

Chairman's introduction

The leadership and effectiveness of the Board are primarily the Chairman's responsibility.

My fellow Directors and I fully appreciate the importance of sound governance in the efficient running of the Company, and in particular the effectiveness and independence of the Board and the management of risks faced by the Group. We also recognise the importance of, and are committed to, high standards of corporate governance as an essential element of developing and implementing strategy effectively, the long-term sustainability of which is dependent on its delivery in keeping with the Company's values.

The following report sets out how we do this. It covers how the Board and its Committees operated in 2021, when it was subject to the FRC's 2018 UK Corporate Governance Code (the 'Code').

Statement on Compliance

This statement, together with the Directors' Remuneration Report set out on pages 81 to 100, and the Audit Committee Report on pages 78 to 80, describes how, in respect of the year ended 31 December 2021, the Company has applied the provisions of corporate governance as set out in the Code. The Company has complied with all the Code's provisions throughout the period in question with one exception:

Provision 38: The CEO receives a pension contribution of 10% of base salary which is above the 6% contribution available to the majority of the UK workforce. This arrangement pre-dates the introduction of the Code and, whilst not currently in compliance with Provision 38 of the Code, the contribution to the CEO's pension aligns with the average contribution available to the UK workforce on the introduction of the Code. We committed in our policy on Directors' remuneration, approved by shareholders in 2020, to align the Company's contribution to the pension in respect of new Executive Directors with that which is available to the majority of the workforce at the time of the appointment in their country of appointment and this approach was applied on the appointment in December 2020 of our new CFO. It has been agreed that the pension of our incumbent CEO will also be aligned to the contribution rate available to the majority of our UK workforce from 1 January 2023.



Good governance is at the heart of the framework which defines our Company's culture and is an essential element of how we seek to achieve our corporate Purpose.

Steve Good
Chairman

Board leadership and Company Purpose

Leadership

I lead a Board, whose composition was extensively refreshed in 2020 and which is able to draw on entrepreneurial skills and experiences from a wide variety of businesses to focus on delivering value for the benefit of all of the Company's stakeholders. Further changes in the makeup of the Board occurred in December 2021 when we welcomed Rikke Mikkelsen as a new Non-Executive Director on Chantal Cayuela's retirement from the Board. Her appointment enhances the leadership through which the Board continues to support the Company's growth strategy and sustainable development.

How the Company frames its corporate Purpose was a key area of focus in 2021. Following extensive engagement with our global workforce, we unearthed our refreshed statement of corporate Purpose 'Creating the Added Layer of Value Together Responsibly Better' in the Spring and we have subsequently communicated it both internally, including through a dedicated online portal, and externally. We considered this to be the first stage of redefining our corporate culture and it has been followed by the articulation of corporate Values, the evolution of our 3Cs strategy and, most importantly, further engagement with the workforce to ensure alignment between our culture and our corresponding activity. The renewal of our sustainability commitments in 2021 including the aspiration to achieve net-zero status by 2050 is an important manifestation of that alignment between culture and our actions, more information about which is set out on pages 48 to 67.

Our new global Values are set out on page 5. They also continue to be framed by the six global statements on business conduct, environmental management, food safety, health and safety, people and quality which we display prominently at every one of our locations and which we communicate widely. Collectively they also inform the culture which we seek to maintain within the Company. In 2021, as in previous years, the Board has, on the renewal of its commitment to these global statements, sought input from the business about how to frame them in a way which remains relevant to how we seek to operate. The articulation of our statement of corporate Purpose and global Values in 2021 has assisted the Board to monitor the development of the Company's culture which it has reviewed regularly at its meetings throughout the year.

Our commitment to high standards of business conduct is underpinned by our Business Conduct Policy. It promotes professional, equitable behaviour in all our business dealings and relationships wherever we operate. The policy was last updated in 2020, and it reflects our transition to a global organisation and best practice developments. As part of an awareness campaign, refresher training on what the policy means in practice was rolled out to employees during 2021. And as part of its activities to verify that behaviours across the Company continue to be aligned with the standards we have set, the Board oversees an annual survey of business conduct compliance. To the extent that this reveals any misalignments, executive management is tasked with addressing these, overseen by the Board.

The Company seeks to foster an environment in which its workforce can raise queries and concerns about business conduct at any time. The Company has a number of mechanisms to facilitate this and, while we promote open and direct communications (underpinned by our Whistleblowing Policy), conduct concerns can also be reported through our third-party hosted whistleblowing service, EthicsPoint, anonymously and in the reporter's own language. We have also published contact details for our EthicsPoint service on our website and we encourage external stakeholders in our updated Business Conduct Policy (also published on our website) to use it. The EthicsPoint service was used on eight occasions in 2021. In each case, the concerns raised were reported to the Board which monitored any subsequent investigation and actions to address the concerns.

The Board's approach to workforce engagement further assists it to promote the alignment of Company Purpose, Values and Strategy and in 2021, the renewal itself of these elements of the Company's culture, as well as the definition of sustainability priorities has drawn heavily on input from the workforce. While COVID-19 restrictions have again necessarily curtailed in 2021 in-person mechanisms for engagement, these initiatives are examples of the effective alternatives that have been pursued. Our approach to workforce engagement in 2021 is summarised below.

The Board continues to oversee the development of the Company's culture and to promote its success.

Engagement with the workforce

In 2019, the Board codified many of its existing practices for engagement with the workforce. These consist of:

- The annual rollout of a global workforce engagement survey, 'TellDev!', insights from which are presented to the Board which also monitors the action plans formulated by management on a Company-wide basis to address the survey's findings. In response to the 2020 survey, we prioritised in 2021 'employee wellbeing' (with a particular focus on it during our annual workforce Safety Month), 'taking action on feedback' (which included its promotion through our approach to performance management and ensuring all internal communications channels had feedback loops), and 'manager effectiveness' (reflected in the behaviours we have highlighted through the five global corporate Values we have introduced in 2021).
- A standing agenda item at Board meetings for the CEO to update the Board on employee engagement initiatives. In 2021 these included building on the workforce input we sought in the previous year, to launch and then embed our renewed corporate Purpose and Values. Regular Board calls to consider COVID-19 developments also continued in 2021 at which the Board received the same presentation delivered to employees on the same day.
- The inclusion in the Board's meeting programme of visits each year to at least two of the Company's sites with a corresponding agenda for those visits focused on discussing with management and employees their perspectives on the business. In 2021, COVID-19 pandemic restrictions once more prevented our planned programme taking place but we aim to resume these in 2022 with a Board visit to our Scotland site planned, to coincide with our 2022 AGM. We have also published in 2021 through our employee portal a series of interviews with our Non-Executive Directors to explain the role they perform at the Company and to encourage questions in response.

- The inclusion in any visit to a Company site by individual Directors of open forum meetings at which employees have the opportunity to raise questions and concerns with the visiting Director. This was limited again this year due to pandemic restrictions, but our CEO and Chairman engaged with management and other employees on their visit to our Moodiesburn site in the summer and our CEO conducted again at the start of the year a virtual World Tour to discuss with employees both the prior year's progress and future priorities.
- The incorporation of personal objectives on workforce engagement for Executive Directors (and other members of the Executive Management Team), aimed at promoting and monitoring effective engagement with the workforce.
- The continued maintenance of an externally hosted mechanism for employees to raise concerns, including anonymously, if they wish. Notifications to the Company's EthicsPoint service are reported to the Company Secretary who coordinates any necessary investigation and follow-up action which is reported to and overseen by the Board.
- Consulting employee representatives on a wide range of matters affecting employees' current and future interests, most notably in 2021 on our continued response to the COVID-19 pandemic; on the renewal of our Company Purpose and Values; and on our sustainability programme, with a direct involvement in identifying our priorities.

The Board considers these to be effective alternative arrangements to those prescribed in the Code, particularly taking account of the global nature of the business and of the restrictions again in 2021 on direct physical engagement due to the COVID-19 pandemic. The effectiveness is validated by significantly improved employee participation in the latest TellDev! employee survey (compared to the prior year) and satisfactory engagement score. It is also reflected in the strategic and financial progress achieved by the Company itself in 2021. However, recognising that it has not been possible in the last two years to utilise fully the engagement mechanisms codified in 2019, the Board intends to undertake a review of those mechanisms during the first part of 2022, also taking into account employee focused priorities of the Company's renewed sustainability programme.

Engagement with shareholders

The Company communicates with institutional investors primarily through analysts' briefings and meetings with major shareholders, as well as timely Stock Exchange announcements. In Autumn 2021 we also welcomed investors to a seminar at which we communicated the next phase of our sustainability programme. The Board, and in particular the Non-Executive Directors, are kept informed of investors' views in the main through distribution of analysts' and brokers' briefings. The Chairman is willing to meet, and has spoken in the course of 2021, with shareholders to discuss matters such as ESG priorities and the Senior Independent Director is available in the event of shareholder concerns which cannot be addressed through the usual channels.

Broader shareholder communication takes place through the Company's website, which contains significant Company announcements and other relevant information, and also through the Annual Report and AGM. In normal circumstances, all Directors attend the AGM, and shareholders have the opportunity to hear presentations on the Group's financial and business performance, as well as to question any member of the Board on any relevant topic. While attendance at our 2021 AGM was once again limited to a statutory quorum due to 'stay-at-home' measures in response to the COVID-19 pandemic, engagement with all shareholders on the business of the meeting (including the opportunity for their views to be raised with the Company-appointed meeting proxies) was facilitated through arrangements for shareholders to ask questions in advance of the meeting. We hope, this year, to be able to return to an 'in-person' AGM and look forward to meeting with shareholders once more.

Engagement with other key stakeholders

How the Board has taken account of the interests of other key stakeholders and the matters set out in section 172 of the Companies Act 2006 in its discussions and decision-making is set out on pages 68 and 69.

Division of responsibilities

Board composition

During the year, the Board comprised Mr S Good, Chairman, Mr R Helbing, Chief Executive Officer, Mr R Cummings, Chief Financial Officer, Mr J Burks, Non-Executive Director, Mrs C Cayuela, Non-Executive Director, until she stepped down from the Board on 30 November 2021, Mrs L Jackson, Non-Executive Director, Mrs R Mikkelsen, Non-Executive Director, who joined the Board on 1 December 2021 and Mr M Swift, Non-Executive Director. The skills and experiences of each Director at the date of this report are described on pages 70 and 71.

Non-Executive Directors (excluding the Chairman) who collectively form 57% of the Board, are considered to be 'independent' Directors (as was the Chairman on his appointment). This opinion is based primarily on careful consideration of their character and judgement and their contribution to the work of the Board and its committees.

No Director holds any external position which would impinge upon his or her independence or objectivity, nor are there any relationships or circumstances such as are envisaged by Provision 10 of the Code. On her appointment as a Non-Executive Director, the Board considered Mrs L Jackson's position as a director of an affiliate of a shareholder of the Company, and determined that, notwithstanding this, it was satisfied this would not impair her independence. The Board has also put in place certain measures to avoid any potential conflict of interest which may arise.

Mrs L Jackson has been the Company's Senior Independent Director since 1 January 2021.

The Board considers the Senior Independent Director's role to provide an important channel through which shareholders can engage with the Company on occasions when alternatives to the normal channels through the Chairman and Chief Executive Officer are necessary. The Company's major shareholders are reminded that the Senior Independent Director is willing to meet with them if they wish. The Board also recognises the role played by the Senior Independent Director in providing counsel and feedback to the Chairman.

There is a clear division of authority and responsibility through the separation of the roles of the Chairman and the Chief Executive Officer.

Following a review undertaken by the Board in 2018 of its responsibilities, together with those of its Committees, its Chairman, the Chief Executive Officer and Senior Independent Director, revised statements of responsibilities, which have been effective as of 1 January 2019, are available on the Company's website.

Directors of the Company and its subsidiaries have the benefit of a Directors' and officers' liability insurance policy.

Board and committee proceedings

The Board acknowledges that it is collectively responsible for the success of the Company by providing entrepreneurial leadership, setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place, and reviewing management performance. A number of Committees carry out detailed independent oversight on behalf of the Board in relation to the audit of the Company, health and safety issues, the remuneration of Directors, appointments to the Board and the risks facing the Group.

The Committee structure underwent a change in 2021 to align it with best practice corporate governance (including the Code) in connection with Director remuneration. The Company's Non-Executive Directors' Remuneration Committee which oversaw the remuneration of Non-Executive Directors was eliminated and its responsibilities (except in respect of the Chairman's remuneration) were absorbed by the Executive Directors and Chairman acting within the Board itself, while the Remuneration Committee of the Board (previously named the Executive Directors' Remuneration Committee) became responsible for the Chairman's remuneration. Its terms of reference were revised to reflect the change.

In order to discharge these responsibilities, the Board and its Committees meet on a regular basis throughout the year. Again in 2021 in addition to its formal meetings, the Board also held regular informal calls typically on a fortnightly basis to monitor the Company's response to the impact on it of the COVID-19 pandemic.

In 2021, the Board held 11 formal meetings. Full details of the Board and Committee attendance are shown in the table below:

	S Good		R Helbing		R Cummings		J Burks ¹		C Cayuela ^{2,3}		L Jackson		R Mikkelsen ⁴		M Swift	
	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%
Board - 11 meetings	11	100	11	100	11	100	9	82	9	90	11	100	1	100	11	100
Audit Committee - 4 meetings	-	-	-	-	-	-	4	100	4	100	4	100	-	-	4	100
Remuneration Committee ⁵ - 6 meetings	6	100	-	-	-	-	6	100	5	100	6	100	1	100	6	100
Nomination Committee - 4 meetings	4	100	-	-	-	-	4	100	1	33	4	100	1	100	4	100
Health and Safety Committee - 5 meetings	5	100	5	100	-	-	-	-	-	-	-	-	-	-	5	100
Risk Committee - 4 meetings	-	-	4	100	4	100	-	-	-	-	-	-	-	-	-	-

1. Mr J Burks was unable to attend two Board meetings during the year. The meetings in question were arranged at short notice in response to particular issues and Mr Burks ensured that his views on the business of the meeting were communicated notwithstanding his absence.
2. Mrs C Cayuela stepped down from the Board on 30 November 2021.
3. Mrs C Cayuela did not attend two of the Nomination Committee meetings that specifically dealt with her departure.
4. Mrs R Mikkelsen joined the Board on 1 December 2021.
5. The Remuneration Committee was previously known as the Executive Directors' Remuneration Committee.

Board papers are generally circulated one week before the meetings. A comprehensive monthly Board Report including management accounts, in an agreed format, is also sent to Directors in a timely manner.

The Audit, Remuneration, Nomination, Health and Safety and Risk Committees, all appropriately resourced, met a total of 23 times during the year.

The Chairman and the other Non-Executive Directors met informally during the year via video calls, in the absence of the majority of face-to-face meetings due to the global pandemic, providing an opportunity to review the business without the Executive Directors being present and to scrutinise the performance of management against agreed objectives.

The Board has adopted a formal schedule of matters specifically reserved to it including:

- the setting of corporate strategy;
- approval of the annual budget;
- major decisions on capital expenditure; and other high-value contracts.

Composition, succession & evaluation

The report from the Nomination Committee describing its work in 2021 is set out below.

In line with the Code, each Director wishing to remain a Director is subject to election or re-election by shareholders at each AGM. All current Directors will stand for election at the 2022 AGM, including Mrs R Mikkelsen who will stand for election for the first time as a Director of the Company. As previously mentioned, the Directors' biographies set out on pages 70 and 71 describe the particular skills and experience that each brings to the Board and explains why the contribution of those standing for election is, and continues to be, important to the Company's long-term sustainable success. We have sought in particular to appoint Non-Executive Directors with food industry expertise and, as at the date of this Report, three Non-Executive Directors hold senior executive positions in global food and ingredients companies. All the Directors, with the exception of Mrs R Mikkelsen who joined the Company on 1 December 2021, have had their performance reviewed in 2021, as described below, and the Chairman is satisfied that each continues to be effective and to demonstrate commitment to the role.

Report from the Nomination Committee

The members of the Committee during the year were Mr S Good (Chairman), Mr J Burks, Mrs C Cayuela, until she retired from the Board on 30 November 2021, Mrs L Jackson, Mrs R Mikkelsen, who was appointed as a Committee member when she joined the Board on 1 December 2021 and Mr M Swift. The Company Secretary acts as Secretary to the Committee. In 2021, the Committee met formally on four occasions.

Diversity in practice

The Nomination Committee continues to oversee activities in support of the Company's commitment to promote and belief in the value of diversity in its broadest sense, particularly regarding new appointments and succession planning, across its management teams and employee base in general.

Having endorsed in 2020 a new Equality, Diversity and Inclusion Policy which prioritises a global mindset, diverse talent base, social mobility, inclusive leadership and equal opportunities, regardless of social identity, the Committee reviewed with the Company's HR leadership team progress against each of the priorities. The Committee also gave particular consideration as to how the benefits of greater diversity at the most senior level of the Company could be realised.

The gender balance of those in senior management and their direct reports as at 31 December 2021 is included in the Responsible Business Report at page 64. Included in its actions to promote greater balance at senior management levels, the Company has renewed its commitment to ensure shortlists for future vacancies include a diverse pool of candidates. It has also embarked on a Dignity At Work initiative which is expected to yield additional tangible measures.

Board evaluation

The Board evaluation was conducted in the Autumn and once more took the form of an online survey which each Director was invited to complete in order to elicit narrative responses to questions framed by the Principles and Provisions of the Code. Responses were summarised (and anonymised) by the Company Secretary prior to circulation to the Board to inform discussions between the Chairman and Directors individually and then between the Non-Executive Directors collectively, prior to a review by the entire Board at its meeting in December.

The Board identified amongst its priorities for the forthcoming year further consideration of the Company's longer-term direction, and activities to accelerate the Company's growth trajectory including greater focus on the recruitment and development of talent.

Audit, risk and internal control

How the Company applied the principles and corresponding provisions of the Code on audit, risk and internal control is set out in the Report of the Audit Committee on pages 78 to 80, the Report of the Risk Committee on page 77 and the Principal Risks and Uncertainties set out on pages 38 to 43.

Internal control

The Board of Directors, being ultimately responsible for the Group's system of internal control, has established an internal financial control structure which is designed to provide the Board with reasonable, but not absolute, assurance that it can rely on the accuracy and reliability of the financial records.

The structure, which is based on an assessment of material financial risks, can be described under the following headings:

Financial reporting

The Board approves each year an annual financial plan. This is underpinned by a 36-month rolling plan maintained through Integrated Business Planning processes, from which regular forecasts and monthly reports are generated and reviewed by the Board. The Company reports formally to shareholders twice a year, with at least two additional trading updates.

Operating controls

Financial and operational policies and procedures are set out in formal procedures manuals. Corresponding KPIs are tracked centrally. Business directors and senior financial staff are responsible for ensuring that all relevant staff are familiar with their content and application.

Treasury

Formal written treasury procedures are in operation, covering banking arrangements, hedging instruments, investment of cash balances and borrowing procedures. Individual staff responsibilities and levels of delegated authority in relation to treasury matters are defined.

Internal audit

The Company has an internal audit function, which has a reporting line to the Chair of the Audit Committee and also direct access to the Chairman of the Board. The internal audit function is also supported by external specialist auditors. The Audit Committee oversees a programme of internal audits and receives reports from this function at each Committee meeting.

Capital investment appraisal

The Company has clearly defined guidelines for the approval and review of capital expenditure projects, which include annual budgets and designated levels of authority.

Integrity of personnel

The Company has a policy on business conduct, refreshed in December 2020, which sets out specific requirements for all staff (and external partners) to meet the Company's standards of conduct and integrity in their business dealings.

The Board has reviewed the effectiveness of the system of internal control and considers that the Group has an established system of internal control which the Directors believe to be appropriate to the business.

Financial reporting

The Board acknowledges its responsibility to present a fair, balanced and understandable assessment of the Company's position and prospects. The Annual Report contains a Strategic Report on pages 1 to 69, including a Chairman's Statement, Business Review and Financial Review. The Board believes that this additional narrative sets the accounts in context and promotes a better understanding of the current status of the business and its outlook.

To ensure consistency of reporting, the Group has an established consolidation process as well as formal financial and operational procedures manuals. Management monitors the publication of new reporting standards and works closely with the statutory auditors in evaluating the impact of these standards.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 69, along with the financial position of the Group, its debt levels and borrowing facilities.

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of approval of this statement. For this reason, they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

Key factors to support the going concern basis of accounting include the following:

- As at 31 December 2021 the Group was operating within the £105 million (2020: £105 million) revolving bank facility negotiated in 2018 and due to expire in 2023, and the US\$75 million US private placement, completed in June 2014 and due to expire between 2024 and 2026, and related key covenants.
- Forecasts of profits and cash flow have been prepared which indicate that the Group is expected to operate within its key covenants and funding facilities for at least 12 months from the date of approval of the Financial Statements.

Remuneration

How the Company applied the principles in the Code on remuneration and addressed the corresponding provisions is set out in the Directors' Remuneration Report on pages 81 to 100.

Report from the Health and Safety Committee

This Committee was formed in 2009, reflecting the priority ascribed by the Board to health and safety matters.

The members of the Committee during the year were Mr M Swift, who chaired the Committee, Mr S Good, who joined the Committee on 1 January 2021, Mr R Helbing and Mr K Shoemaker, Group Supply Chain Director. The Global Health and Safety Manager also attends all meetings of the Committee.

The Committee has written terms of reference which can be found on the Company's website.

The Committee convened five times in 2021.

In 2021 the Committee has overseen the creation and implementation of a three-year Health and Safety Roadmap and Plan as the next phase in our programme to realise our aspiration to drive down health and safety risk and to mature our safety culture. The approach we have adopted is encapsulated by six 'Wildly Important Goals' which draw on existing pillars of the Company's safety framework: clear and comprehensive governance, accountability and behavioural safety. Progress on the Roadmap and Plan is reviewed at each meeting as is the safety performance of the Group. The Committee also receives and reviews reports on all serious safety incidents.

Report from the Risk Committee

A framework is in place to identify, evaluate and manage on a continuous basis the significant risks the Group faces and to identify emerging risks, in accordance with the Code and corresponding FRC Guidance. The Board established in 2010 a Risk Committee the members of which are the Executive Management Team and the Company Secretary. The Committee's purpose is to support the Board and Audit Committee by monitoring the comprehensiveness and reliability of risk management as part of a system of internal control and as an integral part of business management at the Company. The Committee does this under a remit and risk management policy which was updated in 2020 to codify best practice recommendations contained in a report externally commissioned in the prior year. Key elements of the Committee's remit are:

- **Assess and monitor**
To assess and monitor risk across the Group and to recommend mitigating strategies in respect of the key risks, consistent with the Company's risk appetite;
- **Risk Register review**
To review and update the Group's Risk Register at least twice per year, the output from which the Committee reports to both the Audit Committee and the Board, in order to assist them with their assessment of risk ahead of full year and half-year external reporting;
- **Process review**
To review the Group process for evaluating risk, ensuring that any major decisions affecting the Group risk profile are understood; any areas of concern are reported immediately; and business continuity/disaster recovery plans are reviewed at least annually; and
- **Business Functions Risk Register review**
To oversee the review by each Business Function at least twice per year of its own Business Function Risk Register and of any emerging risks, which informs the Committee's own assessment of risks for inclusion in the Group Risk Register.

In 2021, the Committee also sought input from the newly established Sustainability Committee, in its consideration of climate change risks.

The Board considered the work done by the Committee and the processes used to identify and manage risk and concluded that the approach taken remained proportionate and appropriate. The system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. The principal risks identified as part of the Group risk assessment process, and how they are managed or mitigated, are summarised on pages 38 to 43, while climate change risks are summarised in the TCFD report on page 45.

Share capital

The disclosures regarding the Company's share capital structure (required by paragraph 13(2)(c), (d), (f), (h) and (i) of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('SI 2008/410')) are included in the share capital section of the Directors' Report on page 101 of this report.

Steve Good Chairman

1 March 2022