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# WARBURTONS

## SECTION 172 STATEMENT

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Section 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 the Group have complied with those statutory duties in the course of financial period 2022/23.

### The Board

The Group is a private, family-owned business. The Board comprises three directors – Brett Warburton, Ross Warburton and Jonathan Warburton. Members of the Group are therefore directly represented on the Board. The family Board directors are directly invested in promoting the success of the Group for the benefit of the members as a whole (including other family members).

The Group 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 group which can be successfully transferred to the next generation (and those that follow). This long-term philosophy therefore underlies all decision making.

The Board takes account of the fact that the parent Company is a holding company whose main function is to determine the timing and quantum (if any) of dividends to be paid to members and to enter into such financing arrangements as are appropriate to support the Group. The Company has no employees, no customers, no physical operations and its main supply relationships will be entities providing professional advice.

The Board of Directors meets as required in order to consider matters related to the corporate structure, the payment of dividends, its financing arrangements and other statutory responsibilities of the Group. When decisions are taken, the Board has regard to all its relevant statutory duties. The main decisions taken by the Board in the course of the year were in relation to the payment of dividends to members.

Director duties therefore apply in a more limited way to the parent Company given the absence of any direct trading activity. The majority of trading is through Warburtons Limited, whose directors give full consideration to their statutory duties and which they have discharged in the manner described below.

### How the Board discharges its statutory duties

The Board of Warburtons Limited 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 of Warburtons Limited 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 of Warburtons Limited 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 of Warburtons Limited. 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 of Warburtons Limited collectively discharges their statutory duties. Examples of the matters considered by the Board of Warburtons Limited 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. 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. The Board also participates in the annual senior leader conference and representatives of the Board also attend other leadership and employee celebration events.

### **Health & Safety**

The Board 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. Health & Safety outcomes were not as desired during the course of the year although benchmarking and external assessments continued to validate the appropriateness of the company's policies and procedures with no weaknesses or concerns being identified. There would be further focus on Health & Safety in the year ahead.

### **Suppliers & customers**

The Board receives an update on any key supply chain issues (such as the impact of inflation) and any supply chain disputes. 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. During the course of the year, the Board received a number of deep dives on the impact of inflation and price changes on product volume performance, the performance of competitors and market developments. The Board also received an update on potential growth opportunities from new product launches as well as feedback on the success of new products that had been recently launched by the company.

During 2022/23, the Board held a strategy away day where it was able to consider market developments, potential capital investments and future growth opportunities.

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

The board received an update on its sustainability strategy during the course of the year where it reflected on progress with carbon management, packaging, food waste as well as noting plans around ethical sourcing and community engagement. The Board will continue to measure progress against its environmental targets. The Board also agreed to adopt Science Based Targets and Warburtons Limited would apply to join the Science Based Targets Initiative. 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 links between farming and food manufacturing.

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

During the course of the financial year, the Board received 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 of the ultimate parent company 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:

WATES PRINCIPLE	APPLICATION
<p><b>Purpose and leadership</b></p>	<p>The Directors have endorsed a clear set of values for the business: (i) family; (ii) ambition; (iii) responsibility; (iv) quality and (v) care.</p> <p>During the course of the year, the company adopted a new “strategic wheel” to focus on the pursuit of excellence across all aspects of the business with responsibility, safety and trust being core elements of its work.</p> <p>The company’s 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.</p>
<p><b>Board composition</b></p>	<p>The Board is ordinarily comprised of 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 Warburtons Limited. Following the departure of Neil Campbell from the Board of Warburtons Limited in August 2022, Jonathan Warburton took on additional responsibilities in the business whilst the Company looked to fill the position of Managing Director. The Company agreed that Mary-Ann Kilby would become Managing Director of Warburtons Limited in September 2023 and would therefore transition from a non-executive to an executive position.</p> <p>Andrew Higginson ceased to be a non-executive director of Warburtons Limited with effect from 25th September 2023. The Board is actively considering the replacement of the non-executives of Warburtons Limited.</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>There are a number of executive committees covering treasury, health &amp; safety, sustainability, community investment and data protection which help to support the Board’s work and which focus on the execution of the Board’s strategic</p>

	<p>direction. Further detail is outlined on page 5 under climate related financial disclosures.</p>
<b>Director responsibilities</b>	<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>
<b>Opportunity and risk</b>	<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 planning session. The June 2023 meeting provided the Board with the opportunity to consider opportunities and risks arising in relation to market developments (including competitor assessments and the impact of inflation), opportunities for growth in different product categories and capital investment requirements.</p>
<b>Remuneration</b>	<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>
<b>Stakeholders</b>	<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 engagement with customers and their initiatives and how the company should respond. The Board also considers supplier capabilities and approaches (in particular when looking at capital investments, the impact of inflation and overall partnering).</p> <p>The Board also places particular emphasis on the importance of community engagement (in particular through its "Families Matter" programme).</p>