
WARBURTONS

SECTION 172 STATEMENT

s.172 Companies Act sets out the duties of Directors when exercising their powers and discharging their responsibilities. This report sets out how the Directors of Warburtons Limited have complied with those statutory duties in the course of financial year 2019/20.

The Board

The Company is a private, family owned business. During the financial year, the Board was comprised of an independent non-executive director (Mark Allen), two executive directors (Neil Campbell and Andrew Light) and three family executive directors (Jonathan Warburton, Ross Warburton and Brett Warburton). The family directors indirectly represent the majority shareholding in the Company. They are therefore directly invested in promoting the success of the Company for the benefit of the members as a whole (including other family members).

The Board has long term considerations at its heart. The Company is currently led by the 5th generation of the Warburton family and it is the intention of the family and Board to have a healthy, profitable and sustainable company which can continue in family ownership.

Discharging its statutory duties

The Board recognises that decision making for the long term requires that the interests of various stakeholders be considered including those of employees, customers, suppliers and the wider community in which the Company works. The Board also recognises, and has regard to, the importance of its governance frameworks and high standards of business conduct in managing the affairs of the Company. The Board discharges its duties through:

- having a clear plan of meetings to address the matters that are important to the Company's long term health;
- considering the Company's relationships with customers, suppliers and employees both in respect of individual projects and more generally;
- continuously monitoring the Company's financial health;
- the governance framework that it puts in place and regularly monitors.

The Board is presented with regular board packs and presentations to support it with the information that it needs to discharge its responsibilities. This information includes data in relation to customers, supplier relationships, market developments and trends and other information relevant to the long term health of the company. Employee responses to surveys and communication programmes are also considered by the Board. The Board also has direct engagement with employees of different functions to help inform its decision making.

Key board considerations

During the course of 2019/20, the Board addressed a number of specific issues including (but not limited to):

- Covid-19 and its impact on the safety of employees, the community and the financial health of the Company;
- The Company's wheat and flour supply chain to ensure it was sustainable for the long term and supported UK wheat growing and milling (as well as exiting current arrangements in a fair and transparent way to those suppliers);
- Significant capital investments in its depot network and manufacturing facilities to ensure: (a) the Company can meet customer requirements; (b) long term employment opportunities are available for current and future employees; and (c) the Company can continue to adapt to the changes to the wrapped bakery market place;
- Capital requirements and debt structures to ensure there are sufficient available facilities to support the Company's medium term needs;
- The Company's warehouse arrangements to ensure they are enhanced for a modern branded bakery operation;
- The annual external audit and associated systems of internal control.

During the course of their discussions, the Board will take account of the relevant stakeholder's views. It will have particular regard to the long term objectives of ensuring there is a strong business capable of remaining in family ownership. In turn, this long term approach will be in the interests of suppliers, customers, employees and the community at large.

Governance Statement

The Board of Warburtons did not formally adopt a governance code for financial year 2019/20. However, the Company has well established governance mechanisms which it believes are consistent with the Wates Corporate Governance Principles and which the Board had regard to in its governance. The composition of the Board is described in the s.172 Statement. The s.172 Statement also sets out the important long term considerations that direct the Board's overall thinking. The Board has also formally adopted the Wates Corporate Governance Principles as its corporate governance code for 2020/21.

In relation to how the Board of Directors has had regard to the Wates Principles, the following explanations apply:

Wates Principle	Application
Purpose and leadership	The Directors have endorsed a clear set of values for the business: (i) family; (ii) ambition; (iii) responsibility; (iv) quality and (v) care. All of these values combined are intended to help the Company to become Britain's best food business (which is the Company's vision). These values are clearly articulated to all employees and form the bedrock of the Company's culture. The Company wants to remain, and build on, its position as Britain's largest branded wrapped bakery company. The Board is focussed on ensuring that the Company continues to offer excellent service to its customers, offers products of the best quality and operates a manufacturing and distribution base that is capable of meeting the future needs of its customers. The executive leadership team also have a clear set of metrics to monitor the Company's progress towards becoming Britain's best food business and achieving its strategic objectives.

Wates Principle (cont)	Application
<p>Board composition</p>	<p>The Board is comprised of an independent non-executive director, family directors and executive directors as described in the s.172 Statement. A further director (Nigel Dunlop) resigned as a director in October 2019.</p> <p>Together the family directors have almost 100 years of combined experience with the Company and its development over time. The Board also has considerable collective experience gained outside of the Company through previous employment with fast moving consumer goods companies and a variety of non-executive positions. The role of Chairman is separate to that of the Managing Director of the Company. The independent non-executive director has strong industry experience having previously been the Chief Executive of Dairy Crest plc. The Company's Board ordinarily comprises two independent non-executive directors and the Board's principle is that this will be the standard way of operating. During financial year 2019/20, the Chair of the Board considered and met with potential non-executive director candidates. The Board has due regard to the importance of diversity when filling any vacant independent non-executive director positions to ensure that the Board has the right blend of experience, background, skills and knowledge to ensure that Board can operate effectively.</p> <p>The Board does not operate by way of separate sub-committees. All matters in relation to audit and assurance, board composition, strategic considerations and all similar topics are addressed at the full Board. This ensures that all members of the Board are fully and actively engaged on all matters of importance to the long term success of the Company. The Board has access to the General Counsel & Company Secretary for support and advice on their duties and legal responsibilities.</p>
<p>Director responsibilities</p>	<p>The Board has discharged its responsibilities in the manner described in the s.172 statement. The Board manages its agenda to ensure it addresses and discharges its statutory duties. This includes setting the strategic direction of the Company and monitoring and reviewing all matters related to financial performance (including capital investments), key project delivery, health & safety, food quality and employee engagement. There are clear processes in place to ensure key decisions related to the strategic direction of the business and its financial commitments are addressed at Board level.</p> <p>During the course of the year, the Board adapted its meeting frequency and content to ensure that:</p> <ul style="list-style-type: none"> • Sufficient time and attention could be given to address the risks (and associated actions) raised by Covid-19; • The agenda was flexible enough to accommodate virtual meetings; • The Board could be responsive to the rapidly changing environment raised by Covid-19.

Wates Principle (cont)	Application
<p>Opportunity and risk</p>	<p>The Board reviews and approves the list of principal risks before they are finally published in the annual report and accounts. The full Board also meets with the external auditors to review their performance and to discuss with them the effectiveness of the system of internal control. The Board delegates day to day risk management to the risk committee (which is comprised of most members of the executive team). This meets on a quarterly basis to consider the Company's key risks and the associated management controls. The Board also considers key risks when reviewing the opportunities available to it in relation to new initiatives, capital investments and associated projects.</p>
<p>Remuneration</p>	<p>In relation to key executive remuneration, this is addressed by the family directors of the Company through the Family Forum (which is a meeting that considers, amongst other things, the reward packages available to senior managers, shareholder considerations and non-executive director appointments). When making decisions in relation to remuneration, the family directors take account of relevant external benchmarks (where appropriate), individual performance and the appropriate short and long term incentives available to senior employees of the Company to ensure it is able to attract and retain the best talent. When considering remuneration, the family executive directors place particular emphasis on the importance of ensuring the Company is in a strong position to remain in family ownership.</p> <p>As part of its efforts to ensure a shared sense of purpose, the Company operates a scheme of profit related pay where a fixed percentage of operating profit is shared with all employees (regardless of the level of operating profit achieved). This scheme has been in place for more than 40 years and together with the Company's award winning pension scheme are part of the overall remuneration package which the Board believes assist with the Company being an employer of choice.</p>

Wates Principle (cont)	Application
<p>Stakeholders</p>	<p>The Board receives feedback from the extensive employee engagement programme that takes place including pulse surveys, newsletters, the Company's JAM system used for employee communication and the direct feedback directors receive from site visits and board presentations. The Company also operates a whistleblowing helpline which allows employees to raise matters of concern. Members of the Board also participate in the Company's annual employee recognition and award event. The Company also participates in the Sunday Times Best Companies to Work For programme as part of its commitment to employee engagement. The Board also engages with, and takes account of, the views of relevant trade unions (including the United Road Transport Union and the Bakers, Food and Allied Workers Union).</p> <p>The Board actively engages with the Trustees of the Warburtons Limited Pension and Life Assurance Plan (which is a funded defined benefit pension scheme). The Board is mindful of the importance of securing the benefits of members and of collaborating with the trustees of the pension plan to ensure the scheme can achieve its long term funding goals.</p> <p>The directors have given careful consideration to supplier attitudes (particularly when undertaking strategic projects) and regularly consider customer developments and feedback when setting and reviewing its financial performance, strategy and future projects.</p> <p>The Board also places particular emphasis on the importance of community engagement (in particular through its "Families Matter" community programmes). Full details of these programmes are updated on the Company's website at www.warburtons.co.uk. During the course of the financial year, the Company increased its contributions to charities (given the funding difficulties many charities faced during the Covid-19 pandemic) and celebrated achieving the milestone of a total of £2 million being raised by the Company and its employees for Cancer Research UK.</p>