

---

# 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 2021/22.

### The Board

The Company is a private, family-owned business. During the course of the financial year, the Board was comprised of two non-executive directors (Andrew Higginson and Mary-Ann Kilby), 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. Members of the Company are therefore directly represented on the Board. The family Board directors are directly invested in promoting the success of the Company for the benefit of the members as a whole (including other family members).

During financial year 2021/22, Neil Campbell stepped down from the Board with effect from 9 August 2022 and Andrew Higginson joined the Board on 1 December 2021 and was followed by Mary-Ann Kilby joining the Board on 1 March 2022.

The Board has long term considerations at its heart. The Company is currently led by the 5<sup>th</sup> 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 be successfully transferred to the next generation (and those that follow). This long-term philosophy therefore underlies all decision making.

The Board sees the safeguarding and promotion of the long-term success of the Company as an iterative process built over successive Board meetings and through covering a variety of topics and issues over time. Its approach to discharging its statutory duties is therefore a holistic process rather than being disaggregated into specific director duties at each Board meeting.

### How the Board discharges 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 that it regularly monitors.

The Board typically meets at least eight times a year (but will meet more frequently if circumstances require). Each agenda identifies the way in which directors are meeting their statutory duties and the annual plan of meetings ensures breadth of coverage of issues relevant to the long-term success of the business.

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, financial forecasts 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 from employees of different functions to help inform its decision making. It is through these presentations and engagement with the Company's executive team that the Board collectively discharges their statutory duties. Examples of the matters considered by the Board are provided below.

### **Employees**

The Board receives a presentation from the HR Director on key employee issues such as engagement, pay, staff turnover and other relevant statistics. This also provides an opportunity for feedback from Unions to be presented. The Board has also discussed the nature of hybrid working and how this will evolve over time. Separately from Board meetings, the executive directors regularly meet with employees as they visit sites and take part in events with senior leaders of the organisation.

### **Health & Safety**

The Board also receives a regular health and safety update so it can understand risks to employees, how performance is progressing, and the steps taken to continuously improve employee safety. There is a separate Health & Safety committee, chaired by a member of the board, which meets at least three times a year to review safety performance and to drive forward the safety culture.

### **Suppliers & customers**

The Board receives an update on any key supply chain issues (such as the impact of inflation) as well as presentations from third parties that are helping the company with strategic issues. The Board also receives regular updates on its market share performance (by product category and with details on individual customers) together with an overview of any customer issues. The Board will receive regular reports on any issues relevant to customers such as product price increases, new product launches or strategic projects.

During 2021/22, the Board returned to its normal strategy away days where it was able to consider its position by customer account and to reflect on its growth with current customers.

### **Impact on community & environment**

The board received an update on its sustainability strategy during the course of the year where it agreed the priorities should be on carbon management, packaging and food waste. The Board would continue to measure progress against its environmental targets. The Board also received a report on the company's investments in the community – noting in particular the charitable donations it makes, the work done through local community champions as well as the education programme used to engage children on matters related to the production of our products.

### **High standards of business conduct & member fairness**

During the course of the financial year, the Board receives a number of updates in relation to (amongst other things) its tax position, the external audit, safety standards, the modern slavery statement, its pension schemes as well as receiving business updates and reviewing requests for

capital investments in order to ensure that the business is well run and operates to the standards that could be expected of a business of its size. These collectively provide an opportunity for the Board to reflect on the company's standards of business conduct.

In relation to member fairness, the three largest shareholders are represented on the Board.

Update sessions are provided by the Chairman of the board to other family shareholders. As a fifth generation family owned business, the Board operates in a manner to secure the long term success of the Company in the interests of all shareholders.

### **Governance Statement**

The Board of Warburtons has adopted the Wates Corporate Governance Principles as its governance code. 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.

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

<b>Wates Principle</b>	<b>Application</b>
<b><i>Purpose and leadership</i></b>	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 strategic ambition). These values are clearly articulated to all employees and form the bedrock of the Company's culture. The executive leadership team also have a clear set of metrics (in relation to revenue, profit, employee engagement, product quality and safety) to monitor the Company's progress towards becoming Britain's best food business.
<b><i>Board composition</i></b>	<p>The Board is comprised of non-executive directors, family directors and executive directors as described in the s.172 Statement. Together the family directors have almost 100 years of combined experience with the Company and its development over time. The role of Chairman is generally separate to that of the Managing Director of the Company. Following the departure of Neil Campbell from the Board in August 2022, Jonathan Warburton took on additional responsibilities in the business whilst the Company looks to fill the position of Managing Director. The Company's intention is that the roles of Chairman and Managing Director will ultimately be separate positions.</p> <p>The non-executive directors have strong industry experience – with Mary-Ann Kilby being an Executive Director of Samworth Brothers (where she has been for over two decades) and Andrew Higginson previously holding the role of Chairman of Morrisons and prior to that as an Executive Director of Tesco for over a 15-year period.</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 &amp; Company Secretary for support and advice on their duties and legal responsibilities.</p>

<p><b>Director responsibilities</b></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 &amp; 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>In the Summer of each year, every director is asked what it believes should be addressed at board meetings in the following financial year to ensure directors are comfortable that they are individually able to discharge their statutory duties and that the Company is effectively monitoring its progress.</p>
<p><b>Opportunity and risk</b></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 considers key risks when reviewing the opportunities available to it in relation to new initiatives, capital investments and associated projects.</p> <p>Day to day risk management is delegated to the executive team to manage within their function.</p> <p>In June each year, the Board holds a strategic away day. In June 2022, this process was supported by the consultants LEK. This meeting provided the Board with the opportunity to consider the sources of value in the business, stakeholder relationships, opportunities for growth and the strategic risks that the company was facing.</p>
<p><b>Remuneration</b></p>	<p>In relation to key executive remuneration, this is addressed by the Family Forum where the family executive directors discuss the performance of the relevant executive directors, the appropriate long and short term incentives and the proposed overall remuneration. When considering remuneration, the family executive directors place particular emphasis on the importance of ensuring the Company is in a strong position to hand over to the next generation.</p> <p>As part of its efforts to ensure a shared sense of purpose, the Company operates a system of profit related pay where a percentage of operating profit is shared with all employees (regardless of the level of operating profit achieved).</p>
<p><b>Stakeholders</b></p>	<p>The Board receives feedback from the extensive employee engagement programme that takes place including glint 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 annual employee recognition and award event.</p>

	<p>The directors have given careful consideration to supplier attitudes (particularly when undertaking strategic projects) and regularly considers 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” programme). During the course of the financial year, the Company launched the Warburtons Foundation as the umbrella for its community activities. The Foundation aims to support families across the UK who are facing challenges by providing food education, product donations and community initiatives.</p>
--	---