;
- the risk that input and contribution from participants would be less useful and insightful if interviews needed to be conducted by videoconference rather than in person; and
- a risk of not getting full value and real insights from the exercise.

The external evaluation has therefore been deferred and it is intended that this will occur in 2021, as soon as circumstances permit, with such evaluation also specifically considering how the Board has responded to the COVID-19 crisis.

The Senior Independent Director carried out a performance evaluation of the Chairman during the year, concluding that the Chairman was unanimously highly regarded and had refreshed and energised the Board.

Overall, although there has been no opportunity for the planned formal external evaluation of the Board to be carried out, it is considered that the Board and its Committees continue to be highly effective in providing oversight of the Company and its governance, as demonstrated through its ongoing management of the group during the COVID-19 pandemic.

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.

Progress from the 2019 evaluation

During the first half of the year, the Chairman oversaw the implementation and progression of various recommendations arising from the 2019 evaluation, which included the objectives and actions set out below:

2019 objectives	Progress
<p>Board composition</p> <ul style="list-style-type: none"> • To continue to emphasise generalist skills in Board recruitment • To ensure gender and racial diversity are factors in Board searches 	<p>The Board discussed and agreed the appropriateness of creating diversity in Board membership and the potential need to increase the size of the Board to create such diversity.</p>
<p>Workforce engagement and organisation</p> <ul style="list-style-type: none"> • 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 	<p>Detailed reviews of succession planning were presented to the Board by the Group People and Performance Director (successor to the Group HR Director) and considered by the Board at Board meetings in October 2019 and June 2020.</p>
<p>Board/Committee agendas</p> <ul style="list-style-type: none"> • 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 	<p>Additional briefings were prepared and frequent calls held between scheduled Board meetings to ensure that Board members were fully briefed on the impact of COVID-19 on the group businesses.</p>
<p>Responsibility/ESG</p> <ul style="list-style-type: none"> • To sustain momentum on progress and communication of activities 	<p>The Board had specific focus sessions on ESG in June 2020 strategy sessions as part of the Board meeting as well as updates from the Primark Ethics team and an update on Health, Safety and Environmental matters in the February 2020 Board meeting.</p>
<p>Governance</p> <ul style="list-style-type: none"> • To continue to monitor co-ordination of IT across divisions 	<p>As part of supporting seamless home-working for many, the IT infrastructure was modified, bandwidth was increased with telecommunications partners and extensive use was made of collaboration software.</p>

Audit, risk and internal control **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 12 to 13 and in the business strategy sections of the operating review on pages 23, 35, 43, 49 and 55. 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

The 2018 Code requires the directors to assess and report on the prospects of the group over a longer period. This longer-term viability statement and statement of going concern is set out on pages 90 to 91.

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.

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.

Corporate governance

continued

Whistleblowing

The Audit Committee reports to the full Board on the analysis of reported allegations which is compiled by the Director of Financial Control. Arrangements are in place for proportionate and independent investigations of allegations and for follow-up action. Further details of the Whistleblowing Policy and processes in place, as well as information on the status of notifications received in the year to June 2020 are provided on page 77.

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, together with emerging risks. A description of the principal, including emerging, risks and how they are being managed and mitigated is set out on pages 84 to 90.

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 12 September 2020 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 84 to 90 for details of the process undertaken); and
- the annual assessment of internal control, which, following consideration by the Audit Committee, provided assurance to the Board around the control environment and processes in place around the group, specifically those relating to internal financial control.

The Board evaluated the effectiveness of management's processes for monitoring and reviewing risk management and internal control. No significant 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 2018 Code.

Please also see the Audit Committee report on pages 105 to 109.

Remuneration

The Directors' Remuneration report is on pages 110 to 121 and provides details of our remuneration policy and how it has been implemented, together with information on the activities of the Remuneration Committee.

Articles 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 122 to 124.

At this year's AGM, we are proposing to amend our Articles to bring them up to date with market practice and, most importantly, to allow for hybrid meetings in order to give the flexibility for participation in future AGMs via electronic means, allowing for those who cannot attend (for example, because of rules around COVID-19 or similar) to have the ability to participate in proceedings as much as possible. Further details on these and other proposed amendments to the Articles are included in the Notice of AGM.

Engagement with shareholders Individual shareholders

We have a number of individual shareholders. All shareholders are usually invited physically to attend the AGM (although this has changed in respect of the 2020 AGM given the COVID-19 pandemic), have access to our website and receive electronic communications. The 2020 AGM will be live-streamed and shareholders will have

the opportunity to put their questions to the Board in advance of the meeting. 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.

AGM

The AGM provides an opportunity for directors to engage with shareholders, answer their questions and, usually, to meet them informally. The 2020 AGM will be adapted to meet concerns relating to the COVID-19 pandemic. Whilst the AGM will be held on Friday 4 December 2020 at 11.00 am, shareholders should not attend physically but are instead asked to follow proceedings through the telephone/internet stream which is being set up. We encourage all shareholders to vote by proxy in advance of the meeting on all resolutions put forward. Shareholders are given the opportunity to raise questions and receive responses in advance of the voting deadline and further details are included in the Notice of AGM and documentation accompanying the proxy form. All votes are taken by a poll. In 2019, 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. We also publish an ESG Appendix each year. 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 (either in person or virtually) 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 (virtually where necessary) 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)
Graham Allan
Ruth Cairnie
Richard Reid
Wolfhart Hauser

All members served on the Committee throughout the year, except for Graham Allan who was appointed on 15 January 2020.

Meetings

The Committee met twice 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;
- reviewing regularly the Board structure, size and composition (including skills, knowledge, independence, experience and diversity) and 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

continued

Committee activities during the year Succession planning

The focus this year has continued to be on consolidating existing Board responsibilities. However, priorities identified for 2019 included continuing to emphasise generalist skills in board recruitment and continuing to factor in gender and racial diversity. In the continuous consideration of these topics, there is recognition of the appropriateness of creating greater diversity in Board membership and the potential need to increase the size of the Board in order to create such diversity. A process is underway to engage an external search consultancy.

Detailed reviews of succession planning in respect of senior management were presented to the Board by the Group People and Performance Director, at Board meetings in October 2019 and June 2020.

Re-election of non-executive directors

The Committee members considered the composition of the Board and the time needed to fulfil the roles of Chairman, Senior Independent Director and non-executive director.

The Committee members considered the re-election of directors prior to their recommended approval by shareholders at the AGM.

Performance evaluation

Whilst the internal evaluation in 2019 concluded that the Committee was continuing to function effectively, the Committee's effectiveness will be further reviewed in detail as part of the deferred external evaluation of the Board's performance to be carried out in the 2020/21 financial year.

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, the Group People and Performance 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.

As noted in previous years' reports, the Company has in the past 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 most recently 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.

Diversity and inclusion

As a Board, we recognise that diversity and inclusion 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 and inclusion. The Nomination Committee considers diversity and inclusion 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 value having a Board which numbers eight directors in total; we believe this is an optimum size in view of the level of participation and quality of debate that results. As we have enjoyed stability of Board membership, vacancies have not arisen frequently. This means that we are unlikely to meet the expectations of the Hampton-Alexander Review by having at least 33 per cent female representation on our Board by the end of 2020. In order to meet both the Hampton-Alexander Review expectations and the recommendation of the Parker Review that all FTSE 100 boards should have at least one person of colour as a director by the end of 2021, we plan to make an additional appointment to the Board during the course of the next year. This will result in our Board size increasing, at least for a time, to nine directors.

For details of diversity and inclusion as it applies to the group's wider workforce and the gender balance of senior managers and direct reports, please see page 75.

The group has for several years had a cross-divisional Diversity and Inclusion Taskforce and, with the support of the Board, efforts are being made to elevate and accelerate discussion and actions. This includes, for example, the request that the divisions be even more explicit about their approach to diversity and inclusion (see Richard Reid's letter on page 98) in addition to the programmes already initiated by divisional Diversity & Inclusion steering groups such as training to recognise unconscious bias.

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 invites the Finance Director, Group Financial Controller, Director of Financial Control, Director of Company Secretariat 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.

Corporate governance continued

The Committee Chairman reports the outcome of meetings to the Board.

A review of the Committee's effectiveness had been planned during the second half of the year as part of the Board's annual performance evaluation. As a result of the onset of COVID-19-related events this did not take place.

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 the adoption of IFRS 16 *Leases* and the disclosures;
- 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;
- the recommendations of the FRC following its review of the group's 2019 financial statements, in which they considered compliance with reporting requirements;
- tax contingencies, compliance with statutory tax obligations and the group's tax policy;
- cyber security;
- impact of the Brydon Report;

- COVID-19 challenges and response assurance plan; and
- group long-term funding options.

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, tangible and right-of-use assets

Assessment for impairment involves comparing the book value of an asset with its recoverable amount, being the higher of value-in-use and fair value less costs 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. The Committee focused on Azucarera, Allied Bakeries, China Sugar, Australian meat, AB Mauri and certain Primark stores.

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 estimates 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 its audit work, and its challenge of the key assumptions and associated sensitivities, it considered that the £157m impairment charge against Azucarera goodwill, Speedibake assets and some Primark stores included within exceptionals, and the £15m asset write-down at Allied Bakeries, as detailed in notes 8, 9 and 10, were appropriately recognised and that no further impairments were required.

<p>Areas of significant accounting judgement and estimation material to the group financial statements</p> <p>Impact of COVID-19 on the viability statement and going concern</p> <p>The COVID-19 pandemic continues to be a worldwide crisis and the situation is still uncertain. Authorities continue to impose restrictions on both a regional and local basis.</p> <p>COVID-19 has had a particular impact on the cash flow and profitability of the retail business.</p> <p>The Board considered future performance and cash flows in its going concern assessment, through to February 2022, and its viability statement over the next three years.</p> <p>Management have undertaken a detailed financial modelling exercise that has considered the impact on profit, cash and working capital of a number of potential scenarios.</p>	<p>Audit Committee assurance</p> <p>Since March, when the pandemic became apparent, the Audit Committee, on behalf of the Board have considered the implications of COVID-19 and provided ongoing support and challenge of management's accounting, reporting and internal controls. As the pandemic continues to evolve, focus has been given to the retail business which could be impacted by future restrictions imposed by authorities.</p> <p>The Committee have reviewed and challenged the scenarios considered by management and concluded that these, and the stress testing scenarios and assumptions, were appropriate and adequate.</p> <p>The Committee have reviewed the detailed cash flow forecasts, which incorporated the mitigating actions taken by management. The Committee also reviewed and challenged the reverse stress assumptions to confirm the viability of the group.</p> <p>The Committee has been kept informed of the impacts of COVID-19 on the group, including accounting matters, going concern and viability considerations and UK FRC pronouncements. The Committee have satisfied themselves that management had adequately identified and considered all potentially significant accounting and disclosure matters.</p>
<p>Tax provisions</p> <p>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.</p>	<p>The Committee reviews the Company's tax policy and principles for managing tax risks annually.</p> <p>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.</p> <p>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.</p>
<p>Leases</p> <p>The group adopted IFRS 16 <i>Leases</i> for the first time this financial year. Judgement was 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.</p>	<p>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.</p> <p>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.</p> <p>The external auditor undertook an assessment of management's assumptions, and the model used to determine values for lease related accounts. It also considered the appropriateness of IFRS 16 transition disclosures.</p>
<p>Other accounting areas requiring management judgement or estimation</p> <p>Post-retirement benefits</p> <p>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.</p>	<p>Audit Committee assurance</p> <p>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 12 of the financial statements together with the bases on which those assumptions have been made.</p> <p>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.</p>

Corporate governance

continued

Misstatements

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

Internal financial control and risk management

The Committee is required to assist the Board to fulfil its responsibilities relating to the adequacy and effectiveness of the control environment, controls over financial reporting and the group's compliance with the 2018 Code. To fulfil these duties, the Committee 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' EU exit;
- 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 77.

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 group 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 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 Chief People and Performance Officer, and the Finance Director or Group Financial Controller, with the Chair of the Audit Committee being consulted as appropriate.

The Audit Committee has formally reviewed the independence of the external auditor. EY has reported to the Committee confirming that it believes it remained independent throughout the year, within the meaning of the regulations on this matter and in accordance with 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 12 September 2020 were £8.8m, of which £0.7m 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.

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 2020/21. 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.