PROVEN BUSINESS RESILIENCE DURING AN UNPRECEDENTED YEAR

Bakkavor Group plc
Annual Report & Accounts 2020







ADAPTING OUR BUSINESS FOR THE FUTURE...

THE WORLD HAS CHANGED

But together we remain resilient in response to one of the most challenging times in recent history.

OUR PACE OF RESPONSE

Making it happen comes down to our people and our values; enabling us to remain flexible and agile.

RISING TO THE CHALLENGE

We have proved we can rapidly adapt, we have evolved at pace and we will continue to adapt for future success.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

COMPANY INFORMATION

View and download our Annual Report at bakkavor.com

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2020 FINANCIAL HIGHLIGHTS

Group revenue
£1,793.5m
-4.9%

Adjusted operating profit[1]
£83.6m
-6.8%

Operating profit
£62.0m
-10.7%

Net cash from operations
£88.5m
-22.4%

Basic EPS
5.9p
-0.5p

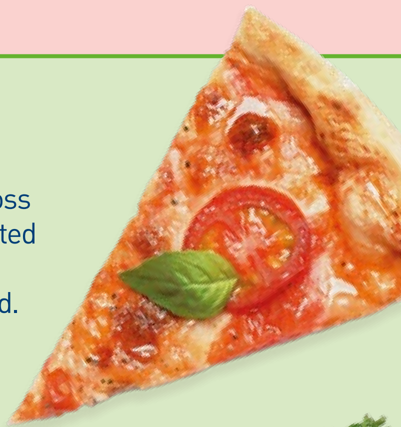
1 Alternative Performance Measures ("APMs"), including 'like-for-like', 'adjusted' and 'underlying', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory in Note 37 of the Notes to the Consolidated Financial Statements.

2020 OPERATIONAL HIGHLIGHTS

- Acted at speed to protect colleagues, support customers, and respond to changes in consumer demand created by COVID-19
- Scale, expertise and strong customer relationships served us well and remain key as we continue to grow our market share and further strengthen our leadership position
- Decisive actions taken in response to the pandemic to preserve cash, lower cost base and protect profitability, including a reduction in non-essential capex, temporary and permanent closures of food-to-go and salads sites, and simplification of ranges
- Improved operating margins in H2, through more stabilised trading, a strong US performance and strategic restructurings across all regions
- Strong financial position supported by over £200m of liquidity headroom with funding maturities now extended to 2025
- Continued to make progress towards our Trusted Partner strategy, with agreement to reach Net Zero in Group operations by 2040

WHAT'S INSIDE?

See how we have reacted to this year's challenges and how our dedicated team has adapted to continue our success as a business.



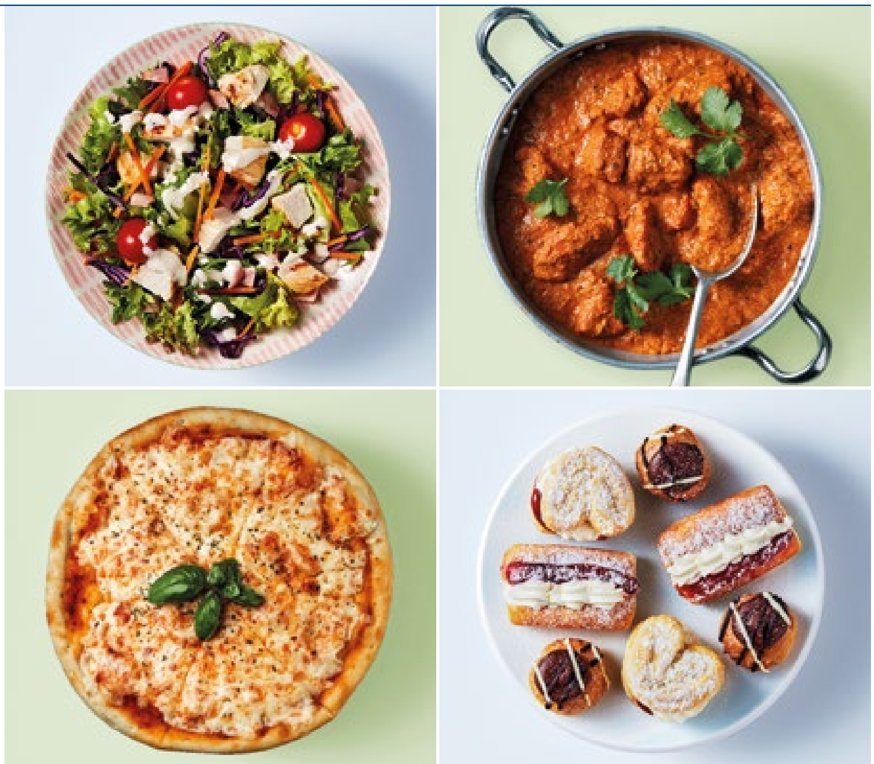
Who we are

WE ARE THE LEADING PROVIDER OF FRESH PREPARED FOOD IN THE UK, WITH A STRONG PRESENCE IN THE US AND CHINA.

Our core products

Our deep understanding of consumer food choices enables us to create innovative products that set us apart from our competitors.

We manufacture and market a wide variety of fresh prepared food, covering a range of categories including meals, desserts, pizza & bread and salads.



Our Corporate Responsibility strategy

Responsible sourcing in our supply chain

Sustainability and innovation in our operations

Engagement and wellbeing in our workplaces and communities

Read our Corporate Responsibility report on pages 42 to 65 →

Where we operate

UK

In the UK, we have 23 factories, four distribution centres and a head office in London.

Revenue	Adjusted operating profit[1]
£1,566.6m	£90.7m

87% of Group revenue

108% of Group adjusted operating profit[1]

Core products

Meals
Pizza & Bread
Desserts
Salads

Over 210 new products created in the UK this year

Around 1,700 products in our UK portfolio

Customers

TESCO, M&S, Sainsbury's, WAITROSE & PARTNERS, co op, ALDI, Morrisons, ASDA, ocado, LIDL

Read more on page 34 →

US

In the US, we have five factories, plus a head office in Charlotte, North Carolina.

Revenue	Adjusted operating profit[1]
£146.5m	£0.6m

8% of Group revenue

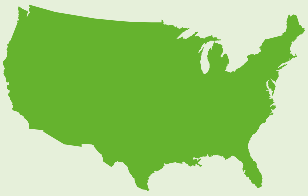
1% of Group adjusted operating profit[1]

Core products

Meals	Bread
Soups & Sauces	Dips

Over 130 new products created in the US this year

Over 300 products in our US portfolio



Customers

Harris Teeter, Breadeli, KNIFE X FORK, HOME CHEF

Read more on page 36 →

CHINA

In China, we have nine factories and one farm, plus our head office in Shanghai.

Revenue	Adjusted operating profit[1]
£80.4m	-£7.7m

5% of Group revenue

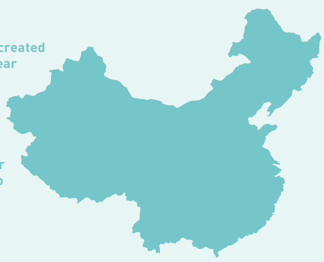
-9% of Group adjusted operating profit[1]

Core products

Food-to-go	Salads
Fresh cut salads	Bakery
Sandwiches and wraps	

Over 320 new products created in China this year

Over 600 products in our China portfolio



Customers

Yum!, KFC, COSTA, Pizza Hut, PRET, Starbucks

Read more on page 37 →

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PROTECTING OUR PEOPLE DURING COVID-19...

BY INTRODUCING NEW HEALTH & SAFETY MEASURES

We responded quickly and worked at pace. All our sites played their part, pulling together to demonstrate an incredible 'can-do' attitude, working to keep everyone safe.

BAKKAVOR COLLEAGUE WELLBEING TOOLKIT

We launched a Wellbeing Toolkit to support all our colleagues, offering updated advice on physical, emotional, and financial health. Through this we have continued to promote our Employee Assistance Programme.

ONSITE TESTING PROGRAMMES

We chose to test our workforce in Leicester, Newark, and Tilmanstone, with the majority of colleagues participating in the voluntary testing programme.

CHEESECAKE BOX TO PROTECTIVE VISOR

Using the windowed carton materials normally used to package our cheesecakes as inspiration for the design, we developed our own disposable visor for factory production staff. Concept to first delivery was 14 days with modification of three subsequent versions based upon colleague needs and feedback.

Thermal imaging camera

PUSHING OUR EXCEPTIONAL FACTORY STANDARDS EVEN FURTHER

15,000
colleagues pass through our thermal imaging cameras every day

70+
Documents and standards written and published on the Bakkavor Coronavirus Management System ("BCMS")

3.5m
visors have been produced so far

Our employee representatives went above and beyond to ensure that the new ways of working, including the COVID-19 controls, were clearly communicated, and adhered to.

The health & safety of our colleagues remains a top priority for the Group, which is why we implemented several immediate changes when COVID-19 began.

Increase in safety measures across all sites
We pushed our already exceptional factory standards even further, introducing a number of new measures to ensure everyone's safety during the COVID-19 pandemic. Thermal imaging cameras are now at all our UK locations, safety screens are standard practice across all our sites and we have installed hand washing clocks to ensure proper hygiene is maintained. To help maintain social distancing in staff areas, we have created larger spaces for break times.

SEF Ambassadors promote new controls
Our employee representatives went above and beyond to ensure that the new ways of working, including the COVID-19 controls, were clearly communicated, and adhered to.

Maintaining global supply chains for raw materials and PPE
We have also been heavily involved in making sure we have enough PPE and hygiene materials to keep our factories going and our colleagues protected.

WORKING CLOSELY WITH CUSTOMERS...

TO MEET A RISE IN DEMAND

By working closely with customers in all markets we will drive growth back into categories and we can pivot the business towards significant changes in food behaviour.

SIMPLIFYING EXISTING PRODUCT RANGES TO ENSURE SUPPLY

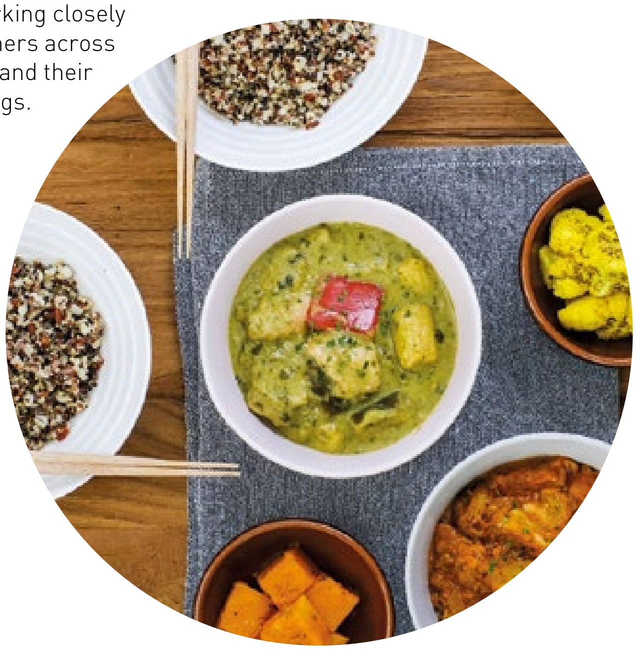
We redeveloped 30 products for customer sign off within two weeks to enable product transfers from our Cumberland site to Boston and Elveden. This allowed us to align volume to labour availability across the meals business as COVID-19 caused varying absence levels in the UK.

DELIVERING IN-HOME MEALS SOLUTIONS

Changing consumer demands have meant a growing need for meal solutions that can be delivered straight to a consumer's home. We have launched innovative meal ranges to our customers in the US and Hong Kong that deliver this.

SUPPORTING THE SHIFT TO ONLINE GROCERY

Shopping behaviours are changing as consumer demand for an online experience is growing. To support this trend, we are working closely with our retail customers across the Group as they expand their online product offerings.



Recently launched 'eat at home' meal range in Hong Kong

PIZZAS POPULAR DURING LOCKDOWN – RAPIDLY ADAPTING TO SHIFTING DEMAND

12
new raw materials at the Spalding site

5
days to introduce pizza manufacturing into Spalding Deli

Because of this, demand for pizzas increased and our sites worked together to produce the additional capacity our customers required.

Introduction of pizza manufacturing into Spalding Deli within five days.

Reacting quickly to rising demand
Consumers turned to convenient and familiar options during difficult times. This included attractive pizza meal-deals that proved to be especially popular with shoppers.

Creating additional capacity
In order to ensure we met customer demand, our Harrow site successfully transferred a complete manufacturing line to the Spalding Deli site within five days. This resulted in a significant increase in our weekly pizza volume capacity and has established Spalding Deli as a pizza supply site for two of our key UK customers.

Drive customers to core pizza ranges
During lockdown, we had to ensure continuity of supply at a time of considerable uncertainty and volatile demand, and therefore we drove customers to simplified pizza ranges. Throughout this period our service levels and products remained constant as we maintained the industry-leading levels that our customers have come to expect of us.

LEVERAGING OUR GLOBAL SUPPLY CHAIN...

TO DELIVER ON TIME WITH ZERO DISRUPTION

Robust and certain relationships with suppliers, and our local knowledge of supply base, allow us the flexibility to source alternative solutions where required.

LARGELY CENTRALISED FUNCTION PROVIDED SCALE AND VISIBILITY TO MITIGATE IMPACT ON INTERNATIONAL BUSINESS

Overseeing procurement at the Group level has helped ensure that our technical, commercial, development and operations teams across the US and China are kept informed about the challenges our supply chain has faced this year.

STRENGTHENING OUR RELATIONSHIP WITH FARMERS, GROWERS AND SUPPLIERS

We helped set up a collaborative platform called Food Farm Help, which recognises the challenges that smaller farms and producers face, as well as those specific to the food, agriculture, and horticulture industry.

We also supported two webinars through the Food Network for Ethical Trade ("FNET"): one for smaller food manufacturers with limited in-house resource to dedicate to tackling COVID-19 issues and another for farmers and growers.

750
suppliers

MANAGING COMPLEXITY TO ENSURE THE PROVENANCE OF OUR INGREDIENTS

There has been an incredible effort by our teams across the business as well as suppliers and hauliers to keep the supply chain moving.

Rolling out operational improvement projects
COVID-19 has been an unprecedented challenge but, despite this, there has been a huge team effort behind maintaining our supply chain with limited disruption.

Keeping food moving
There has been an incredible effort by our teams across the business, as well as suppliers and hauliers to keep the supply chain moving. Everyone has pulled together and worked cross-functionally to ensure the disruption caused by the pandemic was minimised.

Working closely with suppliers and hauliers
We micromanaged our way through some very turbulent times. One example of this was the sourcing of spices from India. In order to maintain supply levels, we had to initiate new supplies from Bulgaria and Morocco to ensure we didn't run out.

Complex supply chain
We make a diverse range of products across many product categories for a number of different customers. To do this, we source about 13,000 specific products from around 750 suppliers based in more than 50 countries. Factor in the number of different supply chains we use, and things get very complex.

50
countries

13,000
specific products from global suppliers

BY REACTING AT SPEED...

WE CONTINUE TO LAUNCH INNOVATIVE PRODUCTS

Our business never stands still and we have shown real resilience. We have continued to develop and successfully launch several new product ranges for our customers and we remain focused on driving growth back into our categories.

NEW INTERNATIONAL RANGES

Our international teams have whipped up a number of new innovations. In China, we're responding to the growing demand for plant-based foods by launching a range of dairy-free parfaits.

Our US team has developed a number of new additions to their chef-inspired meals range, later voted 'meals range of the year' by one of our key customers.

OUR BIGGEST LAUNCH WITH A KEY CUSTOMER

In partnership with a key customer, we launched Heat & Enjoy, a range of 38 tasty meals, desserts, and sides to 1,500 stores across the UK. Heat & Enjoy offers shoppers the ultimate takeaway experience, but direct from the store to their home.

Launch of parfaits with plant-based yogurt and fruits for a key customer in China

RESPONDING WITH INNOVATIVE PRODUCTS

The commercial and development teams have worked hand in hand to push boundaries to meet the growing demand.

Launching Yumnuts
Providing innovative products is at the heart of what we do. In 2020, we successfully launched seven flavours of Yumnuts by working closely with a significant customer to deliver a new hybrid of their iconic yum-yums and a doughnut. The launch included a multi-media campaign that spanned digital, in-store, print and TV.

Over performance in category
The in-store bakery market was significantly impacted by the changes to consumer behaviour as a result of COVID-19. Yumnuts has bucked the trend by being a complete disrupter to the fixture. Our customer has plans to increase investment in the brand in 2021.

New ways of working to meet growing demand
The commercial and development teams have worked hand in hand to push boundaries to meet the growing demand. This includes further innovation in 2021 on expanding the product range.

7
flavours of Yumnuts developed in 2020

38
products developed for our biggest launch with a key UK customer

> Coming in to work every day when COVID-19 was active in the community required courage and commitment, but our colleagues did it, and this is how we were able to keep the essential supply of food running and never let down our customers."

Simon Burke
Chairman

Last year, I talked about Bakkavor's resilience in the face of difficult market and operating conditions. Little did I realise how much this resilience would be tested in 2020, as, like so many other businesses, we faced huge challenges for which there was no handbook, no previous experience to draw upon and little time in which to decide what to do.

These results show just how well Bakkavor faced up to these challenges, however, this robust outcome for the year did not simply happen because our business model is resilient. Colleagues in every part of our business put in exceptional effort to achieve it. They acted swiftly to make our workplaces safer; they reorganised our factories to meet changed demand and allow for colleagues who had to be absent; they took the key commercial and operational decisions which protected the business and its finances; and they made sure that no matter what happened, we would adapt and cope.

Coming in to work every day when COVID-19 was active in the community required courage and commitment, but our colleagues did it, and this is how we were able to keep the essential supply of food running and never let down our customers. Many of our colleagues or their families were impacted by the pandemic and, saddest of all, we lost a small number of colleagues to the disease during the year. We remember them, and on behalf of the Board I want to thank each of our team members for the remarkable efforts they have made this year.

Of course, Bakkavor did not have to cope in isolation. We worked with all the parts of our supply chain, including customers, suppliers, distributors and hauliers, to adapt to the new conditions, and all of them showed great flexibility and pragmatism. We had support from the UK Government in various ways, and I want to acknowledge the very constructive and effective partnership we have had with Public Health England in managing our response to the virus.

Although it has dominated our lives for the past year, COVID-19 was not the only thing to happen at Bakkavor over the last 12 months. We have been very pleased with the contribution from the two desserts businesses we acquired recently, and are happy to say that these are now fully integrated into our UK operation. We also saw our major new business win in the UK meals category in 2019 get up to speed very smoothly.

The turnaround in the headline performance in our US business and the very positive trajectory it established during the year has been of particular importance for the Group. Investments made over the past few years are now showing returns and we are optimistic about the market opportunity and prospects for Bakkavor in the US.

We are relieved that Brexit has so far not caused material disruption to our business, but we are only at the beginning of this and we are well prepared for any challenges in the months ahead.

We have had some changes on our Board. Firstly, Peter Gates retired in December after 10 years as our CFO. Peter has been a crucial part of Bakkavor's journey over that time and, in particular, oversaw our flotation on the public market in 2017. We will all miss Peter's unflappability and his great sense of humour, even in the most stressful moments. On behalf of the Board, I thank him for all he has done for us.

We conducted an extensive search for his successor and were delighted when the outstanding candidate was one of our own team. Ben Waldron has worked with Bakkavor in a variety of financial and strategy roles and most recently headed our US business, where he takes significant credit for the turnaround in its performance.

OUR PURPOSE

To provide the high quality food that fast paced, modern living demands – allowing people to focus on what really matters.

OUR MISSION

To develop and produce innovative, commercially successful, great-tasting food that offers choice, convenience and freshness to people around the world.

OUR VALUES

Customer care

We are committed to supplying outstanding service, quality and value, never forgetting that our relationship with our customers is key to our success.

Innovation

We thrive on new challenges, looking for innovative ways to grow and improve our business further.

Can-do attitude

We encourage personal initiative and empower our people to make things happen. Our motivation comes from a determination to succeed in all that we do.

Teamwork

We believe everyone has a valuable part to play in the success of our business. We aim to communicate effectively and are committed to the highest standards of ethics and integrity.

Getting it right, keeping it right

We work to deliver the right results every time in the most effective way, providing value for our customers and stakeholders alike.

The Board also appointed Mike Edwards, our UK COO, to be one of its members. This recognises Mike's very significant contribution to the Group's success over many years and his role as the person responsible for our core UK business.

Amongst non-executive members, we said goodbye to Todd Krasnow and Sue Clark, who both stood down following the expiry of their terms of appointment. Each of them made a lively and valuable contribution to the Board and we wish them well. Umran Beba, who has had a most distinguished career around the world in the food and beverage industry, joined us in October and, more recently, we announced the appointment of Jill Caseberry, who has had an equally successful career in the UK food and drinks sector. In order to retain a majority of independent Directors, I need to appoint one more and this is currently in hand.

In terms of our wider community responsibility, last year we introduced a new strategy to broaden our sustainability goals and to make positive progress on the issues that matter most for our stakeholders. The Board is pleased with the progress made despite the wider challenges. Highlights include a comprehensive supply chain risk mapping, setting a goal for carbon emissions, a wide-reaching wellbeing programme and the launch of a new Inclusion and Diversity Policy. Details of our efforts can be found on page 60 and we are looking forward to building on our progress in 2021.

The Board has considered carefully the making of dividend payments. Having reviewed many possible options, we have decided that no dividends should be paid in respect of the 2020 financial year. The 2019 dividend, which was suspended at the height of the COVID-19 crisis, remains suspended.

We would certainly not wish to see another year like 2020, but I believe that Bakkavor has emerged from the past 12 months as a stronger business and in years to come will benefit from the changes we made at this time. I have no doubt that 2021 will present many challenges but I also have no doubt that we have the experience and track record to tackle them. Beyond the immediacy of our COVID-19 responses, the performances we have seen, both in the UK and especially in the US, mean that we can look to the future with confidence.

Simon Burke
Chairman
15 March 2021

BAKKAVOR'S RESPONSE TO CHANGING CONSUMER HABITS

The COVID-19 pandemic has had a profound impact on global shopping and consumption habits in both the grocery and foodservice markets. Most significantly, consumers shopped in-store less frequently but increased their basket size, shopped online more and, with the inability to eat out, sought convenient in-home meal experiences.

We responded quickly to these changing social dynamics by working closely with our customers and suppliers to ensure that we met consumer demand.

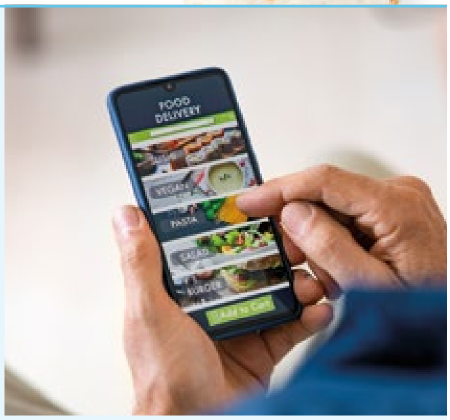
Below we have expanded on the key trends which have arisen or became more prominent in 2020 and how we responded.

BIGGER FOOD SHOPS DUE TO FEWER VISITS AND A BOOM IN ONLINE DELIVERY

Adjusting to a year of self isolation and ongoing restrictions, consumers heeded government warnings by only making vital trips from the home. With food shopping, this resulted in people doing bigger food shops as they cut back generally on the number of times they left the house. There was also a sizable uplift for online grocery, with 21% of households buying their groceries online.

Despite an overall decline in UK sales, Bakkavor benefitted from growth in online sales across all of its strategic customers as they expanded their product offering online and responded to increased demand for more home delivery. Our online sales performance was supported in the UK through the integration of Ocado with M&S, as well as our investment in enhancing our digital presence with an increased number of visual banners and prompts to tempt consumers to buy our product ranges. In China, we expanded our retail offering by launching several new ranges with a significant customer online.

In the US, there was a similar trend taking place, with consumers moving towards online meal kit businesses and prepared meals delivered directly to home. We responded to this by developing our first ever fresh prepared meal range for our customers' online platform, and working with direct to consumer meal companies. Sales have increased significantly and Bakkavor USA has been rated as a top supplier.



21%
of households now using online shopping

41.9%
increase in the number of digital grocery buyers in the US

9.5%
increase in online fresh grocery shopping in China

MEAL OCCASIONS MOVE FROM THE RESTAURANT TO THE HOME

Two other seismic changes arose from COVID-19: the closure of restaurants, and also government advice for people to work remotely if they could. This made the home the key focal point for meal occasions, with consumers re-inventing dining-out experiences for the home. These changes have meant a significant drop in demand for our food-to-go products however Bakkavor was quick to respond to customer needs on both fronts.

The new era of more meals at home resulted in strong growth for versatile food products that are able to meet multiple meal occasions and is reflected in the popularity of items such as chilled breads and stir-fry products.

For long periods of 2020, when pubs and restaurants were closed, many households tried to replicate the 'eating out' experiences they missed during the ongoing restrictions. In the UK, Bakkavor's pizza category was well placed to benefit from increased consumer demand and our innovative product launches, such as the Heat & Enjoy range, enabled us to deliver upon the consumer need for great value and easy meal solutions that deliver the eating out experience at home.

In the US, we saw growth in family size meals as consumers sought to re-create that restaurant experience in-home. This is a new category for our US business, which continues to see significant growth across many of our customers. Our Bakkavor USA team has responded by launching nine unique fresh prepared meals in a family style format across two of our largest customers.

46%
of the UK were working from home at the height of the spring lockdown

270m
more meal occasions taking place in the home

86%
of Chinese consumers are more likely to eat at home

DIFFERENT WELLBEING NEEDS BUT THE SAME DESIRE FOR PREMIUM PRODUCTS AND CONVENIENCE

The strain of lockdowns has resulted in two different lifestyle trends to personal wellbeing, with consumers either turning to familiar, indulgent comfort foods and treats or wanting to improve their mental and physical stamina through healthier food choices and exercise. Common to both approaches however, is people's desire for convenience options and sales of premium fresh prepared products in particular have grown ahead of the market in the UK.

Consequently, we have launched a number of new innovations to meet this desire across our categories, developing a twist to our popular products using our unique manufacturing capabilities.

These have included an indulgent 'tiramichoux', stonebaked pizza 'thins', a range of yogurt cheesecakes and a new range of meals that transform the traditional ready meal through the inclusion of more fresh vegetables.

In China, we have continued to innovate in this area by launching a range of plant-based and dairy-free parfaits to help drive volume for a significant foodservice customer and in the US we developed an array of premium and fresh prepared meals for one of our key customers.

7%

increase in sales of premium FPF products as consumers trade up for greater meal enjoyment

A CONSCIOUS CONSUMER MORE MINDFUL OF SPEND, MEAL PLANNING AND REDUCING WASTE

Economic uncertainty has driven consumers to stretch their household budgets and be more careful of their spend. We have seen an increase in the meal planning associated with bigger basket shops and a mindful awareness of managing budgets when shopping, with retailers responding by moving towards lower retail prices and targeted promotions. The £10 Pizza Co meal deal and launch of the Heat & Enjoy range are good examples of this.

Consumers are increasingly conscious of food waste, due to being more cautious with their spending and more aware of their personal impact on the environment. We are also aware of our responsibility to tackle waste and have delivered a number of initiatives, including the launch of a new variety of lettuce which provides the consumer with a prolonged shelf life – extending quality for a longer period of time, and the development of Perfectly Imperfect Garlic Slices Ends, a product that makes the ends of loaves into a unique product when it would otherwise be thrown away.

To learn more about our CR strategy, read pages 42 to 65.

LOOKING AHEAD

COVID-19 has had a dramatic impact on consumer behaviour and we believe these changing social dynamics are driving lifestyle trends that will continue to affect the way we shop and the food we eat. At Bakkavor, we are responding to consumer desires by providing our customers with market leading innovation through a consistent stream of new products.

A PROVEN MODEL FOR COMPETITIVE ADVANTAGE

Consumers are at the heart of what we do: our deep understanding of the food choices they make enables us to create and make innovative products for our customers that set us apart from our competitors.

What sets us apart

Market leadership
Clear leadership in the UK FPF market and across our product* categories.

Operating at scale
Proven operating model of managing complexity and ability to manufacture short shelf-life products at scale.

Long-standing relationships
Strong and long-standing customer relationships in all our markets.

Insight and innovation
Ability to provide both customer and consumer specific insights to drive innovation.

Investment in food safety
Track record of, and investment in, food safety.

Financial track record
Resilient financial profile and sustainable track record for organic growth.

*Market leader in meals, pizza & bread, salads and desserts.

Our value creation model

Our value creation model is driven by our culture that is centred around our values...

OUR VALUES

Customer care

Can-do attitude

Teamwork

DELIVERING QUALITY, CREATING VALUE

Insight and Innovation

We use insights gained through our analysis of consumer research and data, as well as our knowledge of food trends sourced from around the world, to build a good understanding of what consumers want.

Our teams of chefs and product development experts continuously create and test recipes and work collaboratively with our commercial and marketing teams to ensure products taste great, are commercially viable and reinforce our market-leading positions.

Dedicated teams and plans

We recognise that our relationships with customers and the service we provide are key to our success.

As a specialist in private label food, we are committed to protecting and developing our customers' brands as though they are our own.

We have dedicated teams, each with differentiated plans, that work with our strategic customers and ensure we meet their exacting standards.

Procuring and planning

Our procurement teams work with selected approved growers and suppliers to source raw materials that meet the quality standards required to produce our products, in the right quantities at the right price. They buy from more than 50 countries, with no single supplier accounting for more than 5% of total UK supplier spend.

Our planning experts ensure we can produce, deliver and meet the daily orders of our customers by analysing product demand and planning production accordingly. As well as raw material planning, this also involves efficient labour planning across all our sites.

Our business model is underpinned by...

CORPORATE RESPONSIBILITY

Responsible Sourcing

> Our factories are operational 24/7, 364 days a year, providing approximately 1,700 different short shelf-life, high-quality products to customers every day."

Mike Edwards
Chief Operating Officer, UK

Stakeholder value creation

Innovation

Getting it right, keeping it right

Focusing on customer service and continuously creating and making food that is both commercially successful and meets consumer demand is what drives our business and what creates value for our stakeholders.

Complex manufacturing

Our factories are operational 24/7, 364 days a year, providing approximately 2,600 different short shelf-life, high-quality products to customers every day.

We operate a 'just-in-time' model, using fresh raw materials to produce only what is required to meet our daily orders and we have a proven ability to deliver against our own exacting service level standards.

Essential to the success of our model is our logistics expertise in managing our inbound and outbound supply chain. Raw materials are supplied to our factories and finished products are delivered on time through our distribution centres to our customers' depots.

Food safety excellence

We manufacture food that is not only great-tasting for consumers, but also meets the highest standards of safety.

Sites are audited regularly, often on an unannounced basis, by internal food safety experts, customers, and independent bodies for compliance with food safety standards. All of our sites have received a BRC AA+ or A+ grade.

Across the Group, we employ almost 700 food safety professionals.

In the UK, we conduct over 1,500 in-house microbiology and chemistry tests every day in our own laboratories.

Sustainability and Innovation

Engagement and Wellbeing

CUSTOMERS

Partnering with our customers to develop a diverse, innovative and on-trend product range to drive consumer demand.

SUPPLIERS

Collaborating with our suppliers to promote responsible sourcing and food safety excellence so that we all benefit from growth and innovation.

INVESTORS

Offering open communication with our investors, explaining our strategy and performance at regular intervals.

COLLEAGUES

Providing an engaging learning environment and rewards to attract and retain our colleagues.

COMMUNITIES

Investing in our communities, working collaboratively to promote the sustainable growth of the food industry.

ENGAGEMENT AND DECISION-MAKING – HOW DOES THE BOARD HEAR STAKEHOLDER VOICE?

Stakeholder priorities

Our approach

The Board is responsible for leading stakeholder engagement, ensuring that we fulfil our obligations to those impacted by the business. Considering the impact of our decisions on our stakeholders is not only the right thing to do, but it is fundamental to our ability to deliver value creation and create a long-term sustainable business. During a year in which we have experienced a major global pandemic, balancing the needs of our stakeholders has been an important and challenging task.

Our stakeholders are identified in the following five categories. We have provided an overview of their interests, their concerns and the way in which the Board acted with regards to these groups when taking important decisions and delivering against the strategy during the year.

CUSTOMERS

Our customers include all the well-known UK grocery retailers as well as some of the world's best-known international food brands. Ensuring our customers are central to our decision-making is critical in delivering on our strategy. This year, particularly in light of the challenges presented by COVID-19, we have focused on maintaining our supply, minimising disruption and providing our usual high standards of service. Working closely with our customers we simplified our ranges, reduced SKUs and shifted production between our portfolio of sites to ensure availability of our product during this difficult period. We have also maintained close engagement with our customers on our high technical standards as we made operational changes in line with government guidance.

Priority

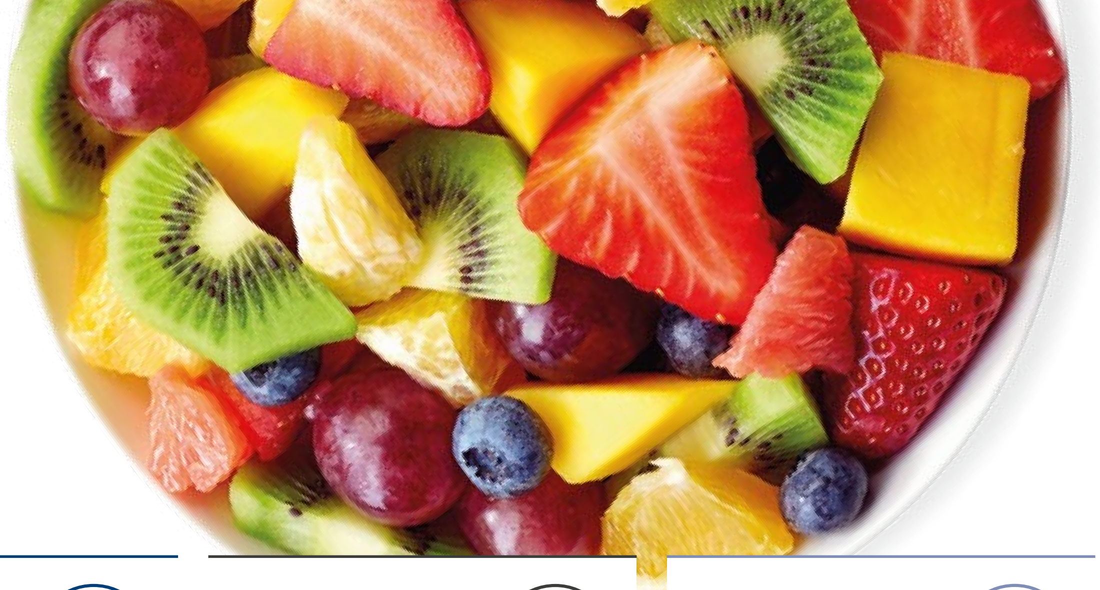
Minimise disruption due to COVID-19, ensure responsiveness to customer needs and manage availability of labour and raw materials to help meet demand.

SUPPLIERS

We have a global base of suppliers with whom we collaborate closely, including in areas such as responsible sourcing and detailed Brexit-related planning. Our long-term partnerships with over 750 suppliers are an important factor in our ability to innovate and add value. In the year, COVID-19 presented us with major challenges and our global supply chain platform and trusted partnerships with suppliers enabled us to minimise disruption and ensure continuity of supply.

Priority

Minimise disruption due to Brexit and COVID-19, utilise global sourcing platform and supplier relationships, and ensure availability of labour and raw materials to help ensure continuity of supply.



INVESTORS

Engagement with our investors is an ongoing process centred around our financial reporting calendar. Due to COVID-19, our engagement has been predominantly virtual: through the webcast of our results presentations and online roadshows, our AGM, calls with current and prospective investors, and through a range of shareholder specific communications issued by email. Examples of subjects discussed with them during the year include the refinancing of the Group's debt facilities and, following the COVID-19 outbreak, details of mitigating actions taken including the suspension of dividend payments, a reduction to non-essential capex and the removal of formal external financial guidance.

Priority
Deliver sustainable profitable growth over the longer term.

COLLEAGUES

We have over 19,000 colleagues located in 45 locations across the UK, US and China. They are the heart of our business and incorporating their views into our Board decision-making is essential as we further define our culture and deliver against our strategy. Feedback, suggestions and concerns from colleagues across the business can be communicated through our Site and Group Employee Forums, via our Speak Up line and through our Employee Board Representative. The Board receives regular updates on the topics discussed through these channels. During the pandemic, the Group has focused on further prioritising the health, safety and wellbeing of all of its colleagues across the Group and implemented a number of additional controls and enhanced safety measures. The Group also launched its employee wellbeing programme to offer colleagues emotional, physical and financial support.

Priority
Provide a safe and inclusive place of work and ensure worker voice is part of the Group's decision-making.

COMMUNITIES

Preserving the links we have in the communities in which we operate is an important factor in the Board's discussions and has helped shape our Trusted Partner Corporate Responsibility strategy. We continue to focus on reducing our environmental footprint and taking measures to tackle food waste, increasing resource efficiency, reducing emissions and addressing the impact of packaging. During the year, we announced two site closures in our UK salads category due to business losses and lower consumer demand for these products. We recognise the sensitivity of these issues among those colleagues and local communities impacted by these decisions and careful management of the process is a focus for the Board.

Priority
To be a 'Trusted Partner' in the community, to contribute to society as a whole, and to act responsibly and with integrity.

Section 172(1) reporting

Our Board has a duty to promote the success of Bakkavor for the benefit of its members as a whole. In doing so, the Board must have regard for the interests of our colleagues, our suppliers and customers and shareholders, for the impact of our operations on the community and the environment, and for maintaining our reputation for having the highest standards of business conduct.

The following pages comprise our Section 172 statement, setting out how the Board has, in performing its duties over the course of the year, had regard to the matters set out in Section 172(1) (a) to (f) of the Companies Act 2006. We have also included in the following sections of our Annual Report how we have taken the view of our stakeholders into account when making key decisions during this year:

- Board activities, see pages 92-96
- Corporate Responsibility, see pages 42-65
- Our response to the COVID-19 pandemic, see pages 4-5, 74-77, 98-99
- Throughout the Strategic Report, see for example, pages 4-11, 30-37.

Strategic decisions

During the year, as the Board made strategic decisions, including in response to the global COVID-19 pandemic, the interests of our different stakeholder groups, and the impact of key decisions upon them, were considered.

The following pages provides some examples of these decisions:

1 Protecting our people by increasing our health, safety and wellbeing controls in response to COVID-19

- With approval from the Board, the Group spent approximately £9.3 million on health and safety supplies, services and equipment, such as visors, protective screens, additional signage, temperature scanners and deep cleaning across all our sites. The Board was also engaged on a number of other initiatives from across the Group. This includes the online portal 'Bakkavor Coronavirus Management System' to provide clear and detailed communication to our colleagues and to ensure that we continue to maintain safe ways of working. The additional hygiene controls implemented contributed to increased water consumption levels and increased non-food waste (such as face visors and masks). The decision was taken to approve the controls as a necessary priority and to continue to look for resource efficiency savings in other operational processes
- Several colleagues from across the business worked in close cooperation with various regulatory bodies including the UK Government and Public Health England, our colleague site representatives and trade unions to consider the views of our stakeholders and to help maintain a safe working environment. We worked with the NHS on a voluntary testing programme at Leicester, Newark and Tilmanstone, with the majority of staff participating in the programme
- Our central technical team worked with site management to classify our 'vulnerable' and 'extremely vulnerable' colleagues to make certain they were able to work in the safest environment possible. This included working from home or if this was not possible, we made provisions to ensure they were in a role that allowed them to be socially distanced from others
- Recognising the strain posed by COVID-19, Group HR launched the Bakkavor Wellbeing Toolkit to offer support to our colleagues during the COVID-19 crisis whether emotional, physical or financial in nature
- In Hong Kong, local management developed a coronavirus policy aimed at identifying risk areas early on to prevent cases in the workplace. This included twice daily temperature checks, mandatory quarantine and testing in the event of symptoms or close personal contact, mandatory wearing of masks, increased sanitation of touch points and monthly antiviral spraying of the factory and offices
- The US followed similar protocols as our UK and China colleagues. This included the introduction of strict social distancing, enhanced hygiene measures, temperature checking across all of our sites, as well as contact tracing measures to protect our people and embedding support for vulnerable colleagues
- The Group also made provisions for office-based employees to work from home wherever possible and continues to monitor guidance in this respect, both nationally and locally. This being said, Group HR has also engaged with our UK office-based colleagues by conducting a Ways of Working survey after the first few months of lockdown. The results yielded a desire for more flexible ways of working on a permanent basis, which have already begun to be implemented as offices reopened, albeit before the latest lockdown, in September

Key

Customers · Suppliers · Investors · Colleagues · Communities

2 Minimising operational disruption in response to COVID-19 to maintain high service levels

- In China our Wuhan site and Taicang bakery were forced to close for a short period, however we maintained customer service levels in difficult circumstances at our other sites
- Across the Group, we proactively engaged with our suppliers and customers to review the potential risks within our supply chain because of the COVID-19 outbreak. This included detailed analysis on where the ingredients and chemicals in our products are sourced and finding alternatives as COVID-19 restrictions moved around the globe. We also leveraged our in-house Inbound Logistics team, where we source directly from farmers, enabling us to operate the supply chain with greater visibility and control
- In order to realign our capacity following a sharp drop in demand for food-to-go products, we temporarily closed our Bridgeness site in the UK. As demand for these products started to return, the factory subsequently reopened
- Working alongside our customers, we postponed certain new product launches and simplified existing ranges to help ensure continuity of supply at a time of considerable uncertainty and volatile demand
- In the US, a short-term shift in consumer habits away from fresh products towards the frozen and ambient aisles temporarily impacted demand in the spring. In particular, this impacted our bakery in Charlotte which we temporarily closed but subsequently reopened
- We made use of the government funded Job Retention Scheme (Furlough) to support impacted colleagues in the UK, as well as other government financial support supplied in China

3 Reviewing our UK salads category to protect long-term profitability

- The Group's UK salads category is highly exposed to volatile weather conditions, impacting both supply and demand. In 2019, the Group communicated its ongoing strategic focus in salads following a reduction in demand in recent years and pressure on return margins in this category
- Due to these pressures, combined with a significant loss of business, our UK salads sites at both Alresford and Spalding entered into consultation with the colleagues employed there and subsequently closed as we took steps to protect our long-term sustainable profitability and margins. This was a difficult decision that Bakkavor did not take lightly. Having reviewed all possible options, there was no alternative proposal during the consultation processes that would provide a viable solution to the challenges faced at each site. Following the consultation process, Bakkavor worked closely with employee representatives to support those impacted by trying to secure alternative roles within the business
- In order to support our customer offerings in this category, products that the Group will continue to manufacture following closure of these sites will be transferred to other Bakkavor Salads sites
- The site closures will unfortunately mean a loss in local outreach and charity initiatives that our employees frequently organised in the community
- The closure of operations at Alresford was closely monitored in co-operation with the Environment Agency due to an enquiry and historic legacy issue around facilities for pesticide run-off

4 Focusing on cost control and strengthening our financial position

- In March, the Group replaced its existing £410 million term loan and revolving credit facilities due to mature in June 2021 with new bank facilities totalling £455 million maturing at the earliest in March 2024. This refinancing ensures that the Group has the necessary liquidity available to execute its long-term strategic plans. The interest margin on the new facilities is also linked, and therefore aligned, with two of the Group's Corporate Responsibility targets: performance against food waste reduction and greenhouse gas emission target. The use of debt rather than equity funding also helps to ensure that all shareholders can benefit equally from the delivery of the Group's strategy
- In response to the COVID-19 outbreak, the Group made the difficult but necessary decision to suspend dividend payments to shareholders and reduce expenditure on all non-essential capital projects. These decisions were made after considering the important need to preserve cash and liquidity in the face of considerable trading uncertainty arising from COVID-19
- Our Management Board and Board of Directors took a voluntary salary reduction for three months during the outbreak and CEO Agust Gudmundsson and Non-executive Director Lydur Gudmundsson took no salary during the same period
- The Group has reviewed its operational cost base in each region, including central functions, and restructured activities to ensure that they are fully aligned to our customers' requirements. Where this has necessitated redundancies, we have worked closely with those involved to try and help them to secure alternative roles within the business

5 Developing our digital capabilities

- Bakkavor is undergoing a digital transformation in order to ensure we are fit for the future. We have rapidly adapted to working remotely during the COVID-19 pandemic by expanding the use of our video conferencing services with over 120,000 virtual meetings conducted last year. In addition to this, we are in the process of expanding our intranet portal to more of our international colleagues
- We continued to invest in projects that ensure Bakkavor delivers a best in class operational model. This includes a new automated system to 'live' record factory efficiency and performance data, which is being piloted at four of our sites, with the aim of rolling out the new system across the Group
- We have developed our cyber security training for office-based employees by making use of our e-learning platforms to enable mandatory courses in ransomware and practical applications to cyber security
- We are investing millions to integrate all HR systems into one unifying platform called SuccessFactors. It will help simplify HR processes for managers and allow employees easy mobile access to the information they need

6 Mitigating risk for the upcoming Brexit disruption

- To prepare for Brexit, we gained Authorised Economic Operator (AEO) status for both clearance and security to demonstrate our high customs administration standards and expertise
- Investments in our ERP systems, including direct links to the customs systems, enabled us to start efficiently clearing rest of the world imports and will be used to clear EU imports post-Brexit
- We recruited and trained staff to take responsibility for clearing and freight forwarding all our imports from the rest of the world. This team has now been further expanded with staff in both Spain, an important source of salads for us during the winter, and the UK. They will take on the task of clearing and freight forwarding all our imports coming direct from EU suppliers in 2021 and beyond, thereby avoiding dependence upon third-party clearance agents who will be a scare resource post-Brexit
- Our UK procurement operations have been restructured to focus all orders for direct EU imports through one central team to ensure our administration post-Brexit is as efficient as possible
- To protect our export business to Northern Ireland and the Republic of Ireland we have worked with our major customers to develop our joint supply chain systems to reflect the new border control arrangements

Key

Customers Suppliers Investors Colleagues Communities

7 Strategic support to deliver our 'Trusted Partner' commitments

- **Inclusion and Diversity (I&D)** – Umran Beba was appointed to the Board during the year. She brings a wealth of experience in the area of workforce diversity and employee engagement. This experience will help strengthen and support Bakkavor's long-term commitment to I&D initiatives. This includes the launch of our formal Inclusion and Diversity policy that aims to build a workforce representative of our society and champion equality in the workplace through understanding other people's point of view and treating everyone with respect, including an awareness of different cultures and customs and a broadening of individual perspectives
- **Climate change strategy** – We have continued the roll-out of our UK-wide refrigeration system upgrade, replacing existing F-gas systems with ammonia glycol-based alternatives, which have a significantly lower global warming potential and will help us reduce our carbon and energy footprint. Some sites have also been upgraded with heat recovery systems, making use of 'waste' heat to provide hot water and reduce energy consumption. Further upgrades will continue across our UK sites in 2021
- **Supporting our local communities** – Bakkavor colleagues from across the world have taken proactive steps to help charities, frontline key workers and the vulnerable. For example, Bakkavor USA's 'Food Heroes' have worked with a key customer to supply more than 100,000 meals through Thanksgiving and Christmas to food banks and hunger relief organisations. Our colleagues in China and Hong Kong worked with a retail partner to deliver over 20,000 sandwiches to a hospital in Shanghai and donated 6,000 loaves of bread to support the local community and help address food shortages. Similarly, across the UK, food banks, care homes, hospitals, schools, police stations, the elderly and vulnerable, and charities have all benefitted from the kindness of Bakkavor's 'Food Heroes'

8 Developing our leadership

- Various leadership changes will help put Bakkavor in a great position to prosper in the future. Ben Waldron, the former President of Bakkavor USA, replaced Peter Gates to become Chief Financial Officer and Executive Director on the Group Board. Along with a strong finance background, Ben has a deep understanding of our international business and opportunities for growth moving forward. Ben was succeeded as President of Bakkavor USA by Pete Laport, who brings a wealth of experience, having held various management, operational and commercial roles within the food industry. Lastly, our Chief Operating Officer UK, Mike Edwards was appointed as an Executive Director to the Group Board in recognition of his exceptional efforts since taking on this role in 2014 and, more recently, with his leadership during Brexit uncertainty and our response to COVID-19
- Donna-Maria Lee expanded her role to become our Chief People Officer in January 2021. Along with her current responsibilities, Donna-Maria's remit will also include Corporate Responsibility (CR). Her efforts to create a progressive working culture and deliver a strong people agenda reinforce her commitment to delivering against our Trusted Partner strategy
- In partnership with Lane4 and Fieri, experts in people performance, we launched our new Leadership Development Programme in late 2020. Completely tailored and bespoke to Bakkavor, it involves industry-leading learning. This includes workshops on resilience and managing change, which are supported by a range of online tools and resources

DELIVERING LONG-TERM GROWTH

The Group's core strategy of delivering long-term sustainable growth is focused on developing its businesses in the UK and internationally, while continuing to improve operational efficiency.

1

Leveraging number one position in the UK

Bakkavor's strategy in the UK is to leverage its number one position in the fresh prepared food market to profitably grow the business and generate value for all stakeholders. We do this by:

- Strengthening partnerships with existing customers
- Exploiting insight, innovation and breadth of capability
- Pursuing strategic investments to accelerate growth and improve returns

2

Accelerating growth in high-potential international markets

Bakkavor has a strong and growing presence in the two largest food markets in the world, the US and China, where the Group has operated for over 10 years. We leverage our UK expertise to support our local teams and continue to deliver growth. Our focus is on:

- Developing strategic customer partnerships
- Establishing leading positions in key fresh prepared food categories with a view to providing nationwide supply
- Investing in new capacity and capability to support growing demand

3

Improving operational efficiency

Bakkavor continues to invest in operational efficiencies across the Group to support its strategy and to help offset margin pressures across the business. We do this by:

- Investing in automation, people training and continuous process improvement
- Reviewing our footprint and business value chain to identify efficiency opportunities
- Sharing best practice across the business

172 Reporting see page 20 →

Our Corporate Responsibility: Trusted Partner

Responsible sourcing
in our supply chain

Sustainability and innovation
in our operations

Engagement and wellbeing
in our workplaces and communities

In 2020, the Group has been impacted by the COVID-19 pandemic. Our current focus is safeguarding our people and minimising business disruption.

Read more on pages 4-5, 74-77, 98-99 →

Key Trusted Partner commitments

- Work towards our Champions 12.3 target of halving food waste by 2030
- Support The UK Plastics Pact's goals of eliminating problematic plastic packaging, using only recyclable/compostable packaging and at least 30% average recycled content in plastic packaging by 2025

Associated risks

- Food safety and integrity
- Reliance on a small number of key customers
- Labour availability and costs
- IT systems and cyber risk
- Health and safety
- Recruitment and retention of key employees
- Strategic growth and change programmes
- Brexit disruption
- Disruption to Group operations
- Sustainability
- Consumer behaviours and demand
- Competitors
- Legal and regulatory
- COVID-19 pandemic

x4

Bakkavor's share in the UK fresh prepared food market is four times that of the second largest player

Key Trusted Partner commitments

- Increase the use of recycled and recyclable materials in packaging for our US and Asia businesses where possible, by sharing manufacturing expertise and access to materials
- Expand our supplier management tools to our US and Asia businesses to conduct a combined environmental and social risk mapping by 2022

Associated risks

- Food safety and integrity
- Labour availability and costs
- IT systems and cyber risk
- Health and safety
- Recruitment and retention of key employees
- Strategic growth and change programmes
- Disruption to Group operations
- Sustainability
- Competitors
- Legal and regulatory
- COVID-19 pandemic

50%

Bakkavor USA ready meals sales increased by over 50% in 2020 and were voted "range of the year" by our customer

Key Trusted Partner commitments

- Achieve Net Zero carbon emissions across our Group operations by 2040
- Demonstrate a continued commitment to H&S measurement and performance improvement, targeting zero serious accidents across the Group

Associated risks

- Food safety and integrity
- Raw material and input cost inflation
- Reliance on a small number of key customers
- Labour availability and costs
- Recruitment and retention of key employees
- Strategic growth and change programmes
- Treasury and pensions
- Disruption to Group operations
- Sustainability
- COVID-19 pandemic

£10m

invested in our new automated manufacturing system to increase productivity across our UK production sites

1

Leveraging number one position in the UK

What we have achieved

- Maintained our number one position in the UK fresh prepared food market attributable to our leadership in innovation, diversified product portfolio and swift rebalancing of capacity across the business to better serve changing consumer needs
- Protected our colleagues through enhanced safety standards and additional controls in our factories and offices across the Group, and delivered an online portal and one-stop shop for all health and safety advice
- Maintained industry-leading service level, despite the impact of COVID-19 on our supply chain and operations, by implementing an agile decision-making process and collaborating more closely with our customers and suppliers
- Protected our financial stability by focusing on cash, taking dynamic action to manage volatility and reshaping the business for future growth
- Established and implemented a robust plan to mitigate the risk of Brexit through investment in capabilities, information systems, inventory, centralisation of ordering and workforce review
- Launched an Inclusion and Diversity Policy to progress our workplace culture and provide further opportunities for employees to develop and succeed
- Issued zero FSA food safety and allergen recalls

2

Accelerating growth in high-potential international markets

What we have achieved

In the US:

- Despite the impact of COVID-19, restored business profitability by reducing complexity, leveraging our recent investments and building on our core capabilities
- Delivered strong growth and margin improvement in the ready-meals and bakery categories from our sites in California, Texas and North Carolina
- Reorganised and strengthened the organisation around a new leadership team
- Established new customer relationships focused on select retailers and online suppliers to grow our sales

In China:

- Maintained continuity of supply and best-in-class service levels for our customers, including sustained investments in new product development
- Continued to invest, delivering increased capacity, operational efficiency and production capability, with the new replacement factory in Wuhan complete and the commencement of works at the new site in Xi'an
- Grew sales and profitability of our bakery operation in Shanghai and expanded its capacity to satisfy growing demand

3

Improving operational efficiency

What we have achieved

- Rationalised our product range to support our customers during lockdowns and maintain profitability though streamlined operations
- Reviewed the footprint of our UK salad business in response to changing consumer demand and loss of a contract, leading to the closure of our site in Alresford and a factory in Spalding
- Started the roll-out of a new operations management system across our UK sites to increase control over our factories and highlight opportunities for efficiency gains
- Reduced our cost base by reducing discretionary expenditure and restructuring our management and support structures across the business
- Extracted further synergies and efficiencies across our UK desserts business by completing the integration of our recent acquisitions and rationalising capacity

Future focus areas

- Leverage our strong customer relationships and delivery track record to maintain our market leading positions and increase our share in underpenetrated categories
- Maintain flexibility in our operations and supply chain to deal with unplanned disruption and changes in consumer demand as COVID-19 and Brexit unfold through the year
- Rebalance our capital expenditure through a targeted and disciplined approach to improve returns
- Continue to develop and adapt our safety standards and controls in line with the latest guidance to ensure the health and safety of all our colleagues across the Group
- Explore inorganic growth opportunities within the fresh prepared food market to broaden our capabilities and bolster our proposition to customers

MANUFACTURING AT SCALE

In 2020, we took dynamic action to preserve cash and minimise operational disruption for customers by rebalancing our manufacturing capacity across our UK sites to deal with changing consumer demand. This involved temporary site closures, simplifying our product ranges, and large-scale product transfers between sites.

Read more on page 34 →

Future focus areas

In the US:

- Build collaborative strategic plans with our customers focused on growing our key fresh prepared food categories on the back of increasing consumer demand
- Provide market leading innovation to our customers through a consistent stream of new products that respond to, and anticipate, consumer desires
- Leverage our recent investments to utilise capacity and ensure the highest technical standards, as well as a continued focus on driving operational performance

In China:

- Grow our foodservice offering by broadening our product category portfolio, delivering product innovation and expanding our geographical coverage to provide national supply
- Build our capabilities to accelerate growth in the retail and catering channels through our branded and own label offers
- Continue to focus on driving operational efficiency and delivering technical best practice across our factories, leveraging UK expertise

THE INNOVATION TO DEVELOP GREAT-TASTING FOOD

In the US, we have simplified our product range by focusing on SKUs that will maximise profit. This involves the formation of strategic partnerships with our key customers to ideate and develop the right product innovation to accelerate growth. One example of this strategy is the development of national distribution of fresh prepared meals for a home delivery meal kit business in the US.

Read more on pages 36-37 →

Future focus areas

- Lessen dependence on agency labour to lower labour turnover, reduce business disruption and increase people effectiveness by developing our employer brand and attraction strategy, including our focus on wellbeing
- Challenge our capital plans to prioritise efficiency projects with high return on investment
- Reduce food waste to generate savings and lower the environmental footprint of our operations
- Develop and implement structured continuous improvement processes across our international operations to unlock productivity gains

INVESTING IN EFFICIENT & SUSTAINABLE SOLUTIONS

Reducing our environmental footprint is a key focus area for our Trusted Partner strategy. As such, we set forward-looking commitments in both our operations and supply chain.

Read more on page 51 →

> An outstanding response by colleagues during an unprecedented period."
>
> **Agust Gudmundsson**
> Chief Executive Officer

A performance grounded in scale, expertise and strong customer relationships.

COVID-19 and protecting our colleagues
In what has been an extraordinary year, I would like to begin by thanking each and every one of my 19,000 Bakkavor colleagues for their outstanding efforts in response to COVID-19. We have prioritised colleague health and safety and, in extremely challenging circumstances, we have minimised disruption by keeping the food supply chain moving, maintaining excellent service levels for all our customers.

Over the past 12 months, the wellbeing of our colleagues has continued to be our primary focus. Since the onset of COVID-19, we acted at speed to build on our stringent health and safety controls, aligning with government guidelines across each territory in which we operate.

Across the Group, we quickly introduced social distancing measures, along with enhanced hygiene and cleaning protocols. We pushed our high factory standards even further, with thermal imaging cameras installed for temperature checking and the introduction of COVID-19 marshals. We worked alongside local authorities, communities, councils and governments to promote the importance of staying safe across our entire workforce and, where possible, we made sure that all colleagues who were able to do so could work from home.

Where we did have cases of COVID-19 reported at sites, and as government guidance evolved, we acted quickly and put in place further mitigating actions, including employee car sharing protocols and compulsory mask wearing policies.

GROUP FINANCIAL HIGHLIGHTS

£ million	2020	2019	Change
Revenue	**1,793.5**	1,885.9	(4.9%)
Like-for-like revenue[1]	**1,721.9**	1,810.6	(4.9%)
Adjusted operating profit[1]	**83.6**	89.7	(6.8%)
Adjusted operating profit margin[1]	**4.7%**	4.8%	(10bps)
Operating profit	**62.0**	69.4	(10.7%)
Operating profit margin	**3.5%**	3.7%	(20bps)
Free cash flow	**40.1**	46.9	(6.8)

1 Alternative Performance Measures ("APMs"), including 'like-for-like', 'adjusted' and 'underlying', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory in Note 37 of the Notes to the Consolidated Financial Statements.

In response to local outbreaks in the UK, we introduced our own internal track and trace process and testing programmes for our colleagues at Tilmanstone, Newark and Leicester to help protect them and contain the spread of the virus. In addition, we continued to support our colleagues through our employee wellbeing programme, providing emotional, physical and financial support to those in need.

For more information about our response to COVID-19 and protecting our colleagues' health and safety, please go to page 74.

Strategy in action

Our business in China was the first to be severely impacted by COVID-19 towards the end of January, and, after starting the year very well, our UK and US businesses became affected. All three regions experienced a sharp reduction in sales volumes as a result of lower customer footfall and changes in consumer shopping behaviour. Our strategy and values were fundamental to how we responded to the pandemic.

When COVID-19 impacted the UK, we responded to lower consumer demand by working closely with our customers to simplify our ranges, switching production between sites when required and temporarily closing sites where necessary. The breadth of our UK portfolio, which includes over 1,700 products, offered us great diversification and as demand for food-to-go items dropped significantly, other products such as our pizza and bread ranges benefitted. Close collaboration with our strategic customers continued as we leveraged the expertise of our procurement and in-bound logistics teams to source and transport ingredients as restrictions moved across the globe.

As the year progressed, we worked closely with our customers to drive growth back into our categories by re-extending our ranges and launching a number of new propositions. This included a range of 38 Heat & Enjoy products for a significant UK customer, aimed at creating the ultimate in-home dining experience.

A BIG THANK YOU TO OUR FOOD HEROES

The way our sites and colleagues have responded to the COVID-19 pandemic has been outstanding.

In extremely difficult circumstances, they have worked hard to keep the supply chain moving, going above and beyond to support their fellow colleagues and help the local communities in which we operate. Each and every one of them is living the Bakkavor values every day and we are proud to call them our Food Heroes.

In the UK, our colleagues have donated food and PPE to local food banks, care homes, hospitals and first responders. Not to mention the money raised for our corporate charity partners, Action Against Hunger and FareShare. Our Salads Bo'ness site's great work includes donating 5,000 items of PPE to local care homes, gifting vegetable boxes and pasta to local charities that make meals for vulnerable groups, thanking colleagues with doughnuts and running a raffle that raised over £400 for staff treats.

Recognising the challenges faced by food banks and the families they support, our US business donated four trucks worth of Breadeli breads to a food bank in Charlotte. We have also worked with a key customer to supply more than 100,000 meals through Thanksgiving and Christmas to food banks and hunger relief organisations.

Our colleagues in China have responded to the national call to fight the pandemic by collaborating with a retail partner to deliver over 20,000 sandwiches to a hospital in Shanghai and donating 6,000 loaves of bread to support people and areas impacted by food shortages.

To recognise these efforts, we launched the Bakkavor Food Heroes campaign. It included a 'Thank you' Toolkit that has enabled colleagues to acknowledge each other's efforts through peer recognition, as we know that a simple 'thank you' can make a world of difference in boosting colleague morale and wellbeing.

Read more about how we engage with our stakeholders on pages 20-25 →

In the US, we accelerated our growth and delivered a profitable turnaround of the business, reducing the complexity of our products and building on our core capabilities. This included a focus on select customers and online retailers to help grow sales. We also continued to innovate and launched a chef-inspired meals range for a key strategic partner that specialises in home delivery, a trend that has become more pronounced since the onset of the pandemic.

Our China strategy focused on building capacity and scale in foodservice. For example, we completed our new replacement factory in Wuhan, commenced works at a new site in Xi'an and expanded capacity at our Shanghai bakery operation to satisfy growing demand. More recently, we successfully leveraged our capability to build customer relationships for online and new retail propositions.

Finally, improving operational efficiencies across the Group continued to be a strategic priority and the pandemic prompted us to make several difficult yet necessary decisions to protect our profitability. This included the closure of two salads sites at Spalding and Alresford in the UK. We also identified new and more efficient ways of working with our customers, leading to the fundamental restructure of several key functions, and streamlining our customer facing roles across the UK and US. We also continued with a number of efficiency projects that developed our digital capabilities, including the roll-out of factory automation, and we continued with our ongoing refrigeration replacement project.

"Given the challenges of this year, I am incredibly proud of the way our colleagues worked tirelessly to support our customers."

A resilient trading and operational performance

Despite the challenges presented by COVID-19, we delivered a strong and resilient performance across the Group. Reported revenue decreased by 4.9% to £1,793.5 million primarily due to the impact of lockdown restrictions on trading volumes across the business. Our US business, however, delivered a standout performance, which helped to offset the decline in revenues in China and the UK.

Decisive mitigating actions were taken at an early stage of the pandemic to protect the overall business, preserve cash and lower our cost base. All discretionary expenditure and non-essential capital investment remained on hold during the first half of the year, while individual site capacity was adjusted in line with fluctuating demand. In addition, we made the decision to temporarily suspend the 2019 dividend and did not declare an interim dividend for 2020.

These cost saving measures, combined with strategic restructurings, and actions to simplify ranges, helped protect profitability, resulting in adjusted operating profit of £83.6 million, 6.8% lower than the prior year, and operating profit of £62.0 million, 10.7% lower than the prior year.

Despite the impact of COVID-19, our focus on cash management meant we generated £40.1 million of free cash, with year-end leverage in line with the 2.3x reported at the end of 2019, and reducing this further remains a key focus for us in 2021.

Brexit

The free trade agreement negotiated between the EU and the UK took effect on 1 January 2021. To date, the operational impact has been modest, as we completed extensive Brexit planning and remain well prepared for any near-term volatility in the supply chain.

We are continuing to work through changes to the administrative process of importing and exporting goods as many more protocols are being implemented during 2021. While there has been disruption in the export of our goods to both the Republic of Ireland and Northern Ireland, the sales impact represents less than 3% of our UK revenue. We continue to leverage our scale, strong customer relationships and our cross-border expertise to return to normal levels of service going forward.

As part of our Brexit retention programme, we have supported our colleagues throughout the year with regular communication relating to Brexit developments and held a series of workshops to assist our European colleagues in achieving settled or pre-settled status in the UK. We will continue to support these initiatives in 2021.

Progressing our ESG commitments

Despite the considerable challenges and pressures on the business, upholding our environmental, social and governance responsibilities remained a focus for the Group, and we were able to roll out and embed our Trusted Partner strategy. In our UK business, we completed a supplier risk mapping programme across all of our 500+ suppliers and conducted an environmental and human rights risk assessment, as well as communicating a new Supplier Code of Conduct setting out our expectations on a wide range of sustainability and ethical business issues.

During the year, we made progress in our goal to halve UK food waste by 2030, reducing our food waste by 4.7%, equivalent to more than 2,000 tonnes. We also continued to support our customers in delivering the goals of The UK Plastics Pact by eliminating 54 tonnes of unnecessary plastics during the year.

Importantly, we prioritised reviewing our climate change goal and conducted a project to assess and forecast our climate impact across our sites. Following this, at the beginning of 2021, we confirmed a commitment to become a Net Zero carbon business in our Group operations by 2040.

Developing our senior leadership

The business has undergone a number of Board and Management Board changes this year. After over a decade with Bakkavor, Peter Gates retired as Chief Financial Officer in late December 2020. Peter played a major part in the Group's growth and success and I would like to sincerely thank him for his contribution to the Group. Peter has been replaced by Ben Waldron, the former President of Bakkavor USA, who will also lead Strategy as part of his remit. Along with having a deep understanding of our International business and the opportunities for growth markets moving forward, Ben has been immersed in finance and investor relations through his previous roles.

Replacing Ben as President of Bakkavor USA is Pete Laport, who is new to Bakkavor and I am very much looking forward to working with him as he continues to build on the success achieved across our US business.

I am also delighted to announce that our Chief Operating Officer, UK, Mike Edwards has been appointed as an Executive Director to the Group Board. Mike joined Bakkavor in 2001, becoming Chief Operating Officer, UK in 2014. His record in this role has been and continues to be exceptional. This appointment reflects his success and the significant contribution he has made to the Group. Einar Gustafsson, Managing Director Bakkavor Asia, who was instrumental in supporting the development of our business in China, left the business after 15 years and I have since taken on the responsibilities for Bakkavor China, working closely alongside the strong local management team there.

Additionally, Donna-Maria Lee's role was extended to Chief People Officer on 1 January 2021, with Corporate Responsibility now a part of her remit. Donna-Maria's expertise will continue to drive our HR strategy and push our people agenda forward, particularly in the areas of inclusion & diversity and colleague wellbeing.

Dividend

As a result of the COVID-19 pandemic and its impact on the business during the year, the Board will not be declaring a dividend for the full year 2020.

At the outset of the pandemic, the Board made the prudent decision to suspend the 2019 final dividend as a precautionary measure until the impact of COVID-19 became clearer. The Board is mindful however of the importance of income to shareholders and this payment will remain under review until we have clearer visibility on future trading.

Outlook

The strength of the Bakkavor business model has enabled us to act at speed over the past 12 months in protecting colleagues, supporting customers, and responding to changes in consumer demand. With lockdown restrictions in the UK continuing into spring, the short-term trading environment remains uncertain, but we are encouraged by the way consumers have returned to our fresher, healthier and more convenient foods each time these restrictions have been lifted and with our scale and expertise, we consider that we are well placed to benefit from future increases in consumer demand.

The demand for our fresh foods in the US continues unabated and the successful turnaround of our operations means we are confident in sustainable profitable growth for the future. In China, we remain focused on our continued recovery in the foodservice space, but we are also excited about extending our routes to market.

We have taken many difficult, yet necessary, decisions this year to protect the long-term success of the business. The way we have been able to rapidly restructure our operations and find new ways of working has delivered permanent benefits to the Group. These benefits can already be seen in our margin progression in the second half of the year.

The business is in good shape, even after the events of the past 12 months, and we look forward to building on this momentum into 2021 and beyond.

OPERATIONAL REVIEW UK

Mike Edwards
Chief Operating Officer, UK

Overview

The UK is Bakkavor's largest market, representing 87% of overall Group revenue. Our priority is producing innovative food that offers quality, choice, convenience, and freshness for consumers. This has been the foundation of our success and continues to drive our performance in the UK.

We produce around 1,700 short shelf-life products, the majority of which are manufactured and delivered to our customers every day. These customers represent some of the largest and most well-known UK retailers, including Tesco, M&S, Waitrose and Sainsbury's. Collectively, these four customers account for two thirds of the UK FPF market and make up around 87% of our UK revenue, and each has a long-term commitment to developing their fresh prepared food offer to consumers.

Strategic positioning

- Focus on developing fresh prepared food in retail markets
- Scale and market-leading position across all four product categories
- Long-standing partnerships with our four strategic customers
- Strong insight, innovation and new product development capabilities

UK FINANCIAL HIGHLIGHTS

£ million	2020	2019	Change
Revenue	**1,566.6**	1,652.5	(5.2%)
Like-for-like revenue[1]	**1,494.2**	1,577.2	(5.3%)
Adjusted operating profit[1]	**90.7**	107.1	(15.3%)
Adjusted operating profit margin[1]	**5.8%**	6.5%	(70bps)
Operating profit	**69.1**	89.6	(22.9%)
Operating profit margin	**4.4%**	5.4%	(100bps)

While COVID-19 had a significant impact on our business and the wider market, it is against this backdrop that our scale and track record in managing complexity gave us a unique competitive advantage. We rapidly put in place additional health and safety measures to protect our colleagues, adhering closely to government guidelines, and we worked quickly to minimise disruption across our supply chain. This fast action and decision making ensured we delivered industry leading service and quality for our customers, whilst protecting the health and wellbeing of almost 16,500 colleagues.

For further information regarding our UK response to COVID-19, please go to page 74 of our Risk Management report.

Trading performance

Following a strong start to the year, from late March, sales in our UK business were significantly impacted. In response to lockdown restrictions, we saw a shift in shopping behaviours, with consumers doing bigger, but less frequent food shops and buying food that had a longer shelf life. We also experienced a significant decline in food-to-go volumes as meal occasions moved to the home due to government advice to work from home.

As the first lockdown was lifted, we were reassured by a prompt recovery in sales, however volumes were again impacted in the final quarter by further restrictions. Forward planning and preparation for the Christmas period enabled us to maintain high customer service levels and we were pleased to deliver Christmas volumes in line with the prior year. Overall, UK like-for-like sales for the full year were £1,494.2 million, 5.3% lower than last year.

In light of the challenges, we focused on protecting the business by undertaking a number of cost saving actions, reducing our capital expenditure to essential site maintenance, plus a small number of committed projects. We also acted at pace to respond to lower volumes by reducing our factory footprint. As a result, adjusted operating profit for the full year was £90.7 million, compared to £107.1 million for 2019.

Category resilience across FPF

The breadth of our category portfolio, which covers a wide range of meal occasions, has helped us to weather a volatile year in which both consumer shopping habits and demand shifted significantly due to COVID-19 and periods of lockdown. Promotional activity decreased, shoppers made fewer trips to stores and increasingly bought online, and more consumers chose to cook from scratch.

In our **meals** category, although initial lockdown measures had an adverse impact on sales, we delivered a solid performance, gained market share, and extended our market leadership throughout the period. Our Italian ranges proved particularly popular and our Indian and Oriental ranges also performed well, with consumers seeking to replicate the takeaway experience at home. While our healthy and vegetarian meal ranges were initially impacted, we saw consumers gradually return to these nutritious and healthy meal options as the year progressed.

Our **salads** business was heavily impacted due to its exposure to the food-to-go market, which represents around 40% of the total salads category, or around 10% of total UK revenues. The sector was also impacted by the loss of bagged leaf volume from one customer, which led to the closure of our Alresford facility. While warmer weather and the easing of lockdown restrictions subsequently supported the category in the summer, we did experience a significant decline in our salads business during the period.

We saw a strong performance in **pizza & bread**, as consumers looked for familiar and convenient options in light of more family meal occasions in the home. Pizza was our most resilient category throughout the period as it provided two important meal solutions, both as an easy midweek meal which benefitted our core ranges, and as a treat for the weekend which benefitted our premium and takeaway style products.

Our **desserts** category also proved resilient, despite sales being impacted by the initial appeal of home baking. Sales continued to improve through the second half, as we worked with customers to extend ranges, introduce popular new products such as the 'Yumnut' and deliver innovation in Christmas desserts, which resulted in us achieving our strongest ever Christmas performance in desserts.

Whilst most of our products are purchased in-store, we did benefit from an uplift in online shopping. In particular, one of our key strategic customers took a significant step forward in offering home delivery for its food and grocery business through its new partnership with Ocado. This online offer includes a wide range of fresh prepared food across our four FPF categories and creates a significant opportunity for us as the trend for online grocery shopping continues to grow.

Looking ahead, we will continue to maintain our leadership position in these categories by leveraging our strong customer relationships and track record of delivery. Through this, we will also look to increase our share in underpenetrated categories, explore inorganic growth opportunities within our industry, broaden our capabilities and bolster our proposition to customers.

Strategic and operational actions

To protect our number one position in the UK, we made a number of essential decisions to support our strategy.

When COVID-19 began to impact consumer habits, we delayed non-essential new product development and worked closely with our customers to ensure that delivery of our core ranges was not compromised and our popular lines were fully stocked. As consumer behaviours normalised, and demand began to return, we worked alongside our customers to drive growth back into their categories in the second half of the year, with a return to a full product catalogue.

The drop in demand for food-to-go products was much more dramatic and our view is that volumes will not return to pre-pandemic levels given the likely dynamic of people continuing to work from home more often. This has created more competitive pricing in the salads sector and as a result, we have taken the opportunity to permanently rationalise our footprint and realign our capacity.

Closing sites is never desired and, where possible, we have transferred certain volumes to alternative sites. Our focus on scale and long-term strategic customer relationships meant we were able to maintain our service levels for a key customer, while successfully undertaking our biggest product transfer in the UK.

Despite the difficulties of the year, we also implemented several operational improvement projects, including the introduction of additional automation on production lines to manage efficiency. More specifically, we installed smart technology at some of our sites to improve our management control and review processes. This allows us to have 'live' factory data that we can use to swiftly rectify any issues and improve performance within the production area.

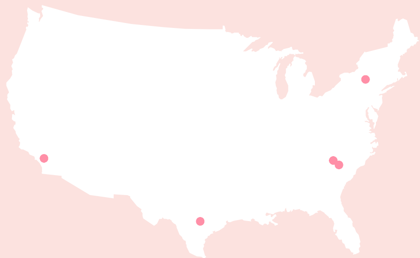
We have also continued to invest in upgrading our refrigeration systems, which is a significant project that impacts all our UK sites, and will deliver positive environmental impact longer term.

While the pandemic was impacting the business, we also finalised our preparations for the potential consequences of Brexit. For example, we invested in our in-house capabilities for customs clearance, strengthening our information systems to clear EU imports, and helping our colleagues achieve settled status. So far, as a result of this thorough planning, the operational impact has been modest and we remain well prepared for any near-term volatility in the supply chain.

Finally, in response to the initial drop in demand, we also took proactive steps to protect our colleagues' jobs by making use of the Job Retention Scheme (Furlough). As the markets recovered, we brought colleagues back into the business and at the end of year around 200 colleagues (out of the 1,600 colleagues we had originally furloughed) remained on furlough due to being in the vulnerable or highly vulnerable categories. We continue to support colleagues across the business through various people initiatives in order to increase engagement and better position Bakkavor as an employer of choice across the industry. This includes wellbeing initiatives to support colleagues through COVID-19 and beyond, stronger training, and more career development opportunities. All of which is helping create a strong Group culture and a more inclusive workforce centred around our values.

1 Alternative Performance Measures ("APMs"), including 'like-for-like', 'adjusted' and 'underlying', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory in Note 37 of the Notes to the Consolidated Financial Statements.

OPERATIONAL REVIEW UNITED STATES



Overview

Bakkavor's strategy to invest and accelerate its performance in the US is borne from over 10 years of operating in the region, during which time we have developed a strong understanding of the market and its growth potential. The US represents 8% of our overall Group revenue and will continue to play an important part in our growth in the years ahead.

We currently produce over 300 different short shelf-life products, for a variety of well-known US retailers. This is a reduction from the previous year and follows a review in 2019 of our product portfolio and customer relationships to increase margins and profitability. However, we plan to increase this number by building strategic relationships with our customers that will allow us to launch innovative new products and enhance our already excellent customer service levels.

While the ongoing pandemic will remain challenging in the year ahead, we are confident that we have built a resilient strategy that will help to continue our growth as we focus on the right categories with the right strategic customer partnerships.

Strategic positioning

- Focus innovation on high-performing categories
- Build strategic partnerships with new and existing customers
- Leverage capital investment projects that will help drive operational performance

US FINANCIAL HIGHLIGHTS

£ million	2020	2019	Change
Revenue	**146.5**	130.6	12.2%
Like-for-like revenue[1]	**147.1**	130.6	12.7%
Adjusted operating profit/(loss)[1]	**0.6**	(15.2)	–
Adjusted operating profit margin[1]	**0.4%**	(11.6%)	1,200bps
Operating profit/(loss)	**0.6**	(18.0)	–
Operating profit margin	**0.4%**	(13.8%)	1,420bps

Trading performance

Our US business increased revenue by £15.9 million to £146.5 million and delivered strong like-for-like revenue growth of 12.7% as we benefited from the growing trend for FPF. The business started the year well, however, trading was significantly affected by the impact of COVID-19, particularly in April and May. In the second half of the year, as lockdown restrictions eased, the business saw an improvement in sales volumes supporting the region's return to profitability.

Strategic and operational actions

In the 18 months through to June 2020, the US business underwent a commercial and operational reset to turnaround the profitability and sustainability of the business. This transformation covered three principal areas. First, we resigned from all foodservice and contract manufacturing business to simplify operations and focus on building long-term relationships with the most successful US retailers.

As part of the simplification process, we resigned from around 50% of our customers and reduced our product portfolio by one third. Given the change in consumer purchasing habits, we also established strategic relationships with several established online retailers to capitalise on the growing trend of direct-to-consumer delivery.

Secondly, we used the commercial reset to simplify our operations and invest all innovation and process improvements behind our three super categories of fresh prepared meals, dips, and heavily topped breads. All three categories address the growing US trends for fresher, healthier and more convenient foods. Four of our five sites in the US now cook and assemble multiple ranges of fresh prepared meals for national distribution. This is a unique competitive advantage to Bakkavor and has supported numerous commercial wins. Hummus and dips represent our second biggest category, with an established centre of excellence on the West Coast. This category has seen a small decline in sales as COVID-19 reduced the number of social eating occasions for these sharing items. Much like the UK, our heavily topped breads have benefited from consumers wishing to replicate dining experiences in-home.

Thirdly, we made several structural changes and new appointments to our senior leadership teams to drive through the transformation. All of this was underpinned by seconding experienced operational leaders from the UK to train and coach our local teams. This third pillar was fundamental to our success as we were able to leverage 30 years of experience from the well-established UK market.

This restructure enabled the business to deliver sustainable and profitable growth in the second half of the year with a record performance for our business thanks to successful new product launches, the biggest ever holiday programme, and core sales continuing to strengthen.

Despite the ongoing pandemic, the US business exits 2020 with a positive outlook for 2021, supported by strong customer engagement, innovation, and operational discipline under the new stewardship of Pete Laport.

OPERATIONAL REVIEW CHINA

Overview

Our China business represents 5% of our overall Group revenue. Although it has experienced a difficult year, we still see a significant opportunity for growth in the region, as we continue to leverage our strong understanding of the market and our UK operational expertise.

We primarily operate within the foodservice sector in China, with over 600 products across our portfolio. In 2020, the China business was the region that was most impacted by the pandemic as the various lockdown restrictions caused many of our customers to temporarily close for prolonged periods of time. Despite this, we continued to successfully maintain service levels and provide our customers with innovative products that reflected market trends.

Strategic positioning

- Grow existing customer base by expanding our product portfolio into new categories
- Expand our capabilities to accelerate growth in channels beyond the foodservice sector
- Leverage UK expertise and best practices across all of our sites

CHINA FINANCIAL HIGHLIGHTS

£ million	2020	2019	Change
Revenue	**80.4**	102.8	(21.8%)
Like-for-like revenue[1]	**80.6**	102.8	(21.6%)
Operating loss	**(7.7)**	(2.2)	(250%)
Operating profit margin	**(9.6%)**	(2.1%)	(750bps)

Trading performance

Our China business was severely impacted by the COVID-19 pandemic and ongoing civil unrest in Hong Kong, with reported revenue declining by £22.4 million in 2020 to £80.4 million. Whilst we continued to see reduced demand in Hong Kong during the second half of the year, we saw a steady improvement in sales in mainland China. Despite this, recovery has been slower than initially expected and revenues remain significantly down year on year.

Strategic and operational actions

From the end of January, due to the COVID-19 outbreak, we saw a significant reduction in demand. Production was impacted at all nine of our sites in China, especially during February, when it became necessary due to city wide restrictions to temporarily close our sites in Wuhan and Taicang. However, we made sure that this did not impact our customers, maintaining service levels by transferring production across our remaining locations, including our new site at Haimen. The ability of our team to maintain supply, despite the very challenging situation, was commended by our customers, government officials and local media outlets.

In Q2, we worked closely with customers as they reopened their sites and re-established their offers. Our sales in the retail channels held up well but, whilst still growing, this represents a relatively small proportion of our business. In addition, we continue to see reduced demand in Hong Kong due to the ongoing civil unrest.

Given the challenging nature of the operating environment, we have taken several essential actions to control costs. As in other parts of the Group, these have included temporary salary cuts and recruitment freezes, as well as the streamlining of our operating structure in Hong Kong.

Despite the challenges of COVID-19, we have continued to focus on innovation with our current customers, including the successful launch of a range of plant-based and dairy-free fruit parfaits. Due to the growing shift in shopping behaviour to online, we expanded our e-commerce presence with a key retail customer by launching a range of sandwiches, protein pots, breakfast pots, ready meals, salads and more. In Hong Kong, we capitalised on the need for more meal experiences at home by launching a range of deliverable in-home meal solutions for a foodservice customer.

The bakery facility we established in Taicang, near Shanghai, in 2018 has continued to develop its customer base and reported impressive growth in 2020. Our new facility in Wuhan is now complete, with full production expected from Q2 2021. Due to COVID-19, we delayed the development of our new plant in Xi'an, which recommenced at the end of 2020 and is projected to be completed in 2021. These new sites will deliver significant improvements in capacity, operational efficiency, and production capability. They will also allow for our continued growth in the Central China region, as we maintain our market leading position and broaden our supply capabilities. In addition to these investments, we have continued to focus on improving the sustainability of our production, with further enhancements to water treatment processes at our sites.

Despite a very challenging 2020, China remains a highly attractive growth market. Our key foodservice customers continue to build their store and restaurant portfolios, and we continue to position ourselves as the partner of choice for western fresh food providers seeking to expand in the region.

Agust Gudmundsson
Chief Executive Officer
15 March 2021

1 Alternative Performance Measures ("APMs"), including 'like-for-like', 'adjusted' and 'underlying', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory in Note 37 of the Notes to the Consolidated Financial Statements.

MEASURING OUR PROGRESS

We measure our progress by focusing on a number of financial and non-financial performance measures which support our strategy. Three of these measures form the basis of our employee incentive plans.

FINANCIAL KPIS

Group revenue

£1,793.5m

-4.9%

2020	£1,793.5m
2019	£1,885.9m

1 2 3

What are we measuring?

Group revenue is the total amount of consideration the Group has received in exchange for the delivery of goods to our customers.

Like-for-like revenue[1]

£1,721.9m

-4.9%

2020	£1,721.9m
2019	£1,810.6m

1 2 3

What are we measuring?

Revenue growth at a constant currency excluding acquisitions, closed and sold businesses.

Adjusted operating profit[1,2,5]

£83.6m

-6.8%

2020	£83.6m
2019	£89.7m

1 2

What are we measuring?

The profit performance of the business based on operating profit excluding restructuring costs, asset impairments and those additional charges or credits that are considered significant or one-off in nature.

Free cash flow[5]

£40.1m

-£6.8.m

2020	£40.1m
2019	£46.9m

1 2 3

What are we measuring?

The cash generation of the business using the free cash flow metric which is defined as the amount of cash generated by the Group after meeting all of its obligations for interest, tax and pensions and after purchases of property, plant and equipment (excluding development projects), but before payments of refinancing fees and other exceptional or significant non-recurring cash flows.

Adjusted earnings per share[1,2,5]

8.7p

-1.6p

2020	8.7p
2019	10.3p

1 2

What are we measuring?

The Group's underlying earnings calculated by dividing Adjusted earnings by the weighted average number of Ordinary shares in issue during the year. Adjusted earnings is calculated as profit attributable to equity holders of the Company adjusted to exclude exceptional items and the change in fair value of derivative financial instruments.

Leverage ratio (net debt / Adjusted EBITDA pre IFRS 16[1])

2.3x

No change

2020	2.3x
2019	2.3x

1 2 3

What are we measuring?

The level of debt held by the Group which is calculated by dividing operational net debt by Adjusted EBITDA pre IFRS 16. Operational net debt excludes the impact of non-cash items and those liabilities recognised under IFRS 16 on the Group's statutory net debt and is comparable with the Group's free cash flow measure.

Risk Management 70
Directors' Remuneration Report 116

Link to our strategic framework

1 Leveraging number one position in the UK

2 Accelerating growth in high-potential international markets

3 Improving operational efficiency

Why is it important?	Performance	Key associated risks
Monitoring of revenue provides a measure of total business growth.	The impact of acquisitions and closed businesses across 2019 and 2020 largely offset from a revenue growth perspective with the decrease primarily due to the impact of COVID-19 restrictions on trading volumes that particularly impacted our operations in the UK and China. Despite the pandemic, our US business delivered strong growth as sales volumes increased at both of our new ready meals sites in Texas and California and at our bakery in North Carolina.	Reliance on a small number of key customers, Brexit, COVID-19 disruption, consumer behaviour and demand, disruption to Group operations and competitors are all listed as principal risks on pages 74 to 83, where further details can be found regarding mitigating controls, the risk profile and our risk appetite. All of these risks could impact the Group's ability to achieve further business growth.
The Group uses LFL revenue as it allows for a more meaningful comparison of revenue trends from period to period.	The decrease was primarily due to the impact of COVID-19 restrictions on trading volumes that particularly impacted our operations in the UK and China. Despite the pandemic, our US business delivered strong underlying growth.	Reliance on a small number of key customers, Brexit, COVID-19 disruption, consumer behaviour and demand, disruption to Group operations and competitors are all listed as principal risks on pages 74 to 83, where further details can be found regarding mitigating controls, the risk profile and our risk appetite. All of these risks could impact the Group's ability to achieve further business growth.
The Group manages the performance of its businesses through the use of Adjusted operating profit as this measure excludes the impact of items that hinder comparison of profitability year-on-year.	Group Adjusted operating profit was lower than the prior year due to lower volumes and lower factory utilisation driven by the pandemic.	Raw material and input cost inflation, labour availability and cost, Brexit, COVID-19 disruption, disruption to Group operations, consumer behaviour and demand and competitors are all listed as principal risks on pages 74 to 83, where further details can be found regarding mitigating controls, the risk profile and our risk appetite. All of these risks could impact the Group's ability to achieve further profit growth.
The Group views free cash flow as a key liquidity measure as it indicates the underlying cash available to pay dividends, repay debt or make further investments in the Group.	This was principally due to expenditure on core capital (excluding development projects) being £25.0 million lower than 2019 as the Group took mitigating action to preserve cash in response to the pandemic. However, this was more than offset by the year on year working capital outflow of £33.5 million largely due to the impact of lower revenues on the Group's negative working capital cycle.	Raw material and input cost inflation, labour availability and cost, Brexit, COVID-19 disruption, disruption to Group operations, consumer behaviour and demand and competitors are all listed as principal risks on pages 74 to 83, where further details can be found regarding mitigating controls, the risk profile and our risk appetite. All of these risks could impact the Group's ability to generate further cash flows.
The Group uses this measure as it tracks the underlying profitability of the Group and enables comparison with the Group's peer companies.	Adjusted earnings per share, which is calculated before exceptional items and the change in fair value of derivative financial instruments, has decreased from 10.3 pence for 2019 to 8.7 pence in 2020, reflecting the effects of the pandemic on the Group's profitability. The weighted average number of shares in issue during both 2019 and 2020 was 579,425,585.	Raw material and input cost inflation, labour availability and cost, Brexit, COVID-19 disruption, disruption to Group operations, consumer behaviour and demand and competitors are all listed as principal risks on pages 74 to 83, where further details can be found regarding mitigating controls, the risk profile and our risk appetite. All of these risks could impact the Group's ability to achieve further earnings growth.
The leverage ratio must be below the maximum defined in the Group's bank debt facilities to ensure the facilities remain available as needed and also determines the interest margin payable on debt drawn.	The leverage ratio has remained in line with the prior year following the Group's focus on preserving cash in 2020 following the onset of the pandemic.	Treasury and pensions are listed as principal risks on page 82, where further details can be found regarding mitigating controls, the risk profile and our risk appetite. These risks could impact the Group's ability to provide finance to achieve further business growth if the Group does not comply with the terms of its financing arrangements.

MEASURING OUR PROGRESS

NON-FINANCIAL KPIS

UK accidents resulting in lost time >7 days (per 100k UK employees)

330

+30%

2020	330
2019	254

1 3

What are we measuring?

The number of accidents that took place across our UK sites that resulted in affected employees taking more than seven days off work. It is calculated based on 100,000 employees to enable us to compare our performance to the Health and Safety Executive (HSE 821/BV254) food industry average.

UK employee turnover[2]

17.9%

-14.4%

2020	17.9%
2019	20.9%

1 2 3

What are we measuring?

The percentage of employees leaving the business (excluding fixed-term contracts and redundancies) against total headcount.

Total Group net carbon emissions (tCO_2e)

154,241

-4.8%

2020	154,241
2019	161,954

1 2

What are we measuring?

Scope 1 and 2 market-based emissions across Bakkavor Group. The figure for 2020 includes the full year's emissions for Bakkavor Desserts Leicester – a business acquired in 2019.

UK food waste (tonnes)

8.48%

-0.42 percentage point

2020	8.48%
2019	8.90%

1 2 3

What are we measuring?

Food waste as per the Food Loss and Waste Accounting and Reporting Standard (FLW Standard). Percentage food waste calculated as 'tonnes food waste ÷ tonnes (food product produced or sold as intended + food waste + food sent to other destinations)'.

1 Alternative Performance Measures ("APMs"), including 'like-for-like', 'adjusted' and 'underlying', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory in Note 37 of the Notes to the Consolidated Financial Statements.

2 The Group's bonus scheme and long-term incentive awards are based on performance across a selection of three KPIs. See pages 123-124 in the Remuneration Report.

Risk Management 70 →
Directors' Remuneration Report 116 →

Link to our strategic framework

1 Leveraging number one position in the UK

2 Accelerating growth in high-potential international markets

3 Improving operational efficiency

Why is it important?

We have a duty of care to employees in ensuring their health, safety and wellbeing. Our health and safety culture is based on a governance process driven by the Group Board and we have health and safety teams in place that define standards and monitor compliance with systems.

Performance

There was an increase of 30% in our rate of accidents that resulted in lost time of over seven days. A number of these were slips and trips and as such will be a particular focus and a specific topic in our health and safety audit programme for 2021.

Bakkavor continues to outperform the HSE Food Industry average (828 >7 day accidents per 100k employees) by 60%. Further information can be found on pages 56 to 58.

Key associated risks

Health and safety is listed as a principal risk and uncertainty on page 81, where further details can be found regarding mitigating controls, the risk profile and our risk appetite. As part of our drive towards an accident prevention culture we continue to focus on minimising risk associated with workplace transport, machinery safety, work at height and electrical safety.

Why is it important?

Bakkavor recognises the importance of attracting and retaining a skilled workforce. People are at the heart of our business and we must remain focused on being the local employer of choice for both existing and new talent. Improving our employee turnover also creates efficiency by decreasing the amount of recruitment and induction activities required.

Performance

Engagement and Wellbeing was a major focus for the Group in 2020, as part of a holistic approach to looking after our employees during the COVID-19 pandemic, alongside rigorous Health and Safety measures. In April we launched a UK-wide Bakkavor Wellbeing Toolkit to offer colleagues emotional, physical and financial support and provide a variety of resources and support mechanisms. We continued to update and cascade the Toolkit throughout the year, including during Mental Health Awareness Week. Furloughed colleagues were also provided access to the Toolkit alongside a fortnightly update. In 2020 we also implemented a number of recommendations from the outcomes of the 2019 employee engagement survey, including more frequent Company-wide communication from Senior Management.

Key associated risks

Recruitment and retention of key employees is one of Bakkavor's principal risks (page 81). Being able to retain skilled and committed colleagues is critical to being able to deliver our strategic growth objectives. In 2019 we undertook a number of initiatives to increase employee engagement, as well as learning and development opportunities. More can be read in the Corporate Responsibility section on page 60.

Why is it important?

Climate change is a significant issue facing society and the Group. This is why we've made the commitment to reach Net Zero emissions across our Group operations by 2040.

Bakkavor recognises our responsibility to mitigate our direct and indirect impacts on climate change. The Group's primary focus is on driving energy efficiency in our manufacturing operations.

Performance

The majority of our GHG emissions arise from the energy required for our factory sites' heating and cooling systems. Net carbon emissions in the Group decreased by 4.8% in 2020 due in part to reduced demand impacting production levels, in particular in our Asia facilities. Continued grid decarbonisation in the UK led to a 13.6% decrease in emissions associated with purchased electricity – the business's single biggest emissions source. The Group's intensity ratio decreased by 2.8 tCO_2e per £m turnover to 109.8.

In the UK, total gross emissions reduced by 4.5% compared to 2019. Despite this, Bakkavor UK's emissions intensity ratio increased slightly, to 98.2 from 97.5 in 2019, due to a smaller net reduction from our green energy tariff. For further information, see page 52.

Key associated risks

As a systemic issue facing our Company, the entire food system and wider society, climate change impacts a number of our principal risks. Our climate response also presents potential opportunities including reduced operating costs of energy and meeting consumer demand for climate-friendly food products. More detail on our climate change response can be found on page 51.

Sustainability is listed as a principal risk and uncertainty on page 82, where further details can be found regarding mitigating controls, the risk profile and our risk appetite.

Why is it important?

Approximately one third of all food produced is wasted or lost across the value chain[3]. As global food systems are responsible for approximately 30% of greenhouse gas emissions[4] tackling food waste is one of our sector's biggest responsibilities and a major opportunity to tackle resource constraints.

Performance

A key part of our food waste strategy is to make the best possible use of any surplus food and food waste, whether it be through redistribution of surplus food and ingredients or for use in animal feed. Overall, we saw a strong reduction in our food waste percentage in 2020. Much of this is a result of the impact of COVID-19 on product orders and demand, leading to our business simplifying product ranges and reducing the volume of 'high complexity' products that tend to produce higher waste. Further information can be found in the Corporate Responsibility section on page 49.

Key associated risks

Sustainability is listed as a principal risk and uncertainty on page 82, where further details can be found regarding mitigating controls, the risk profile and our risk appetite. One of our Trusted Partner commitments for the UK is to support the industry initiative Champions 12.3 in halving food waste by 2030.

3 FAO (2014) Food waste footprint. Full cost accounting (available at www.fao.org/3/a-i3991e.pdf).

4 Vermeulen, S. J., Campbell B.M., Ingram, J.S.I. (2012) Climate Change and Food Systems. Annual Review of Environment and Resources, 37, 195-222.

5 The APM for 2019 has been restated. Details of the reconciliation to the previously reported amounts are described in Note 37 of the Consolidated Financial Statements, on page 194.

A TRUSTED PARTNER...

Trusted Partner is our strategy to build a more sustainable business and make positive progress on the issues that matter most – across our supply chain, our own operations, and in our workplaces and communities.

Built around three focus areas that represent the value chain of our business, with specific commitments, it enables us to tackle the biggest challenges facing the world we live in.

Corporate Responsibility contact:
corporate.responsibility@bakkavor.com

Our CR strategy is built around three focus areas that represent the value chain of our business:

RESPONSIBLE SOURCING IN OUR SUPPLY CHAIN

Responsible sourcing starts with transparency and integrity in our supply chain.

Read more on page 46
→

SUSTAINABILITY AND INNOVATION IN OUR OPERATIONS

We are tackling waste and reducing the environmental footprint of our own operations, as well as of the food we produce.

Read more on page 49
→

Corporate Responsibility online:
bakkavor.com/corporate-responsibility

ENGAGEMENT AND WELLBEING IN OUR WORKPLACES AND COMMUNITIES

It is essential for us to provide a safe and inclusive environment for our colleagues where everyone can thrive and develop.

Read more on page 56 →

About 'Trusted Partner'

Our strategy for Corporate Responsibility – Trusted Partner – was developed in 2019 and launched at the beginning of 2020 after being approved by Bakkavor's Group Board in November 2019. It was developed following a materiality assessment that we undertook in order to determine our business's most important CR issues, those that are critical to sustainable development and where we can have most impact, as well as those that will be essential for our business to continue to create long-term value. To reach this prioritisation, we consulted internally on business and sustainability issues, reviewed the priorities of our external stakeholders (for more, see pages 20-21), and cross-referenced against external sustainable development frameworks such as the UN Sustainable Development Goals, the UN Guiding Principles on Business and Human Rights and recommendations from industry organisations such as IGD.

These material issues are reflected in the priority topics in our Trusted Partner framework and commitments, and several are also incorporated in our principal business risks (see pages 70-83). In addition, food safety is a critical business and safety priority for Bakkavor that we closely monitor through our everyday core business activities. We will review this framework on a regular basis to ensure that the strategy and our focus areas remain relevant and do respond to the changing world in which we live.

This report reviews our progress against our Trusted Partner commitments in 2020. Data shown is for the calendar year 2020 and at Group level unless specified.

Corporate Responsibility management and governance

As a business priority that covers multiple functions and disciplines, implementation of our strategy cuts across many business areas from Technical, Procurement, Risk Management, to HR and Finance. Day-to-day management of the Group CR strategy is held within the Group Corporate Affairs team who bring together subject-matter specialists and site and regional representatives to implement projects and report on progress.

Overall ownership of our Corporate Responsibility agenda has been with Peter Gates, CFO who has also been an Executive Sponsor of CR at Board level. In 2020, the Board agenda received an update on CR progress in November. With Peter Gates's retirement, from January 2021 overall ownership of the CR strategy will transfer to Donna-Maria Lee as Chief People Officer. This also includes our ongoing response to climate change.

To support this new structure and enable more regular reporting, it was decided to establish an Executive Committee, comprised of senior leaders who facilitate integration of CR issues in business priorities by receiving and cascading updates on CR issues affecting the business including non-financial risks, regulatory changes and customer requirements. It is comprised of Director and other senior-level sponsors from Corporate Affairs, Procurement, Technical, Operations, Legal, Finance, our Customer and Business Divisions and International businesses. The CR Executive Committee was launched in early 2021 and will meet on a quarterly basis.

Corporate Responsibility and risk management

Aspects of Corporate Responsibility are also integrated in our Group risk management framework. The Board has overall responsibility for reviewing and ensuring effective management of all risks. We have identified sustainability as a principal risk that we manage through our formal Risk Register, but CR issues are also considered indirectly within a number of other principal risks:

Corporate Responsibility issues	Related principal risk
Overall delivery of our Trusted Partner strategy	Sustainability
Environmentally sustainable sourcing	Raw material and input cost inflation
Ingredient traceability and integrity	Food safety and integrity
Responsible recruitment and employment	Labour availability and costs
Colleague wellbeing, health and safety	Health and safety
Product innovation	Consumer behaviour and demand

For more information on Bakkavor's governance and management of risks, see pages 70-83.

BEING TRANSPARENT WITH OUR RESPONSIBILITY

A MESSAGE FROM OUR CHIEF PEOPLE OFFICER, DONNA-MARIA LEE

When I look back on this most challenging of years, the main thing that stands out is the incredible resilience displayed by our colleagues."

COVID-19 impacted many of them, both physically and mentally, and yet they continued to go above and beyond to service our customers, support each other and help their local communities.

Their performance and can-do attitude was extraordinary, and it inspired us to create our Food Heroes recognition programme, which enabled colleagues to recognise each other's achievements by saying "thank you" – two words that can really help our morale and wellbeing.

Wellbeing was a major focus for us this year. When the pandemic took hold, we worked rapidly to roll out our colleague Wellbeing Toolkit, which featured a variety of resources to support our colleagues' emotional, physical and financial wellbeing. We continued to build on this Toolkit throughout the year and were pleased that 74% of our colleagues were aware of it during our recent COVID-19 Health, Safety and Wellbeing survey.

Looking after our colleagues has been a priority, even more so during the pandemic, and our responsibility as a business is broad and reflects our impacts and relationships with multiple stakeholders, including our employees, our suppliers and their employees, our customers and all the people who chose our food. Our Trusted Partner strategy was launched at the beginning of 2020 to formalise how we build our responsibilities into our corporate strategy and integrate them in everything that we do. As well as Wellbeing and Engagement, we focus on Responsible Sourcing in our supply chain and Sustainability and Innovation in our operations. As part of this, we are updating our climate ambition and committing to become Net Zero across our Group-wide operations by 2040. This will not be easy, but we are committed to making meaningful progress.

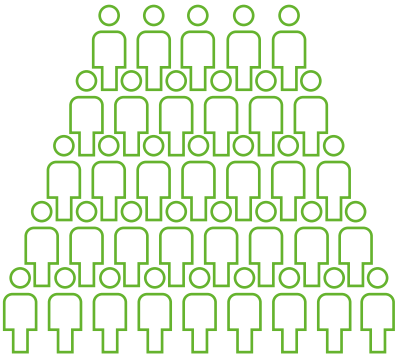
I am proud to lead our corporate responsibility agenda at Bakkavor. We have bold ambitions to build a more resilient and sustainable world and we need to make sure our colleagues across the Group all play their part. To further support progress, we recently formalised a Corporate Responsibility Executive Committee, bringing together senior leaders from across the Group to promote accountability and consolidate momentum in the different areas of our strategy. I'm looking forward to leading regular meetings that will keep Trusted Partner front of mind, no matter what challenges 2021 presents us with.

D. M. Lee

Donna-Maria Lee
Chief People Officer

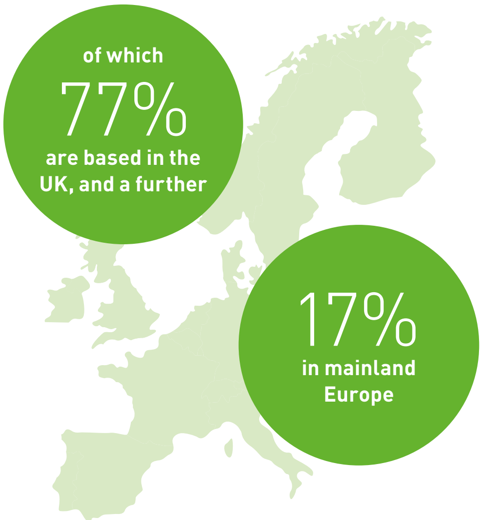
2020 overview

RESPONSIBLE SOURCING IN OUR SUPPLY CHAIN



548+

suppliers to Bakkavor UK



Headline progress

Rolled out our bespoke supplier management tools to risk assess our UK supplier base on the key issues of human rights, environmental sustainability and food integrity

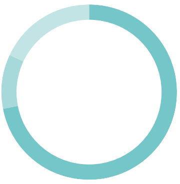
Supplier Code of Conduct rolled out to all direct UK suppliers (food and packaging)

Helped to set up a cross-industry collaborative platform supporting smaller food producers to manage the COVID-19 pandemic, called Food Farm Help

Read more on page 46 →

SUSTAINABILITY AND INNOVATION IN OUR OPERATIONS

Scope 1&2 net greenhouse gas emissions



- **UK** 111,103
- **US** 15,289
- **China** 27,849

Group-wide gross GHG emissions

Scope 1, tCO_2e

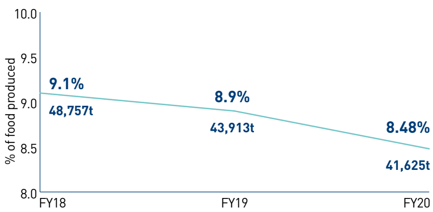
2020	117,773
2019	127,685

Scope 2, tCO_2e

2020	79,214
2019	84,753

UK food waste

As a % of food produced and tonnes



118 tonnes

plastic packaging eliminated for just one customer

Headline progress

Net GHG emissions reduced by 4.8% across the Group

Decreased UK food waste to 8.48% – down 17% since 2017

Removed all plastic cutlery from salads and meals packaging, reduced the weight of trays and increased recyclability of pots, trays, dips and dessert bowls

All of our PET plastic now contains at least 30% recycled material

189,095 meal equivalents donated to charities – an increase of 14% compared to 2019

Read more on page 49 →

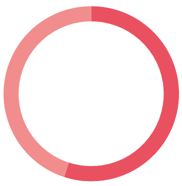
ENGAGEMENT AND WELLBEING IN OUR WORKPLACES AND COMMUNITIES

Employee data

Employees by location

UK	16,356
US	808
China	2,125
Continental Europe	29

Employees by gender



- **Men** 10,664
- **Women** 8,654

The Wellbeing Toolkit

FINANCIAL · PHYSICAL · EMOTIONAL

Launched Toolkit to provide employees with resources and support

>7 day accident rate per 100k employees

2020	330
2019	254
2018	400

Headline progress

Increase in both major and >7 day accidents (14% and 26% respectively) in the UK. Despite this, both remain well below industry averages

Launched Wellbeing Toolkit providing emotional, physical and financial resources

Median Gender Pay gap reduced from 7.3% to 2.1%

UK graduate programme named 'Best Training Initiative' in Food Management Today's ("FMT") Industry Awards

Read more on page 56 →

RESPONSIBLE SOURCING IN OUR SUPPLY CHAIN

Our supply chain approach prioritises transparency and a shared understanding of the need to safeguard human rights, minimise environmental risks and ensure ingredient integrity.

To ensure great-tasting and quality fresh prepared products, we source more than 5,000 ingredients from across 50 countries.

A resilient supply chain relies on assessing risks and working with growers and partners to support the rights and livelihoods of the millions of people employed in agriculture worldwide, whilst minimising environmental impacts, including deforestation and climate change, in order to guarantee the future sustainability of our food systems. Our risk-based approach to Responsible Sourcing involves detailed assessment of risks in our own operations and in our supply chain and using this information to address any issues in conjunction with our customers and suppliers.

Responsible Sourcing in our supply chain is one of the three focus areas of our Trusted Partner strategy. It addresses three specific issues: supply chain human rights, environmentally sustainable sourcing and ingredient integrity. Within each focus area Trusted Partner sets short and medium-term commitments that enable us to focus our approach and remain agile with a clear roadmap. Despite numerous challenges presented by the COVID-19 pandemic, we were able to maintain our Responsible Sourcing momentum and make strong progress against our commitments.

548+
suppliers to Bakkavor UK

of which

77%
are based in the UK, and a further

17%
in mainland Europe

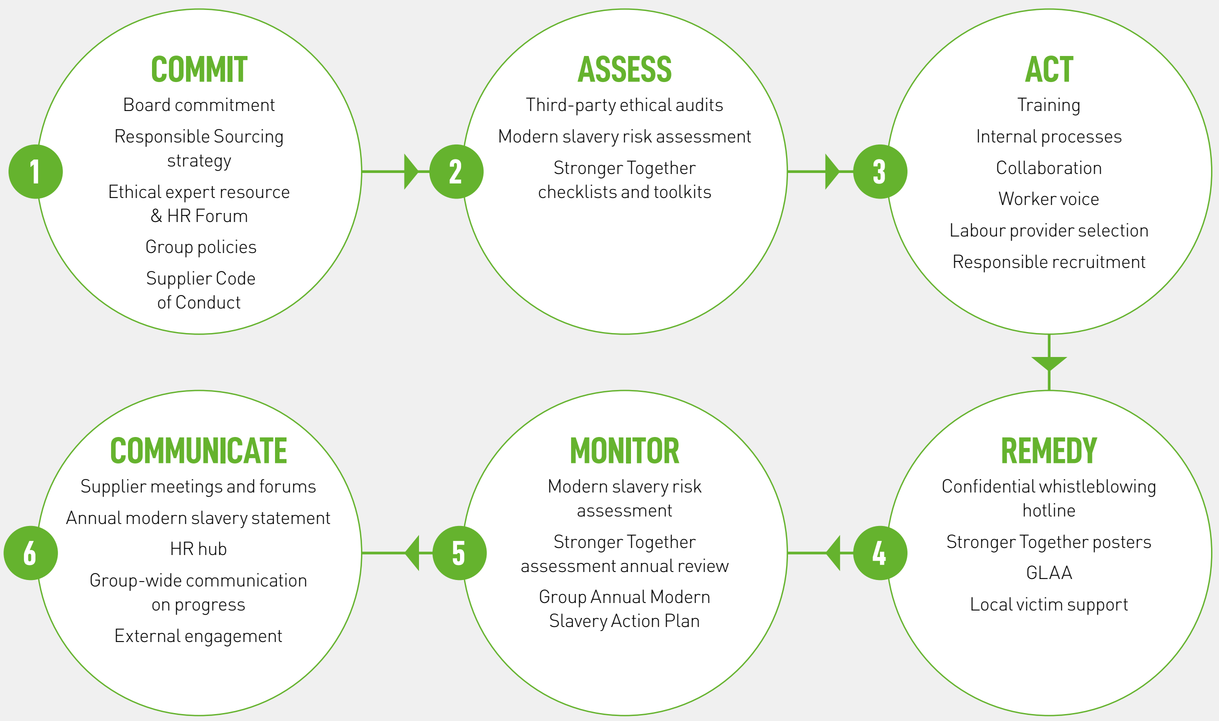
Supply Chain Human Rights

The complexity and pace of the global food supply chain places it at risk of human rights abuses like modern slavery and inadequate labour practices. Ensuring the welfare and rights of workers throughout our supply chain is a top priority for our business and a central element to our Responsible Sourcing approach. We make our expectations clear to our suppliers and work with them to ensure that they can meet and maintain the standards required. For details about our practices in our own operations, see the Responsible Recruitment and Employment section on page 59.

Our suppliers must be registered with Sedex's online platform that enables transparency of audit results and labour practices, which in turn supports ongoing improvements. They must also agree to abide by our Supplier Code of Conduct which outlines our expectations on issues from modern slavery, migrant labour, child labour, working hours, discrimination, freedom of association and collective bargaining, to land rights, bribery and corruption, and environmental

What we said we'd do in 2020	What we did
Use our supplier management tools to identify suppliers deemed 'high risk' on our combined risk approach for our UK business.	Rolled out our bespoke supplier management tools to risk assess our UK supplier base on the key issues of human rights, environmental sustainability and food integrity. The information has helped identify priority areas of our supply chain for engagement on human rights going forward.
Communicate our Supplier Code of Conduct with all our tier 1 suppliers to formalise a shared understanding of our responsible business requirements. Build transparency and traceability into our Supplier Code of Conduct and communicate to tier 1 suppliers (2020).	Supplier Code of Conduct rolled out to all UK food and packaging suppliers in October. The Code of Conduct covers our requirements on a number of labour issues and human rights, as well as bribery and corruption, environmental impact, transparency and traceability. From 2021, we will work collaboratively with supply chain partners to address any instances of non-compliance.
Actively participate in industry action alongside our customers on areas of strategic importance to the Bakkavor supply chain (ongoing).	We continued to work closely with our retail customers in human rights monitoring on key supply chains. Additionally, Bakkavor supported a collaborative platform called Food Farm Help, set up to support smaller food producers to manage the COVID-19 pandemic. The platform provides free guidance, practical tips, tools and good practice examples for managing the risks associated with the pandemic. Bakkavor provided resources and participated in supplier-facing webinars.

Bakkavor's Human Rights and Ethical Trade Framework



impact, as well as other important topics. Suppliers are required to demonstrate compliance with the Code of Conduct and Bakkavor will seek corrective actions where required, whilst reserving the right to terminate supplier agreements in severe cases. The Supplier Code of Conduct was communicated in 2020, and no instances of non-compliance have yet been identified.

For Bakkavor, requirements for suppliers are only one part of an effective ethical sourcing approach. Our Group Ethical Trading and Human Rights approach sets out the framework through which we manage our commitment to conducting business in a fair and ethical way, both within our own operations and throughout our supply chain.

We use information provided by Food Network for Ethical Trade ("FNET") as part of our risk assessment tool to profile human rights risks at ingredient and country level. We also support the principle of capacity building among our suppliers to improve their own management processes. For example, through promoting tools such as the Sedex Self-Assessment Questionnaire as best practice at all levels of the supply chain.

OUR COMMITMENTS:

- Expand supplier management tools to our US and Asia businesses to expand our human rights risk mapping (2022).
- Work collaboratively with our suppliers on any breaches of our Code of Conduct to develop and implement a clear and appropriate corrective action plan (2021 and ongoing).
- Empower worker voice and collaborative dialogue within our direct supply chain by promoting independent whistleblowing channels and effective grievance reporting mechanisms (UK: 2022, Asia and US: 2024).

Environmentally Sustainable Sourcing

We have a responsibility to procure the raw materials we use in a way that is as environmentally sound as possible, with concern for impacts on the land, water and biodiversity in their growing and production. In this way, our focus on environmental sustainability not only ensures care for the planet but improves the resilience of our supply chain.

As with monitoring human rights in the supply chain, it is by working collaboratively with our suppliers that we can better understand the environmental impacts associated with raw materials and determine the appropriate sourcing approach. As well as in the UK, we have dedicated sourcing teams in Asia and Spain who are able to work 'on the ground' with many of our biggest producers, ensuring we are closely connected to ongoing developments, opportunities and challenges.

We have specific sourcing approaches for key, high risk raw materials. As well as this, as an own-label supplier we also support our customers' commitments, which can include sourcing through commodity-specific sustainability standards such as Rainforest Alliance or the Marine Stewardship Council ("MSC").

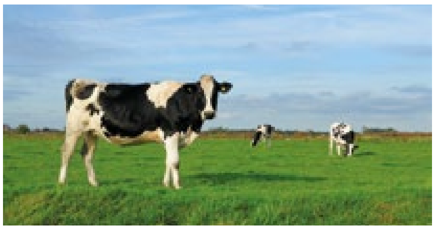
A key issue for the food industry as a whole is the impact of certain commodities on deforestation and changing land use. For us, relevant raw materials that can have links to deforestation are palm oil, soy, cocoa, wood pulp-based packaging and to a lesser extent, beef. We are clear in our commitment to eliminating deforestation risks in our supply chain sourcing and have sourcing approaches for the high-risk commodities relevant to our business. These are summarised below, and our detailed deforestation statement is available online.

Soy: Since 2018 we have supported the Retail Soy Initiative study by providing data to map the 'embedded' soy in UK livestock products such as chicken. To mitigate this, from 2020, Bakkavor UK offsets our embedded soy consumption with credits purchased from the Round Table on Responsible Soy ("RTRS"), which we joined in 2020.

Palm oil: Since 2012 all palm oil that we source is purchased to the standards set by the Roundtable on Sustainable Palm Oil ("RSPO"). We are in the process of moving our supply to segregated RSPO certified palm oil from mass balance over the next couple of years, in line with our retail customers' timelines.

Cocoa: All products manufactured by Bakkavor UK containing cocoa derived ingredients are sourced from retailer-approved cocoa sustainability schemes. These include UTZ, Fairtrade and Barry Callebaut Cocoa Horizons.

Wood pulp: From the end of Q1 2021, all our cardboard packaging will come from wood pulp from PEFC or FSC certified forests (for more on packaging, see page 54).



Beef: Beef comprises a very small amount of our raw material buying. We ensure through our traceability and integrity practices that none of our beef originates from higher risk areas and, in addition, we source to the specific requirements of our retail customers.

OUR COMMITMENTS:

- Expand supplier management to our US and Asia businesses to replicate our environmental risk mapping (2022).
- Ensure that discussions with our top five strategic suppliers include an understanding of their environmental challenges and their plans to mitigate the impacts associated with each material or ingredient (2021).
- Identify the 20 strategic raw materials for our UK business with the highest levels of environmental risk and develop action plans or sourcing policies for each (2021 onwards).
- Engage with key suppliers to ensure shared understanding of the responsible use of plastics (2022).

Ingredient Traceability and Integrity

Our success in continuing to deliver products of the highest quality to our customers is built on trust and our ability to consistently deliver high standards of raw material integrity and traceability.

We have a detailed database of all our 500+ direct suppliers, and the raw materials we purchase can be traced back to the field or farm.

Regular audits and trace exercises play a strong role in helping us to monitor the integrity of our ingredients. Where testing is available, the raw materials are analysed at specialist accredited laboratories. Supply chain traceability is also used to verify the authenticity of specific materials.

During 2020 we conducted a number of laboratory tests, trace exercises, supplier audits and risk assessment review meetings to verify the integrity of our materials where claims are made. As founding members of the collaborative platform – Food Industry Intelligence Network ("FIIN") – our intelligence and results from these analyses are shared with FIIN.

Where we identify high risk ingredients, we work directly with our suppliers to understand their control systems, share best practice and reduce the risks of fraud and adulteration in the global supply chain.

Where our analysis or trace procedures identify irregularities, we take rapid action to implement control measures and ensure corrective actions are robust and sustainable, to improve the supply chain visibility and integrity.

In addition, 2020 presented unique integrity challenges as supply chains were impacted by the COVID-19 pandemic. The global spice supply chain was identified at higher risk of adulteration, so those sourced from India presented a potential integrity concern as lockdowns proliferated in the country. By working closely with our direct suppliers, we were able to identify alternate supply routes, carefully matching the high level of food safety and product integrity requirements with the existing materials. Using our existing food safety and integrity risk assessment framework, we were able to work quickly and efficiently though the various options, ensuring that the Group was supplied at all times with materials of the right quality and integrity.

SUSTAINABILITY AND INNOVATION IN OUR OPERATIONS

We are working to drive down food waste and our wider environmental footprint.

Operational efficiency drives our core business and is one of our business's strategic pillars.

It is also fundamental to our Corporate Responsibility strategy as, with 23 factories in the UK, five in the US and nine in China, we have a responsibility to constantly pursue ways of manufacturing with a lower environmental impact.

37
factories across three countries

UK food waste reduced from 8.90% to
8.48%

Sustainability and innovation in our operations is the second focus area of our Trusted Partner strategy. It incorporates our action on four issues: Food Waste, Resource Efficiency and Emissions, Impact of Packaging and Product Innovation. In 2020, our operations were significantly affected by the COVID-19 outbreak which had knock-on effects on many aspects of our sustainability impacts – both positive and negative. Despite the disruption, we have been able to continue the roll out of our Trusted Partner strategy and commitments that were launched in January 2020.

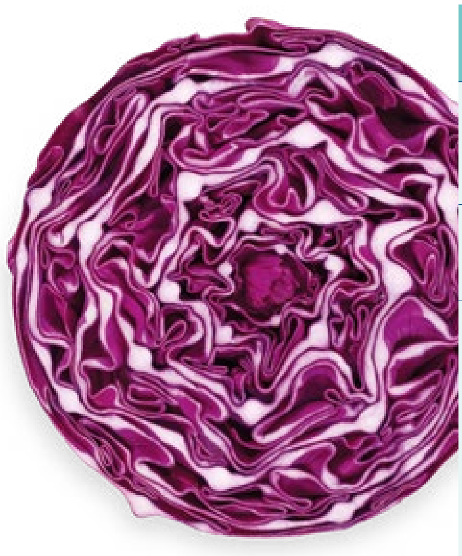
189,095
meal equivalents donated to local charities and national charitable distributors – an increase of more than 23,000 compared to 2019

Food Waste

According to the United Nations' Food and Agriculture Organization ("FAO"), around the world, one third of food, equivalent to around 1.3 billion tonnes, is wasted along the value chain. This means that not only is the financial value wasted, so too are all the resources that went into making it – from the water used to grow each of the ingredients and the fuel that transported them, to the energy used to process, refrigerate and cook them.

The UK manufacturing sector contributed to 1.5 million tonnes of food waste in 2018 in the UK alone. As a sector we need to reduce this by 135,000 tonnes each year to hit the target of halving food waste by 2030. We have been measuring our food waste since 2017 using the principles and template of 'Target, Measure, Act' – a toolkit set by the non-profit organisation WRAP and the IGD – and we have committed to halving our food waste by 2030 to support the Champions 12.3 initiative. The Intergovernmental Panel on Climate Change ("IPCC") estimates that food waste contributes to 8-10% of total man-made greenhouse gas ("GHG") emissions and, as such, this initiative has a significant contribution to mitigating climate change.

We use the Food Loss and Waste Accounting and Reporting Standard and adopt the principles and toolkit of WRAP and the IGD's 'Target, Measure, Act' in our progress reporting. We are sharing the approach and principles across our international sites and in 2020 conducted a baseline measurement using a modified methodology of our food waste in our Asia sites.



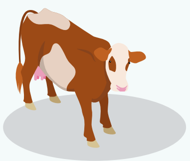
What we said we'd do in 2020	What we did
Work towards our Champions 12.3 target of reducing food loss by preventing it at each of our sites, whilst measuring and reporting our progress annually (2030).	Decreased UK food waste to 8.48% (from 8.90% in 2019). This equates to an absolute reduction of 17% against our baseline year of 2017.
Reduce our relative carbon footprint and energy intensity across operational manufacturing Group-wide.	Net carbon emissions reduced by 4.8% across the Group (7,713 tCO_2e) compared to 2019.
Support progress towards achieving The UK Plastics Pact's 2025 industry goals.	More than 118 tonnes of plastic eliminated for just one customer – from cutlery to lids and salads to desserts. All plastic used for meal and salad pots, trays, dips and dessert bowls is now recyclable. All of our PET plastic now contains at least 30% recycled material.

Our priority for action is to prevent waste from occurring in the first place, so each of our UK sites has targets to work towards. Some waste will however be inevitable, for example inedible parts of fruits and vegetables. In the UK we also send suitable food waste to be used for animal feed, with the remainder primarily being recycled for anaerobic digestion that produces fertilisers and biogas. Where we have surplus product, we share across our staff shops and the food redistributor Company Shop at heavily discounted rates and we also redistribute among local communities via networks such as FareShare. In 2020, our sites stepped up donations to support local organisations and frontline workers that were facing the pandemic. A very small proportion of food waste goes to composting (aerobic digestion). Our UK sites do not send any food waste to incineration or landfill.

The COVID-19 pandemic significantly impacted our operations across the Group. In the first few weeks, food waste levels initially increased as we faced reduced orders and oversupply of raw materials. This then stabilised and then decreased below 2019 levels (UK) for the rest of the year. This is in part a reflection of our business adapting to the disruption and simplifying product ranges and also due to the reduction in demand for fresh prepared salads and 'food to go' products – a sector that produces higher volumes of waste due to the increased proportion of fresh prepared fruit and vegetables. As a result, our UK food waste percentage of 8.48% is ahead of target. Our priority for 2021 is to build on this positive progress.

In Asia, we began measuring food waste across our nine factories using a simplified methodology as it is not currently possible to adopt the full Food Loss and Waste Accounting and Reporting Standard due to difficulties with tracking end waste destinations. We continued sending a proportion of suitable food waste in China for recycling as animal feed. Our Asia business's 2020 food waste percentage of 34% reflects the much larger proportion of fresh fruit and vegetable preparation that makes up the majority of our products in Asia, as well as disruption from the COVID-19 pandemic.

Food waste and surplus redistribution

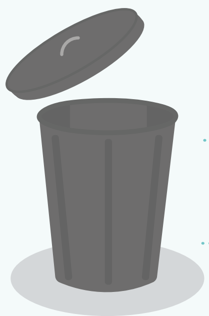


24,752

Our surplus food doesn't just go to humans. In 2020, we sent 24,752 tonnes of product that was not fit for people (such as pizza dough) to be used as feed for animals.

70%

After the farm stage, 70% of all food waste occurs in our own homes. In the UK, this equates to 4.5 million tonnes every year, almost 70% of which is edible.



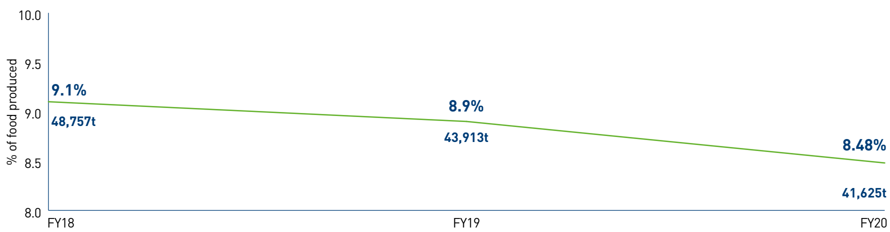
79t

Our UK sites donated more than 79 tonnes of surplus food products directly to charities in 2020. The equivalent of 189,095 meals.

560t

In 2020, 560 tonnes of surplus food products from Bakkavor UK went to our staff shops. This equates to about 1.3 million meals.

UK food waste



UK surplus

UK food waste	FY18	FY19	FY20
Meal equivalents[1] distributed in staff shops	1,327,738	1,771,800	1,332,143
Meal equivalents donated to FareShare and local charities	86,309	165,550	189,095
Meal equivalents distributed to Company Shop	1,350,000	989,190	1,538,643
Recycled as animal feed (tonnes)	30,499	27,520	24,752

1 Meal equivalent based on a 420g portion

OUR COMMITMENTS:

- Continue working towards our Champions 12.3 target of reducing food loss by preventing it at each of our sites, whilst measuring and reporting our progress annually (2030).
- Actively engage each of our UK and US sites to maximise the suitable surplus food available for redistribution (2022).
- Maintain zero waste to landfill status in the UK (ongoing) and look to progress across our US and Asia sites (2025).

Resource Efficiency and Emissions

How we're addressing climate change

Climate change is a major issue facing our company, the entire food system and wider society. It cuts across a number of our most material issues including environmentally sustainable sourcing, food waste, packaging and of course, resource efficiency and emissions.

During 2020, we conducted a review of our business's management approach to the issue of climate change and preparedness to increasing disclosures in the form of the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). This review supported the creation of the CR Executive Committee, details of which can be found on page 43. This review also led us to set our commitment to achieve Net Zero carbon emissions across our Group operations by 2040. The Board approved this goal in early 2021 and we will develop and further scope our Net Zero roadmap through the rest of the year.

We also reviewed whether to include climate change in our formal Risk Register. At this time, we do not categorise climate change as a principal risk but are clear that it is an increasing influence on a number of existing principal risks. Nevertheless, we have identified a number of potential climate-related risks and opportunities that are addressed through our Trusted Partner strategy (see table below).

-4.8%
reduction in Group net GHG emissions

We are continuing to embed structures through our CR management and governance that will support the monitoring of climate-related issues within our existing risk frameworks. Further details of how CR and sustainability risks connect within our principal risks can be found on page 43.

As well as addressing and monitoring our climate-related risks and opportunities outlined above, we're taking steps to formalise our climate commitment through setting a decarbonisation pathway for our business and committing to Net Zero emissions in our Group operations by 2040.

As part of our roadmap of action on climate change, we will improve our alignment and disclosures further to meet TCFD recommendations, look at climate scenarios and the implications on our business model, as well as incorporating our supply chain environmental risk assessment into wider strategies.

Scope 1 emissions (combustion of fuel and operation of facilities, tCO2e)

Scope 2 emissions (purchased electricity and cooling, tCO_2e)

OUR COMMITMENTS:

- Achieve Net Zero carbon emissions in our Group operations by 2040.
- Roll out consistent environmental management and reporting systems at each of our sites, tracking monthly performance metrics for energy, carbon, water and food waste (2021).
- Work towards optimising operational water intensity per tonne of product, whilst maintaining product quality and integrity, reporting internally on a monthly basis through the environmental tracker (year on year).
- Understand our business's exposure to climate risks and take action to mitigate our impacts whilst building greater resilience in our sector (2022).

Climate-related risk/opportunity	Response
Risk: Changes in precipitation patterns and extreme variability in weather patterns affecting upstream raw material supply	See 'Environmentally sustainable sourcing', page 47
Risk: Increased production costs due to changing input prices (e.g. energy, water) and output requirements (e.g. waste treatment)	See 'Resource efficiency and emissions', pages 51 to 53
Risk: Reputation	See management of sustainability – one of our principal risks, page 82
Opportunity: Reduced operating costs (e.g. through efficiency gains and cost reductions)	See 'Resource efficiency and emissions', pages 51 to 53
Opportunity: Shift in consumer preferences	See 'Product innovation', page 55

Reporting greenhouse gas emissions

This is the third year for which Bakkavor is reporting carbon emissions for the Group, including the US and China businesses as well as the UK.

Greenhouse gas ("GHG") emissions for the year to December 2020 have been measured and reported as required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations, and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

The total gross GHG emissions reported include all Scope 1 and Scope 2 emissions for the Bakkavor Group globally. This covers all sites where Bakkavor has full operational control. This includes full year emissions for Bakkavor Desserts Leicester, a business acquired in 2019. Data has not been collected for sites owned by Bakkavor but leased to tenants as Bakkavor does not have oversight or control of this energy usage and emissions data. The Group's environmental management system is based on ISO 14001.

Scope 1 emissions are those that directly release GHGs including fuel consumed by our manufacturing facilities, offices, warehouses and our vehicle fleet, and releases of fluorinated gases from our refrigeration plant.

Scope 2 emissions are released indirectly from our consumption of energy sources (electricity and cooling streams).

The methodology applied to the calculation of greenhouse gas emissions is the 'GHG Protocol Corporate Accounting and Reporting Standard'. An 'operational control' boundary has been applied. Carbon factors from Defra's UK Government GHG Conversion Factors for Company Reporting and the International Energy Agency ("IEA") database are used to calculate the GHG emissions, where they are not separately provided by a supplier. Emissions are reported as CO_2e.

The tables below show GHG emissions and total annual energy for both Bakkavor Group and Bakkavor Foods Limited (UK).

Group greenhouse gas emissions (for the period 1 January 2020 – 31 December 2020)

	Emissions (tCO_2e)			
Bakkavor Group	2020	Change	2019	2018
Scope 1: Emissions from combustion of fuel and operation of facilities				
UK	104,716	+0.5%	104,242	107,526
US	5,140	-44.3%	9,226	5,957
Asia	7,918	-44.3%	14,217	7,017
Total Scope 1 emissions	**117,773**	**-7.8%**	**127,685**	**120,500**
Scope 2: Emissions from purchased electricity and cooling				
UK	49,134	-13.6%	56,842	66,484
US	10,149	+21.6%	8,345	7,050
Asia	19,932	+1.9%	19,566	15,761
Total Scope 2 emissions	**79,214**	**-6.5%**	**84,753**	**89,295**
Total gross emissions	**196,987**	**-7.3%**	**212,438**	**209,795**
Green tariff	42,746	-15.3%	50,484	56,900
Total market-based emissions	**154,241**	**-4.8%**	**161,954**	**152,895**
Intensity ratio (gross tCO_2e/£m turnover)	**109.83**	**-2.5%**	**112.65**	**113.08**

	Energy (kWh)			
	2020	Change	2019	2018
Scope 1 – Energy from combustion of fuel and operation of facilities including transport	391,226,221	3%	380,530,563	358,381,808
Scope 2 – Energy from purchased electricity and cooling	267,568,339	-3%	276,805,950	275,951,251
Total energy (kWh)	**658,794,560**	**0.2%**	**657,336,513**	**634,333,059**

UK greenhouse gas emissions (for the period 1 January 2020 – 31 December 2020)

	Emissions (tCO_2e)			
Bakkavor Foods Limited (UK)	2020	Change	2019	2018
Scope 1 – Emissions from combustion of fuel and operation of facilities	104,716	+0.5%	104,242	107,526
Scope 2 – Emissions from purchased electricity and cooling	49,134	-13.6%	56,842	66,484
Total gross emissions	**153,849**	**-4.5%**	**161,084**	**174,010**
Green tariff	42,746	-15.3%	50,484	56,900
Total market-based emissions	**111,103**	**+0.5%**	**110,600**	**117,110**
Intensity ratio (gross tCO_2e/£m turnover)	**98.21**	**+0.7%**	**97.48**	**105.23**
Total energy (kWh)	**571,708,841**	**-1.39%**	**579,759,118**	**575,834,160**

Totals may not reflect sum of values shown due to rounding

In a world under increasing resource stress, we must ensure that efficiency drives all our operational processes. As a food manufacturer, water and energy are critical for food safety and quality. They allow us to maintain the correct refrigeration levels at our sites and are vital for hygiene processes. We prioritise minimising our direct consumption – without compromising on food safety, quality, or the environment in which our colleagues work – and are committed to reducing our overall greenhouse gas emissions Group-wide.

We monitor site-level environmental performance through our internal UK environmental trackers. These cover energy consumption and efficiency, water use, waste and food waste management, as well as progress towards Climate Change Agreement ("CCA") emission reduction targets. Sites are incentivised to find efficiency improvements, recognised for good performance and challenged for poor performance. This data is collected on a monthly basis and reported to Management and Group Boards.

In March, we completed a £455 million refinancing of our bank facilities agreement which includes a margin adjustment linked to our UK business's performance on reducing GHG emissions and reduction in food waste.

Energy efficiency

We have active programmes to reduce energy consumption and Scope 1 and Scope 2 carbon emissions. With 87% of the Group energy consumption in the UK, most of the energy efficiency actions have been concentrated here. Strategies for managing energy consumption and carbon emissions are being refined, in support of the UK Government Industrial Decarbonisation and Energy Efficiency Roadmaps to 2050.

Total energy consumption in the UK decreased slightly (1.39%) compared to 2019.

In our UK operations, regular Energy Savings Opportunities Scheme ("ESOS") audits outline energy saving/efficiency strategies to further reduce our environmental impacts and to drive baseload energy reductions. These recommendations, such as switching to LED lighting and refrigeration control techniques, form part of our ongoing pipeline of site upgrade projects and have a positive impact on our business costs and efficiency, as well as carbon emissions.

Following an ESOS assessment conducted at the end of 2019 which identified a number of energy-saving opportunities, in 2020 we implemented a number of projects to improve energy efficiency and to reduce carbon impact across the business and will continue to roll this out in 2021.

In 2020, we continued to make progress in our ongoing capital investment plan upgrading our refrigeration systems away from using fluorinated F gases, which have a high global warming potential, to more efficient natural gas (ammonia) and/or CO_2 systems and support compliance with refrigerant gas legislation. We continued monitoring and optimising use of site utilities such as compressed air, hot water and steam systems. This ongoing process has yielded, and continues to yield, significant savings. We also continued converting lighting to more efficient LED which now makes up a large proportion of our lighting systems. These upgrades are also part of our ongoing pipeline for 2021.

Since 2017, our UK electricity supply has been sourced through a renewable supply contract, representing 87% of our UK Scope 2 emissions.

Bakkavor USA energy consumption comprises 7% of the Group's total energy consumption. There are upcoming changes in refrigeration legislation which will require plant modification, and energy efficiency will be one of the considerations. There are also site-specific programmes to challenge and reduce refrigeration demand.

Our facilities in China contribute currently 6% of Group energy consumption. General energy efficiency upgrades are being considered. As older plants are refurbished energy efficiency will be improved.

£455m

refinancing agreement linked to GHG emissions and food waste goals

8m kWh

energy reduced in the UK in 2020

OUR COMMITMENTS:

Support progress towards achieving The UK Plastics Pact's 2025 industry goals:

- Eliminate problematic or unnecessary single-use plastic packaging.
- 100% reusable, recyclable or compostable plastic packaging.
- 30% average recycled content in plastic packaging.
- Use only cardboard from PEFC- or FSC-certified forests (2021).
- Apply our knowledge in procuring and developing more sustainable packaging solutions across our business by sharing and promoting the same manufacturing techniques and materials in our Asia and US divisions.

Impact of Packaging

As fresh prepared food manufacturers, the packaging we use is critical. At Bakkavor, we work alongside our customers to select the most appropriate materials and packaging formats to ensure that products reach store shelves and then consumers whilst maintaining the highest standards of safety and quality. We also consider this alongside the environmental impact of the packaging across its lifecycle, as well as its contribution to reducing food waste by extending shelf life.

Plastic remains our most-used packaging material as it is lightweight, efficient to produce, affordable and often the most effective material in extending product shelf life. Nevertheless, single-use and unnecessary plastics are contributing to a critical pollution problem worldwide and, as such, we are working to eliminate unnecessary plastics, maximise recyclability, use more sustainable alternatives where suitable, and use plastics with more recycled content.

In 2019, we signed up to the goals of The UK Plastics Pact for our UK business as they closely align to our goals and those of our UK customers. In 2020 we have continued to make strong progress against the 2025 targets by working closely with our customers to explore ways to eliminate unnecessary plastic packaging, light-weighting packaging, substituting for alternatives and increasing recycled content.

- Eliminating problematic or unnecessary plastic packaging:
  - Removed cutlery from all salads and meals packaging, eliminating 4.1 tonnes of plastic.
  - Removed lids from ranges of dressed salads and dessert packaging, eliminating 97 tonnes for just one customer.
  - By finding ways to reduce the weight of packaging, like meal trays, by as much as 25%, we have reduced plastic content for one customer by 140 tonnes.
- Using only recyclable, compostable or biodegradable plastic packaging:
  - All plastic packaging used for meal and salad pots, trays, dips and dessert bowls is made from recyclable polyester, polyethylene ("PE") or polypropylene ("PP")
  - We removed unrecyclable polystyrene discs from pizza bases and hard to recycle plastic trays containing carbon black from meals in 2019.
  - We face the same challenge as the wider industry in finding recyclable solutions for flexible plastics such as films and salad bags.
  - We have made wrap packaging easier to recycle by introducing peelable windows for easier separation. Going forward we are exploring films with recycled content and moving to alternatives where feasible.
- Use plastic with at least 30% average recycled content:
  - All of our PET plastic now contains at least 30% recycled material.
  - In 2021 we will be prioritising increasing recycled content in flexible plastics such as windows on wrap boxes and investigating ongoing supply of recycled polypropylene, e.g. for soup and sauce packaging.

We are also supporting our international customers with more sustainable packaging. For example, launching a range of meals for a major customer in China made from 100% biodegradable packaging.

118 tonnes
plastic packaging removed for just one customer

Product Innovation

As public awareness of the need to shift to more sustainable lifestyles increases, so too does the opportunity to support demand for food products that enable people to reduce their environmental impact through their diet, as well as support healthier lifestyles through improved nutritional profiles. We want to play a part in supporting this shift by producing a wide range of healthy, exciting and affordable products that suit vegan, vegetarian and flexitarian diets, such as our Wicked Kitchen and Plant Chef products for Tesco and Plant Kitchen products for M&S.

Our Bakkavor Insights Team monitor consumer trends and feed into new product development, such as increasing vegan and plant-based recipes with lower climate impacts. On average we now make over 90 vegan and vegetarian products for UK customers.

In China we are also seeing an increased interest, particularly from under 25s, in meat alternatives and vegan meals and we have partnered with a major food service customer for a high-profile launch of a range of healthy, plant-based protein meals, in compostable packaging. In the US we are seeing retailers increasingly looking to us to help them provide products that promote healthier lifestyles, reduce food waste and find alternatives to animal proteins. Our product developers have a particular focus on reducing food waste, for example, by using different edible parts of fruits and vegetables which have in the past been thrown away.

In addition to increasing the appeal of plant-based products, we have continued to focus on improving the nutritional impacts of our ranges and working to adapt recipes with our customers to support nutrition targets that support the UK Government's updated obesity strategy. We do this both by adapting existing recipes to lower levels of fat, sugar and salt and also in New Product Development. For example, in 2020 we launched 'Fresh Eats' with M&S – a new range of 'heat-to-eat' meals that reflect traditional ready meals or takeaway favourites like chicken katsu but with a significant increase in the proportion of fresh veg.

OUR COMMITMENTS:

- Promote sustainability considerations in new product development through regular training and information sharing.
- Work with customers to meet their nutrition targets on salt, sugar, saturated fat and overall calories through reformulation.
- Support healthier lifestyles through our product ranges by using our expertise to develop great-tasting products that support customers' targets on healthy ranges.
- Enable sustainable diets through our product portfolio by continuing to lead and drive plant-based fresh-prepared product ranges.

90

vegan and vegetarian products for the UK market

ENGAGEMENT AND WELLBEING IN OUR WORKPLACES AND COMMUNITIES

Our colleagues are the number one resource driving our business. In an unprecedented year, where the COVID-19 pandemic presented enormous challenges to our workforce and operations, we are immensely proud of the way our teams have responded; through hard work, adaptation, innovation and continuing to live the Bakkavor values.

Engagement and wellbeing in our workplaces and communities is the third focus area of our Trusted Partner strategy.

It addresses four specific issues: Colleague Wellbeing, Health and Safety; Responsible Recruitment and Employment; Engagement, Development and Retention; and Local Causes and Community Engagement. The COVID-19 pandemic had a major impact on all of these issues across the Group, requiring us to rapidly adapt and respond in order to prioritise our employees' financial, physical and emotional wellbeing and continue our business operations delivering great quality fresh food to our customers in unforeseen market circumstances.

Colleague Wellbeing, Health and Safety

The health and safety of our colleagues is, and always will be, our top priority and the unprecedented events of 2020 reminded us all that a healthy workplace can never be taken for granted, and that we can always strive to do better.

We have established a rigorous health and safety ("H&S") culture based on best-practice governance approaches and proactive response mechanisms that include close monitoring, audits, risk-based systems and reporting at Group-level.

What we said we'd do in 2020	What we did
Lead our industry on rolling out completion of the new Sedex SAQ and new risk assessment (UK sites by 2020, and Group-wide by 2021).	SAQs completed and analysed for all UK sites as well as Bakkavor Hong Kong.
Work only with UK Labour Providers that are GLAA registered, commit to the Responsible Recruitment Toolkit and work towards the standards (2020 and ongoing).	On track.
Implement an integrated talent management and development programme to provide our employees with continuous learning opportunities (2021).	On track.
Develop future leaders by expanding our graduate programme and aligning our UK/Asia scheme with our US programme, as well as doubling the apprenticeship programmes in 2020.	Continued to grow our UK graduate and apprenticeship programme. Our US and China schemes were affected by the implications of the COVID-19 pandemic.

19,000+

colleagues across 45 locations in UK, Spain, China, Hong Kong and the USA

10%

improvement in our Modern Slavery Risk Assessment rating – giving us the highest score relative to others in every category on the Stronger Together Employer Good Practice Implementation Checklist

In 2020, the Group reported employee turnover in the UK of 17.9%, compared to 20.9% in 2019, representing a 3 percentage point improvement.

Turnover includes voluntary and involuntary leavers and excludes employees on fixed term contracts and those affected by redundancy. In 2020, the average length of service of employees in production was 7.08 years, while that of employees in management and administration was 9.10 years, both of which are increases on 2019 figures.

Employee data

The Group employed 19,318 employees in total. Approximately 98.6% of employees are permanent.

By location	2020	2019	2018	2017
United Kingdom	**16,356**	16,942	17,004	17,348
US	**808**	874	635	595
China	**2,125**	2,266	2,181	1,628
Continental Europe (Spain, Italy)	**29**	23	22	22
Total	**19,318**	20,105	19,842	19,593

By function	2020	2019	2018	2017
Production	**15,938**	16,759	16,706	16,653
Management and administration	**2,488**	2,424	2,183	1,992
Sales and distribution	**892**	922	953	948
Total	**19,318**	20,105	19,842	19,593

By gender	Group				UK				International[2]			
	2020	2019	2018	2017	2020	2019	2018	2017	2020	2019	2018	2017
Female	**8,654**	8,864	8,698	8,389	**6,888**	7,011	7,055	7,116	**1,766**	1,853	1,643	1,273
Male	**10,664**	11,241	11,144	11,204	**9,468**	9,931	9,949	10,232	**1,196**	1,310	1,195	972
Total	**19,318**	20,105	19,842	19,593	**16,356**	16,942	17,004	17,348	**2,962**	3,163	2,838	2,245

Senior Leadership by gender

	Group Board
Female	2
Male	6
Total	**8**

	Senior Management[3]	Management Board	Senior Executives[4]
Female	3	1	12
Male	8	4	26
Total	**11**	**5**	**38**

2 Includes US, mainland China, Hong Kong, Spain and Italy.

3 Refers to the definition within the Companies Act 2006 s414C (8)-(10). At year end Agust Gudmundsson and Peter Gates sat on both Group and Management Boards. Data is for Financial Year.

4 Refers to the Management Board's direct reports as per the FRC's 2018 UK Corporate Governance Code Provision 23. Data is for Financial Year.

We will always target zero serious accidents and whilst unfortunately, as in most manufacturing environments, accidents will occur, we still consistently outperform industry averages on workplace safety.

In the second half of 2020, we commissioned a comprehensive piece of work on Wellbeing which involved a review of our management information such as absence data; existing wellbeing resources; wellbeing-based benefits; and our wellbeing communications. Through holding a number of stakeholder interviews and virtual focus groups, we now have a comprehensive management report which will enable us to implement a Wellbeing strategy and tactical plan, with senior sponsorship, as we further build our wellbeing offering. We also promote wellbeing at site-level and, with the support of our Occupational Health teams and Site Employee Forum ("SEF") representatives, we run campaigns on topics from healthy eating and stopping smoking to addiction.

Colleague wellbeing during the COVID-19 pandemic

In January, COVID-19 became a core issue for our business across our China operations and then in our UK and US businesses from March and throughout the year. Whilst our established controls for food hygiene and employee safety were already industry-leading, we immediately implemented additional, enhanced safety measures including restricting visitor access, suspending non business-critical travel, more frequent cleaning mechanisms, temperature scanners, visors, masks and screens, additional handwashing protocols and social distancing measures in common areas. In total, more than £9.3 million was spent on additional safety measures across sites. We continued to update procedures as the situation and public health guidance evolved, and in May consolidated all the information along with additional resources in the Bakkavor Coronavirus Management System ("BCMS") portal on our MyBakkavor intranet to provide managers and colleagues with a robust, 'one-stop shop' of the latest information.

In Leicester, Newark and Tilmanstone, following high virus incidence rates in the community causing localised spikes amongst our employees, we worked with the NHS and Public Health England on a voluntary all-staff testing programme with high levels of staff

participation in the programme. During these outbreaks, we supported all employees on COVID-19 related absence with full pay. For more detail on our COVID-19 response, see pages 4-5, 22, 34-37 and our COVID-19 risk summary on pages 74 to 77.

During the year, the emotional and financial wellbeing of our colleagues was just as important as physical wellbeing. To support this, in April we launched a UK-wide Bakkavor Wellbeing Toolkit to offer colleagues emotional, physical and financial support.

The Toolkit includes a variety of resources, links and support mechanisms such as our Employee Assistance Programme, Grocery Aid helpline and Neyber – a financial wellbeing hub provided as a benefit for colleagues. We cascaded the Toolkit in physical as well as virtual form by promoting the resources on pull-up banners and extra printed materials for colleagues at site level.

During Mental Health Awareness Week, we further promoted these resources through a range of posters designed to start conversations with colleagues and encourage all of us to check in with each other, acknowledging that it is "okay not to be okay".

UK workplace accident rates	2020	2019	2018	2017
Major* accidents per 100k employees	**49**	41	94	40
>7 days lost-time accidents per 100k employees	**330**	254	400	380
Total accidents per 100k employees	**6,579**	7,726	10,068	10,745

*Number of 'major' accidents and specified injuries as defined by the UK Health and Safety Executive.

It was also important to keep in close contact and support the wellbeing of our furloughed colleagues, who received fortnightly communication, personal emails with updates and access to the same Wellbeing Toolkit resources.

UK Health and Safety performance:

- Major accidents increased by 14% (absolute number) on 2019[5]. Our major accident rate of 49 per 100k employees is still significantly below (76%) the HSE Food Industry average of 202 major accidents per 100k employees. These accidents were mostly slips and trips and as such, in 2021 this will be a particular area of focus, including as a specific topic in our audit programme.
- >7 day accidents increased by 26% (absolute number) on 2019[6]. Our >7 day accidents rate of 330 per 100k employees outperforms the HSE Food Industry average of 828 by 60%. Around a third of these were also slips and trips, further reinforcing our focus on this area in 2021.
- Despite increases in majors and >7 day accidents, total accidents in 2020 reduced by 18% (2020: 1076, 2019: 1,309 v 2018: 1,712). This is an encouraging sign that despite a strong focus on COVID-19 protocols in 2020, we have continued with our wider risk reduction and H&S management approach.

USA and Asia Health and Safety performance

Our international businesses report health and safety data as per local legislative requirements to the relevant authorities. Monthly performance updates are provided to the Group Board, made comparable to UK Health and Safety Executive definitions where possible.

We implement health and safety improvements and risk mitigation plans on a local level, so that they can be tailored and made appropriate to local contexts.

OUR COMMITMENTS:

- Demonstrate a continued commitment to H&S measurement and performance improvement, aiming for zero serious accidents by reducing significant risks across the Group.
- Continue to maintain UK performance by out-performing industry average on numbers of major accidents and >7 days lost time accidents.
- Develop our Wellbeing strategy in order to be recognised by our colleagues as supporting them to achieve positive wellbeing.

5 UK major accidents increased 14% based on absolute numbers. The accident rate (per 100k employees) increased by 20%.

6 UK >7 day lost time accidents increased 26% based on absolute numbers. The accident rate (per 100k employees) increased by 30%.

Responsible Recruitment and Employment

Bakkavor directly employs around 19,000 colleagues, including almost 16,500 in the UK. The nature of our business means that we sometimes need to fill roles at short notice to fill seasonal or promotional peaks. Wherever possible, we fill these temporary vacancies through direct recruitment, but we also use agency labour providers in some instances. Subcontracting provides invaluable flexibility to our manpower planning, but it also increases our exposure to risks of modern slavery, which is an issue we take extremely seriously.

At Bakkavor, we are clear that our values and culture will never be compatible with any form of modern slavery. We manage this issue through our Group Human Rights and Ethical Programme, driven by our Ethical Trade Team, which is comprised of the nominated Head of HR, two Senior HR Business Partners and an external ethical trade specialist. The Programme is also overseen by our Management Board. We are committed to taking an active, leadership role in driving best practice in this area and raising awareness of this issue across our business so that our colleagues are equipped to know the risks, spot the signs, and how to report concerns.

Through 2020, we rolled out the Sedex Self-Assessment Questionnaire ("SAQ") across all our UK and Hong Kong sites. The SAQ allows our sites, and those of our suppliers, to understand good labour practices, assess current risks, understand hotspots and identify areas to drive change. With the initial findings published in November, we have a comprehensive and site-specific analysis of our, and our suppliers', management controls and held learning sessions to understand the scores in more detail. We will use the outcomes to take a targeted approach to reducing our risks and implementing ongoing improvements from 2021 and beyond.

Our Programme also focuses on building internal capability in human rights and ethical trade through training. In 2020, 73 colleagues participated in targeted modules and this will be expanded in 2021 to a broader range of functions.

We also use tools provided through our partnership with the multi-stakeholder initiative Stronger Together. We use the Progress Monitoring Tool to benchmark the effectiveness of our processes. Our 2020 score improved by 10% on 2019 and places us ahead of other businesses in all categories.

Addressing modern slavery also requires cross-industry collaboration. In January we attended a sector-specific conference and are supporting the Modern Slavery Intelligence Network that emerged as a result of the meeting.

OUR COMMITMENTS:

- Drive awareness and action on the issue of modern slavery, rolling out campaigns and training so that our colleagues know the indicators and how to report them (ongoing).
- Facilitate access to employment for hard-to-reach individuals by supporting and encouraging our sites to undertake dedicated recruitment programmes with local communities and NGO partnerships (UK and US, 2022).
- Lead our industry on rolling out completion of the new Sedex SAQ and new risk assessment (UK sites by 2020, and Group-wide by 2021).
- Work only with UK Labour Providers that are GLAA registered, commit to the Responsible Recruitment Toolkit and work towards the standards (ongoing).

Although we are proud of the work we have done and continue to do in this area, we are not complacent and will keep striving to make sure that Bakkavor is meeting the highest ethical standards for our customers, our suppliers and, most importantly, our employees.

More details on our approach to combatting modern slavery, can be found in our latest Modern Slavery Statement.

Engagement, Development and Retention

We are committed to providing a workplace environment where everyone feels engaged and empowered. We focus on open communication, inclusion of everyone's voices and enabling personal and professional development opportunities at every level. In addition, being an attractive employer in our communities is a business priority as it supports our talent pipeline and contributes to local economic development.

Engagement

Open, ongoing and constructive communication enables us to hear from all levels of the business as well as keep our 19,000 employees informed and updated. We run an Engagement Survey every 18 months to monitor our performance on all aspects of employee engagement. In 2020 we implemented a number of recommendations from the outcomes of the 2019 survey including more frequent Company-wide communication from Senior Management. We will run the next survey in April 2021.

Our Group Employee Forums ("GEF") and Site Employee Forums ("SEF") are the core, open channel between employees and management. SEF representatives are elected by their peers and play a vital role in sharing best practices across sites, supporting local causes and charities, providing support and seeking advice, as well as celebrating local successes. Despite the COVID-19 pandemic preventing SEF representatives from gathering in person for Bakkavor's annual Group Employee Forum conference, we held a virtual conference in September that brought together GEF and SEF representatives with Senior Management including our Board Employee Representative. The conference provided an opportunity for COO Mike Edwards and Group HR Director Donna-Maria Lee to provide a business update and answer questions. Discussions included detail around the COVID-19 response and impact as well as new ways of working. SEF and GEF representatives also spoke about the impact that the pandemic has had on their sites and colleagues' lives, sharing challenges and learnings but also positive stories about how people have supported each other and their communities in otherwise difficult times.

Discussion points were shared back in Management Board and Group Board meetings and the input shaped the resources in our Wellbeing Toolkit. Replacing Sue Clark, who stepped down from her Board position in the autumn, with a new Board Employee Representative is an urgent priority for 2021.

With the COVID-19 pandemic, we shifted our ways of working to support our office-based colleagues to work from home in line with local guidance and immediately adapted to more virtual means of collaboration. In addition, we sent a survey to all 5,000 office-based colleagues to seek views on how the business can adapt ways of working and make lasting changes for the benefit of all. We also surveyed all UK colleagues on COVID-19 controls and perceptions of our health, safety and wellbeing controls including new workplace arrangements.

Inclusion and Diversity

Our success relies on the skills, experience and commitment of the diverse range of people who work for us. However, simply having a diverse workforce is not enough. We want to create an equal and inclusive workplace through understanding all points of view, being aware of, and open to, different cultures and customs and encouraging all of us to broaden our perspectives. We must think and be inclusive in everything that we do. With this in mind, we launched our Inclusion and Diversity Policy to all employees in early 2020 and communicated steps to build an inclusive workplace through our employee magazine. We will go further to address inclusion as a major Group focus in 2021 and find ways to create workplaces where our people thrive and feel included with a sense of belonging.

We will be establishing our Inclusion and Diversity Forum, a group of colleagues who will be the ambassadors of best practice across the organisation. We will also be focusing on gender diversity, focusing in the first instance on our female colleagues.

We also seek to learn from others and drive greater action on diversity and inclusion across our industry. Bakkavor is a headline sponsor of Diversity in Grocery – an initiative run by the NGO GroceryAid that aims to bring together FMCG firms and challenge the status quo in the pursuit of greater understanding and inclusion.

Talent development

We want to ensure that everyone has the tools and support to exceed in their role. We are committed to providing learning and development opportunities that are relevant, accessible and timely to all, supporting differing career needs and aspirations.

2020 saw a major update of our Talent Strategy rolled out despite the pandemic affecting many of our day-to-day operations. The new, centralised function with regional Learning Managers and a refreshed e-learning hub ensures standardised training design and implementation with flexibility to respond to changing priorities.

Part of the Talent Strategy includes a new Leadership Development Programme, launched in October. Designed with industry-leading tools, it aims to keep our business ahead of the game by equipping current and future business leaders with tools to develop their personal and professional leadership skills.

We rolled out refreshed modules through our online platform on cyber security and anti-bribery and corruption,as well as online anti-bribery and corruption training for our UK employees. The training is now an annual requirement.

Early careers

We are immensely proud of our award-winning Early Careers Scheme that brings graduates and apprentices into the business, basing them across several sites in specialist roles in Commercial, Development, Finance, HR, Manufacturing and Technical functions. Each graduate completes a placement in a number of different business units, whilst being guided through a tailored leadership training programme with the aim of nurturing talent and creating long-lasting and rewarding careers.

In March, we were honoured to receive another accolade for the graduate programme, being named 'Best Training Initiative' at the Food Management Today ("FMT") Industry Awards.

Our apprenticeship programme is also winning accolades. We were named the No. 1 company in the FMCG industry by apprentices in The Job Crowd's Top Companies Ranking. It offers routes into business by learning whilst earning a competitive salary and receiving tailored support from day one. We also supported the UK's National Apprenticeship Week in February by sharing successes and highlighting the benefits that apprenticeship schemes bring to the individuals and to leading employers like us. Our Apprenticeship Manager and an apprentice at Bakkavor Spalding joined a prestigious and diverse panel at the Big Assembly – an online interactive webinar with tens of thousands of students from across the UK, to share their insight and answer direct questions from the students. Unfortunately, the China graduate programme was disrupted by the COVID-19 pandemic in the spring as we took the decision to allow our nine Chinese graduates who were undertaking placements at UK sites to return home to fulfil the rest of the programme.

UK gender pay report summary

Bakkavor is committed to advancing and raising the profile of gender equality across the Group. The Bakkavor UK Gender Pay Report 2020 is available on the Group website in accordance with our legal requirement as a company with more than 250 employees. It includes a review of progress made in 2020 and also actions planned for 2021. A summary is shown below.

Gender pay data

The information below is a summary of the data available in our online report. This comprises the mean and median gender pay gap; the mean and median gender bonus gap; the proportion of males and females receiving a bonus payment; and the proportion of males and females in each pay quartile.

The results focus on our total UK business, as a representative indicator of our overall gender pay position.

	2020	2019	2018
Median pay gap	**2.1%**	7.3%	8.4%
Mean pay gap	**8.2%**	10.7%	9.9%

The quartile split confirms that we have more men in senior roles, which is the primary driver of our gender pay gap.

	Women	Men
1st quartile (lowest paid)	41.2%	58.8%
2nd quartile	40.4%	59.6%
3rd quartile	41.9%	58.1%
4th quartile (highest paid)	32.4%	67.6%

Gender bonus data

	2020	2019	2018
Median bonus pay gap	**14.5%**	14.9%	11.6%
Mean bonus pay gap	**28.1%**	13.6%	60.7%

The underlying gender bonus gap reflects a higher proportion of men in senior roles and is also impacted by the variations in bonus plans year on year.

	2020	2019	2018
Proportion of men receiving a bonus	**9.3%**	2.4%	9.0%
Proportion of women receiving a bonus	**7.8%**	2.0%	8.0%

For the full Gender Pay Gap report and the actions we're taking to address it, please visit **www.bakkavor.com**

Our overall median gender pay gap for 2020 is 2.1%, which is a decrease from 7.3% in 2019. As is common with most businesses with a gender pay gap, ours is largely due to the under representation of women at senior levels.

Whilst our median gender pay gap is still well below the UK average of 15.5% (all employees, ONS, 2020), we know we need to do more to help reduce the gap and to ensure we are at the forefront of positive change.

In 2020, we undertook a number of initiatives intended to address the pay gap from different sides. These have included:

- Launch of a new Group-wide Inclusion and Diversity Policy
- A partnership with Diversity in Grocery, an organisation driving change across the industry
- A continued focus on gender diversity at entry level, particularly through our graduate and apprenticeship programmes
- An increased focus on inclusion related content in our training programmes at site level, with particular focus on unconscious bias and subjectivity
- Expansion of our female mentoring programme

OUR COMMITMENTS:

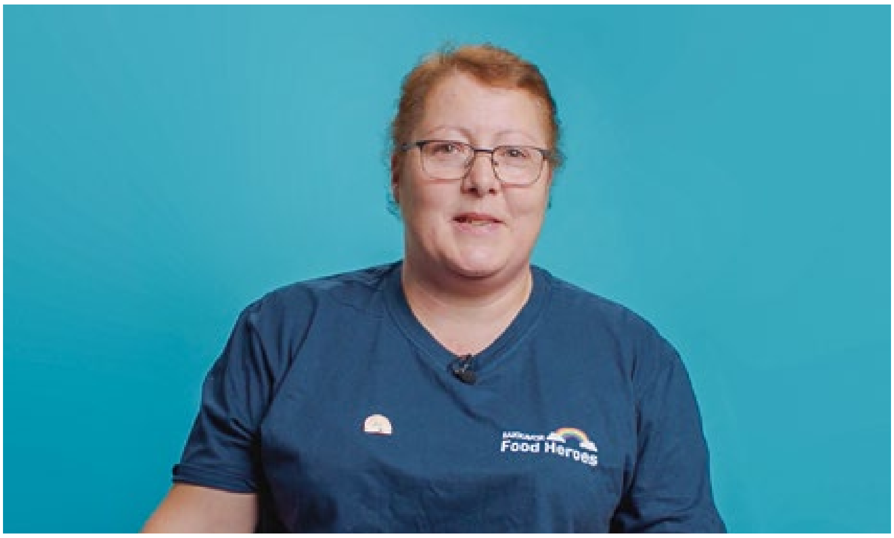
- Implement a range of workplace opportunities designed to increase the attractiveness, accessibility and inclusivity of employment at Bakkavor.
- Promote an inclusive working environment, where differences are valued, and individuals feel they can be themselves, without judgement.
- Conduct a regular Group-wide employee engagement survey, aiming for an overall employee engagement score above industry average.
- Continue to empower our employees to speak up on issues important to them by promoting open channels of communication through our Site Employee Forums ("SEFs") and the annual Group Employee Forum.
- Reduce our employee turnover and maintain below industry average.

Local Causes and Community Engagement

Despite not being a household name, in many areas we are a significant employer, and we work hard to maintain strong ties with the local communities in which we work. We support local charities, schools, sports teams and projects important both to communities and our colleagues. Bringing people together engages us all in making a difference and enabling a positive impact for local causes.

Our 'Food Heroes' really stepped up in supporting local organisations in difficult times throughout the pandemic. Every site got involved in their community by donating food, raising money and getting involved at the grassroots by supporting health providers and those on the front line, food banks, care homes and local charities. With so many examples of going above and beyond, we highlighted some of the great efforts in special features celebrating Food Heroes in our internal magazine. The examples included:

- Bakkavor Bread Barton: Along with delivering food to thank Royal Mail workers and staff at care homes, Bread Barton has helped to produce protective face visors for NHS workers in Grimsby and Scunthorpe.
- Bakkavor Meals Boston: Just one of their fundraising drives saw the team donate £750 for protective gloves, aprons and hand sanitiser to their local village parish council. The council then used the donations to make sure local vulnerable people got these essential items.
- Bakkavor Meals London Cumberland: They donated 100 bags of rice to local hospitals to ensure that the hospital teams were fed during the pandemic. Colleagues from this site also cooked meals for students who couldn't work and helped support workers, vulnerable people and those with financial issues.



- Bakkavor Salads Bo'ness: Some of their great work included donating 5,000 items of PPE to local care homes and gifting veg boxes and pasta to local charities to make meals for vulnerable groups.
- Bakkavor China: Responded to the national call to fight the pandemic by supporting front line medical staff, working with a retail partner to deliver over 20,000 sandwiches to a hospital in Shanghai and donated 6,000 loaves of bread to support the local community and help address food shortages.
- Bakkavor USA: Alongside retail partners, they delivered four trucks' worth of Breadeli Breads to local food banks and helped supply more than 100,000 meals through Thanksgiving and Christmas through food banks and hunger relief organisations. Teams also delivered thousands of meals and products to food banks, hospitals and medical staff who were on the front line of the battle against COVID-19.

We have two Group corporate charity partners – Action Against Hunger and FareShare. Fundraising for these through our usual Group charity events programme was affected by the pandemic, causing a cancellation of a number of planned events, however we made donations of £16,102 to FareShare and £26,591 to Action Against Hunger through a combination of corporate donations and virtual fundraising activities. We look forward to reinvigorating our partnerships with both organisations in 2021.

Our Charity and Political Donations policy sets out the appropriate channels for philanthropic fundraising and has been published to employees on our intranet 'MyBakkavor'. We do not give financial donations or other support to political individuals, representatives, parties or causes in any country where we operate.

20,000
sandwiches donated to a hospital in Shanghai during the peak of the pandemic

5,000
items of PPE donated from Bakkavor Salads Bo'ness, to local care homes

100,000+
meals supplied to local food banks and hunger relief organisations by Bakkavor USA

OUR COMMITMENTS:

- Fundraise and support our key Group charities through Group donations and employee engagement fundraising activities (ongoing).
- Support and encourage our colleagues to fundraise for causes important to them through our Matched Giving Scheme launched in 2020.

NON-FINANCIAL INFORMATION STATEMENT

The following detail sets out where stakeholders can find further non-financial information on each of the key areas of disclosure as required under the UK Companies Act 2006.

Reporting requirement	Relevant policies	Location of further information in this report	Page references
Environmental matters	Deforestation statement** Supplier Code of Conduct**	Sustainability and Innovation Environmentally Sustainable Sourcing	49-55 47
Employees	Code of Conduct* Inclusion and Diversity Policy*	Engagement and Wellbeing	56-63
Human rights	Responsible Operations Policy* Group Ethical Trading and Human Rights Policy*	Responsible Recruitment Supply Chain Human Rights	59 46
Social matters	Code of Conduct* Modern Slavery Statement**	Engagement and Wellbeing	56-63
Anti-bribery and corruption	Anti-Bribery and Business Ethics Policy* Anti-Bribery and Business Ethics Statement* Whistleblowing Policy* Charity and Political Donations Policy**	Anti-Bribery and Business Ethics Policy Whistleblowing Policy Charity and Political Donations Policy	65
Data Protection	Data Protection Policy* Data Retention Policy* Cookie Policy**	Data Protection Policy Data Retention Policy Cookie Policy	65
Business model		Our Business Model	18-19
Non-financial KPIs		Non-financial KPIs	40-41

Inclusion and Diversity Policy

We are committed to building an inclusive culture and diverse workforce. We believe that a culture of inclusion is paramount to creating an environment where all our people can be their best. Our Inclusion and Diversity Policy was developed in 2019 and launched to all employees in early 2020. Its three objectives are:

- Living the Bakkavor values
- Building an inclusive and diverse workforce across all levels of the organisation
- Providing opportunity for employees to succeed

For more information, see page 62.

Human Rights, Ethical Trading and Responsible Operations Policies

Bakkavor is committed to doing business in a fair and ethical way. We actively work at meeting our moral, legal, ethical and humanitarian responsibilities. Our Ethical Trading and Human Rights Policy and our Responsible Operations Policy provide the principles and framework that Bakkavor has adopted to manage this commitment both within our own operations and in our supply chain. The policies apply to all Bakkavor's own operations and the permanent, temporary and agency employees who are employed within them.

For more information, see:

- Supply Chain Human Rights, page 46
- Responsible Recruitment and Employment, page 59

Modern Slavery Statement

Bakkavor published its most recent Modern Slavery Statement in October 2020 and seeks to retain the highest standards of employee welfare, safety and human rights within both its own business and across its supply chain. It continues to be an integral part of our commitment to human rights, to work with our business, partners and associated supply chain to ensure adherence to the highest standards of behaviour and care and to identify and tackle all forms of slavery and human trafficking.

For more information, see:

- Our Modern Slavery report (online)
- Supply Chain Human Rights, page 46
- Responsible Recruitment and Employment, page 59

Anti-Bribery and Business Ethics Policy

This Policy, which also includes a Gifts and Hospitality Policy embedded within it, sets out the highest standards of business and ethical conduct expected by those who work for and on behalf of Bakkavor in all its business dealings whether with customers, suppliers, competitors or other business partners in all the countries in which Bakkavor does business. Bakkavor takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever Bakkavor operates and implementing and enforcing effective systems to counter bribery and corruption.

Bakkavor requires all employees and third parties to be familiar with the basic principles of anti-bribery law in order to avoid any actions or omissions which might infringe those laws. In 2020 Bakkavor completed the roll out of online anti-bribery and corruption training for our UK and China employees. We are extending the training to US employees and providing them with refreshed local policies in 2021.

Our Procurement team assesses our supply chain partners for corruption and anti-bribery risk through compliance with our Supplier Code of Conduct (see page 47). Implementing these policies, with the support of Bakkavor's e-learning platform, has enabled the business to re-state the importance of vigilance in identifying any bribery and corruption issues within the business and across the supply chain, together with greater awareness of reporting procedures. As part of its remit, the Audit and Risk Committee this year considered the adequacy of these arrangements and concluded that the Policy was adequate. See page 115.

Whistleblowing Policy

This Whistleblowing Policy applies to the whole Bakkavor Group and provides a mechanism through which individuals can raise concerns on illegal, unsafe or inappropriate activities including discrimination or harassment in the workplace. This Policy represents Bakkavor's internal procedure and use of this enables Bakkavor to effectively address any wrongdoing within the business. Whistleblowing is regularly monitored by the Board. It also provides information on how to raise an issue through an independently monitored and confidential reporting hotline. The Bakkavor service, 'Speak Up', is available Group-wide by Freephone or online 24 hours per day / 365 days per year and in 15 languages. In 2020, we further promoted this channel as a means of raising concerns on how the COVID-19 policies were being implemented. Cases logged were investigated thoroughly through local HR contacts, General Managers and/or Business Directors, as well as the Chief People Officer, Technical Director, General Counsel or the Chief Financial Officer when relevant.

Charity and Political Donations Policy

Bakkavor believes in giving back to those communities in which we operate. Our Charity and Political Donations Policy sets out the ways charitable giving may be channelled: through monetary and product donations, supporting our colleagues in their fundraising efforts and advocating skills and volunteering events, where appropriate. We never use charitable donations as a means to gain improper influence and all monies given to charity in Bakkavor's name are subject to due process. Bakkavor does not give financial donations or support to political individuals, representatives, parties or causes in any country in which we operate.

For more information on our local community activities, see page 63.

Business model and KPIs

Details of our business model and Key Performance Indicators including non-financial KPIs are given on pages 18-19 and 38 to 41.

Data protection, retention and cookie policies

Bakkavor recognises that the correct and lawful treatment of personal data will maintain confidence in Bakkavor and will provide for successful business operations. Protecting the confidentiality and integrity of personal data is a critical responsibility that Bakkavor takes seriously at all times. All staff and business areas are responsible for ensuring compliance with this policy and are required to implement appropriate practices, processes, controls and training to ensure compliance. In order to re-state the importance of data protection and supplement this policy, Bakkavor has refreshed its data retention policy and privacy notice. Bakkavor has also implemented a new Group-wide cookie policy. In addition, Bakkavor will utilise its e-learning platform to roll out training on data protection across the organisation in 2021. As part of its remit, the Audit and Risk Committee this year considered the adequacy of these arrangements and concluded that the Policy was adequate. See page 115.

* Available to all employees through the Bakkavor intranet. Not published externally.
** Available on www.bakkavor.com and to all employees through the Bakkavor intranet.

> We have moved decisively to support our customers, minimise business disruption and take control of our costs."

Ben Waldron
Chief Financial Officer

The Group delivered a resilient performance in 2020 given the unprecedented market conditions in all regions.

Revenue

Reported revenue decreased by £92.4 million, or 4.9%, from £1,885.9 million in 2019 to £1,793.5 million in 2020.

Like-for-like revenue[1] was down 4.9%, from £1,810.6 million in 2019 to £1,721.9 million in 2020. This decrease was primarily due to the impact of COVID-19 restrictions on trading volumes across the business.

Segmental breakdown

UK

In the UK segment, reported revenue decreased by 5.2%, or £85.9 million, from £1,652.5 million in 2019 to £1,566.6 million in 2020.

Like-for-like revenue[1], which excludes Alresford Salads and Freshcook that were closed in October 2020 and April 2019 respectively and Blueberry Foods that was acquired in June 2019, decreased by 5.3%, from £1,577.2 million in 2019 to £1,494.2 million in 2020. Alresford Salads generated revenues of £18.4 million in 2020 up to the date of its closure and £22.0 million in 2019. Freshcook contributed revenues of £21.4 million in 2019 for the period up to its closure and Blueberry Foods contributed £31.0 million to reported revenue in the six-month period in 2019 following its acquisition.

This like-for-like revenue[1] decrease for the year was due to volume decreases of 5.0% and price decreases of 0.3% due to a low level of raw material deflation in 2020. Whilst the business benefitted this year from the full year effect of a significant business win in our meals category from September 2019, underlying volumes are lower year on year due to the impact of COVID-19 restrictions on consumer demand which significantly impacted our salads category and particularly food-to-go products. In April, following the first lockdown, revenues were down 19.1% compared to the prior year. Trading steadily improved thereafter across our meals, pizza & bread, and desserts categories until the second lockdown in November when volumes were again impacted, albeit at a lower level, with revenues down by 9.4%.

US

In the US, reported revenue increased by £15.9 million, or 12.2%, to £146.5 million in 2020 from £130.6 million in 2019.

Like-for-like revenue[1], which is at constant currency, increased by 12.7%, from £130.6 million in 2019 to £147.1 million in 2020. Whilst the business was impacted by COVID-19 from the end of March, year on year revenues were only down in April and May, with the rest of the year reporting strong growth as sales volumes increased at all of our new sites in Texas, North Carolina and California following the launch of a number of new products.

CHINA

In China, reported revenue decreased £22.4 million, or 21.8%, to £80.4 million in 2020 from £102.8 million in 2019.

Like-for-like revenue[1], which is at constant currency, decreased by 21.6%, from £102.8 million in 2019 to £80.6 million in 2020. The decrease was primarily due to the impact of COVID-19 restrictions on volumes particularly in the first half of the year. Trading improved in the second half of the year but the recovery in China has been slower than initially expected and our business in Hong Kong continues to be adversely impacted through ongoing civil unrest.

Operating profit

Operating profit decreased by £7.4 million, or 10.7%, from £69.4 million in 2019 to £62.0 million in 2020 with margins decreasing by 20 basis points to 3.5%. In the UK, operating profit has decreased from £89.6 million in 2019 to £69.1 million in 2020. In China, the operating loss in the year has increased from £2.2 million in 2019 to £7.7 million in 2020. The decreases in the UK and China are primarily due to the impact of lower year on year revenues across these businesses. For the US there has been a significant improvement in performance despite the pandemic, with an operating profit of £0.6 million compared to an operating loss of £18.0 million in 2019.

In line with prior years, the UK business continued to incur significant labour inflation driven by further increases in the National Living Wage. In addition all regions incurred significant costs amounting to £9.3 million as the business responded to the COVID-19 outbreak, with enhanced health and safety, and hygiene protocols.

To address the lower sales volume across our business, we rapidly adapted factory operations and completed strategic restructurings in all regions. This included the temporary closure of sites in the UK and the US, and the permanent closure of two of our salads factories. We also accessed £12.8 million from the Government's Job Retention Scheme to support our furloughed colleagues.

Separately, we have increased our property provisions based on potential future payments that are required under the terms of our leases.

In addition, operating profit includes a net credit of £5.7 million (2019: £10.6 million) arising from the reassessment of the need for certain commercial accruals and the requirement for provisions under the Group's short-term bonus scheme.

Adjusted operating profit for the year, which is before exceptional items, was £83.6 million compared to £89.7 million for 2019. At an adjusted level, operating margins were 10 basis points lower than the prior year at 4.7%.

Exceptional items

Included within other administrative costs, cost of sales and finance costs are exceptional items which are adjusted for when determining the Group's APMs, as management consider that when determining the underlying performance of the business these items should be disclosed by virtue of their nature or amount. Exceptional items comprise the following:

£ million	2020	2019
Disruption	–	6.6
Restructuring, impairment and onerous lease provision	21.6	13.7
Accelerated amortisation of refinancing fees	1.7	–
	23.3	20.3

2020

The Group incurred £23.3 million of costs presented as exceptional items in 2020. The closure of two salads factories in Alresford and Spalding led to restructuring charges of which £4.9 million related to cash restructuring costs, with a further £8.2 million impairment charge in respect of their tangible fixed assets. Following a review of assets, the Group also incurred a further impairment charge of £8.5 million in the UK business for assets that are now either redundant or related to products that have been discontinued in the year. In addition, the Group incurred £1.7 million of accelerated amortisation of refinancing fees following the Group's refinancing of its core debt facilities on 18 March 2020.

2019

The Group incurred £20.3 million of net costs presented as exceptional items in 2019 of which £6.6 million related to disruption costs; £2.8 million as our factory in California was repurposed for ready meal manufacturing and changes made to the hummus production process; and £3.8 million in the UK as the business prepared for the launch of significant new products in Q3 2019. In addition, the Group incurred £13.7 million of restructuring and impairment costs in the UK. Of this, £7.7 million related to the closure of a meals business in Lincolnshire, comprising cash closure costs of £4.2 million and plant and equipment asset impairments of £3.5 million. A further charge of £4.3 million has been recognised for the closure of the Group's non-core UK fast casual restaurant business.

1 Alternative Performance Measures ("APMs"), including 'like-for-like', 'adjusted' and 'underlying', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory in Note 37 of the Notes to the Consolidated Financial Statements.

The remaining £1.7 million is primarily for redundancy costs following changes to our commercial and marketing structure.

Share of results of associates after tax

Share of results of associates after tax decreased by £0.4 million from £0.5 million in 2019 to £0.1 million in 2020. This decrease was due to the impact of both the pandemic and ongoing civil unrest on the Group's Hong Kong associate La Rose Noire Limited.

Finance costs

Finance costs increased by £2.3 million, or 12.3%, from £18.7 million in 2019 to £21.0 million in 2020. The costs for 2020 include a change of £1.7 million for an acceleration of amortisation of refinancing fees following the Group's refinancing of its core debt facilities in March 2020. The remaining £0.6 million increase is mainly due to £1.1 million of borrowing costs relating to capital projects being capitalised in 2019, offset by a marginal increase in IFRS 16 interest costs to £2.6 million and the benefit from marginally lower average debt levels across the year. The Group's cost of debt remains at circa 3.5% per annum.

Other gains and losses

Other gains and losses moved by £10.1 million, from a loss of £6.9 million in 2019, to a gain of £3.2 million in 2020. This is primarily due to the Group recording mark-to-market gains of £3.4 million on its financial derivatives in 2020, compared to losses of £7.3 million for 2019, following the relative weakening of Sterling against the Euro in recent months.

Tax

The Group tax charge for the year was £10.1 million, which was an increase of £3.2 million over last year. The £10.1 million charge represents an effective tax rate of 22.9% on profit before tax of £44.2 million. Most of the Group's profits were earned in the UK where the statutory tax rate was 19% for 2020. The main reason for the effective rate being higher than the statutory rate was due to the 2020 statutory tax rate remaining at 19% rather than being lowered to the 17% stated in the 2016 Finance Act. Therefore, at the end of last year, the Group's net deferred tax liability was expected to reverse at 17% and the UK deferred tax provision was made at this rate. However, as the 2020 statutory rate was maintained at 19%, the deferred tax provision had to be increased accordingly in 2020. Excluding exceptional items and other adjusting items the effective rate was 21.7%.

Earnings per share

As a result of the above, profit for the period decreased by £2.8 million, or 7.6%, from £36.9 million in 2019 to £34.1 million in 2020.

Basic earnings per share has decreased from 6.4 pence for 2019 to 5.9 pence in 2020, reflecting the decline in operating profits driven by reduced demand for our products from the pandemic. This was partly offset by year on year mark-to-market gains on derivatives.

Adjusted earnings per share[1], which is calculated before exceptional items and the change in fair value of derivative financial instruments, has decreased from 10.3 pence for 2019 to 8.7 pence, reflecting the effects of the pandemic on the Group's profitability. The weighted average number of shares in issue during both 2019 and 2020 was 579,425,585.

Cash flow

Net cash from operating activities, which is calculated before capital expenditure, but after payments for exceptional items, decreased by £25.5 million from £114.0 million in 2019 to £88.5 million. This was largely due to the impact of a year on year working capital outflow of £33.5 million combined with a £5.9 million increase in interest and tax paid more than offsetting the £13.9 million improvement in cash generated at an operating level.

Net cash used in investing activities decreased by £58.2 million in the year from £114.4 million in 2019 to £56.2 million in 2020. This was primarily due to a £42.5 million decrease in capital expenditure as there was a temporary reduction on all non-essential projects in the second quarter of the year in response to COVID-19. Cash outflow was also lower year on year as the Group's key development projects in Shanghai and Newark were completed during 2019 and the prior year included £16.8 million for the acquisition of Blueberry Foods.

Free cash flow[1] for the year, which is the key measure the Directors use to manage cash flow in the business, was £6.8 million lower than the previous year at £40.1 million. A year-on-year working capital outflow of £33.5 million was largely due to the impact of lower revenues on the Group's negative working capital cycle. This was offset by a reduction to expenditure on core capital (excluding development projects) which was £25.0 million lower than 2019 as the Group took mitigating action to preserve cash in response to the pandemic. In addition tax payments increased by £2.5 million in the year due to changes in the UK payments on account process.

Capital, debt and leverage

At 26 December 2020, following the refinancing earlier in the year, the Group had committed debt facilities of £537.5 million including a revolving credit facility of £230 million maturing in March 2024. The Group incurred fees of £4.2 million in respect of the refinancing. In addition the Group has an asset financing facility of £25 million maturing in August 2027 and term loans totalling £282.5 million, of which £20 million matures in November 2021. Of the remaining debt facilities of £262.5 million, £225 million matures in March 2024, and £37.5 million in June 2024. On 9 March 2021 the Group extended the maturity date of £430 million of its core debt facilities from March 2024 to March 2025.

Operational net debt decreased by £21.4 million to £333.4 million driven by continued free cash generation. As a result, leverage (the ratio of operational net debt to Adjusted EBITDA pre IFRS 16) remained at 2.3 times. This is in line with the leverage reported for December 2019. The Group continues to target a medium-term range of 1.5 – 2.0 times. The Group's liquidity position remains strong with good headroom against all financial covenants.

IFRS 16 lease liabilities at 26 December 2020 amounted to £80.4 million (2019: £78.8 million) and combined with other debt adjustments resulted in total net debt of £411.8 million at the end of the year (2019: £432.4 million).

Return on invested capital[1]

The increase in invested capital in 2020 combined with lower operating profits as a result of the pandemic has resulted in a short-term decrease in the Group's Return on Invested Capital[1] ("ROIC") from 8.0% in 2019 to 6.6% in 2020. Over the medium term, the Group expects to see an improvement in ROIC as recent investments including the key development projects deliver an increase in returns. The Group also plans to continue to spend circa 4.5% per annum of revenues on capital investment going forward with a focus on return enhancing projects.

Pensions

Under the IAS 19 valuation principles that are required to be used for accounting purposes, the Group recognised a surplus of £11.2 million for the UK defined benefit scheme as at 26 December 2020 (2019: surplus of £9.7 million). The movement is due to an increase in the value of assets combined with the benefits from liability hedging.

The Group and the Trustee agreed in November 2020 the triennial valuation of the UK defined benefit pension scheme as at 31 March 2019. This resulted in a funding shortfall of £11.7 million, which will be paid over an agreed recovery period ending on 31 March 2024 with payments of £2.5 million per annum.

Dividend

As a result of the COVID-19 pandemic and its impact on the business during the year, the Board will not be declaring a dividend for the full year 2020.

At the outset of the pandemic, the Board made the prudent decision to suspend the 2019 financial dividend as a precautionary measure until the impact of COVID-19 became clearer. The Board is mindful however of the importance of income to shareholders and this payment will remain under review until lockdown restrictions ease and we have clearer visibility on future trading.

Ben Waldron
Chief Financial Officer
15 March 2021

1 Alternative Performance Measures ("APMs"), including 'like-for-like', 'adjusted' and 'underlying', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory in Note 37 of the Notes to the Consolidated Financial Statements.

DESIGNED TO HELP US DELIVER SUSTAINABLE VALUE

Our risk management process is designed to help the Group deliver against its strategy, or deliver long-term sustainable value, while protecting the interests of key stakeholders and safeguarding assets including our colleagues, finances and reputation.

Our approach

The Board has overall responsibility for ensuring the effective identification and management of key strategic and emerging risks, and for the review and approval of the ongoing risk management process, including clear policies that outline what can be considered an acceptable level of risk.

Bakkavor maintains a formal Risk Register which is updated quarterly and identifies the principal risks faced by the Group and the key mitigating actions used to address them.

The Audit and Risk Committee, delegated by the Board, reviews the effectiveness of the Group's risk management process and internal control system and receives regular reports from management and both Internal and External Auditors. These detail the risks that are relevant to business activity, the effectiveness of internal controls in dealing with these risks and an update on the implementation of any corrective actions that are considered necessary.

The Audit and Risk Committee reports to the Board on the effectiveness of the risk management process.

Day-to-day risk management is led by Senior Management with ownership for individual risks, as identified in the Risk Register, assigned to a member of the Senior Management team. Management of risk is embedded in daily working practices and underpinned by Bakkavor's policies and Code of Conduct and Business Ethics.

Where risks are identified, action plans are developed to mitigate each risk, with clear allocation of responsibilities and timescales for completion. Progress towards implementing these plans is monitored and reported back to the Board through the Audit and Risk Committee, as part of a structured business review.

GOVERNANCE IN ACTION

Leveraging number one position in the UK

Why?

The pandemic resulted in a rapid shift in consumer behaviour that severely affected the food-to-go market and therefore our sales. We needed to act quickly to preserve cash and minimise operational disruption to maintain high levels of service.

The risk

Significant volatility in consumer demand over the longer term could impact our strategic plans.

The work of our Board and internal committees

The Group Board approved a temporary closure of our Bridgeness factory, agreed to postpone certain product launches and simplify existing ranges to ensure continuity of supply and enabled large-scale product transfers, such as the introduction of pizza manufacturing into Spalding Deli.

Outcomes

Even though there is still a degree of uncertainty regarding the ongoing impact of COVID-19, we have seen consumer demand begin to return to normal levels. This has meant a reopening of our Bridgeness factory, restarting our innovation pipeline for our customers and resuming production of our complete product portfolio.

Read more on page 98 →

OUR RISK MANAGEMENT FRAMEWORK

Bakkavor Group's policy is to identify, assess and respond appropriately to all risks. The risk mitigations chosen will be subject to the appetite and tolerance for each risk as determined by the Management Board and approved by the Group Board.

A risk management framework was approved by the Board in the course of the year.

Group risks are reviewed quarterly by four risk committees who consider Corporate, UK, US and China risks. Emerging risks are also considered by each committee. The reports from each of the committees, summarising changes in risks and mitigating actions, are considered by the Management Board and then reported to the Audit and Risk Committee and Group Board.

Management teams escalate new or changing risks to their respective risk committees for review.

The Internal Audit team carry out risk-based audits to provide assurance direct to the Audit and Risk Committee of the Group Board.

A great deal of management time has been, and continues to be, spent upon mitigating the effects of COVID-19 on our people and our business. We have therefore added COVID-19 as an additional principal risk in our Risk Register and reports.

Top-down
Oversight and overall responsibility
from the Board at a Group level

Bakkavor strategy
The process begins with the evaluation of the most significant strategic risks for Bakkavor.

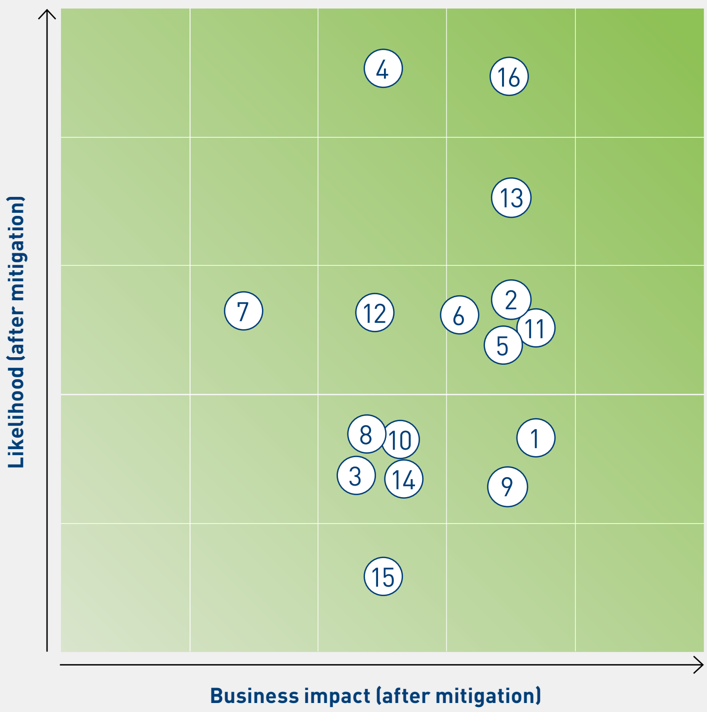
Risk assessment
Senior Management regularly assess risks for potential impact.

Risk mitigation
Action plans for mitigating significant risks are developed and implemented.

Risk review process
The Audit and Risk Committee, delegated by the Board, is responsible for the independent review of the effectiveness of risk management and the internal control system.

Risk assurance
The Internal Audit team carry out audits on key risks to provide assurance that our controls are working.

RISK ASSESSMENT MAP



Principal risks	Risk trend 2020
1. Food safety and integrity	–
2. Raw material and input cost inflation	–
3. Reliance on a small no. of key customers	–
4. Labour availability and cost	↑
5. IT systems and cyber risk	↑
6. Health & safety	↑
7. Recruitment and retention of key employees	–
8. Strategic growth and change programmes	↓
9. Treasury and pensions	–
10. Brexit disruption	↓
11. Disruption to Group operations	↓
12. Sustainability	↑
13. Consumer behaviour and demand	↑
14. Competitors	–
15. Legal and regulatory	–
16. COVID-19 pandemic	NEW

Read more about Principal Risks and Uncertainties on pages 74-83
→

Internal control system

During 2020, we strengthened our approach to risk management by formalising our processes in a framework document that has been approved by the Board. Over the course of the year, these risk management processes were subjected to an audit by KPMG, our internal audit partners.

The internal control system provides Senior Management with an ongoing process for risk management. The system can only provide reasonable, and not absolute, assurance, as it is designed to manage rather than eliminate all risks.

Central governance covering policies, procedures and training is provided by our central functions including Technical, Finance, Human Resources, Risk, Information Systems, Legal and Procurement.

Examples of the Bakkavor internal control system are:

COVID-19 – Our technical and operational teams have introduced new procedures and controls at each of our sites in response to the pandemic to help ensure the health and safety of our staff, whilst continuing to operate as an important supplier of fresh prepared food to local communities.

Health and safety – The Group promotes a proactive safety and accident awareness culture and has in place health and safety teams that define standards and monitor compliance with the Group's policies for ensuring workplace safety.

Food safety – The Group aims to deliver food products with the highest levels of safety and integrity. Bakkavor applies food safety procedures when designing and managing all of its sites, including rigorous testing and Hazard Analysis Critical Control Point management systems.

Food quality – The Group maintains strict controls regarding the authenticity, quality and labelling of the products it manufactures and supplies. Bakkavor is subject to regular inspection by food safety and other authorities for compliance with applicable food laws.

IT systems – The Group has a Disaster Recovery Programme in place and strict policies to ensure its IT infrastructure and equipment are sufficiently protected. In addition, Bakkavor has in place an ongoing IT Risk and Security Programme.

Treasury – The Group has a Treasury Policy in place, the main objectives of which are to ensure that appropriate capital resources are available for the maintenance and development of the Group's businesses, and that the financial risk relating to the Group's currency, interest rate and counterparty credit exposure is understood, measured and managed appropriately.

Operational management are responsible for implementing procedures and monitoring of controls with key risk indicators.

Risk appetite

The Group's approach is to minimise exposure to reputational, financial, and operational risk, while accepting a risk/reward trade-off in achieving its strategic objectives. As a food-producing business, food safety and integrity are of paramount importance and all practical efforts are made to mitigate risk in this area. In addition, as a large employer, looking after the health and safety of our colleagues is key, and we take all practical precautions to protect people during the time they are on our sites.

The business takes a measured approach to investment to minimise risk exposure. Whilst more recently significant capital expenditure has been invested in the US and China, these are markets within which Bakkavor has operated for many years and we believe represent exciting opportunities for future growth. Therefore, whilst there is an element of risk in all investments, we believe the Company is well placed to minimise exposure.

All strategic investment proposals are reviewed and approved by the Board. The proposals are supported by detailed analysis of the risks associated with each opportunity and its execution plan.

Viability statement

In line with Provision 31 of the 2018 UK Corporate Governance Code, the Directors have carried out a thorough review of the prospects of the Group and its ability to meet its liabilities through to at least the end of December 2023.

The business operates in a fast-moving sector with a high number of products introduced each year. The Group has to adapt to meet the changing needs of customers and consumers; therefore, the Directors have concluded that a three-year time frame is an appropriate period for this assessment, as this is the period over which the Directors can realistically set the strategic plan for the Group.

The Directors have assessed the principal risks to the business and the key mitigating actions used to address them.

This assessment included both the potential disruption at the end of the Transition Period following the UK's recent departure from the EU and possible further disruption going forward as the business adapts to the new rules in place regarding imports into the UK. In addition, as set out on pages 74 to 77 and notwithstanding the high degree of uncertainty involved, the Directors have carried out an assessment of the reasonable but possible impact of further COVID-19 restrictions on the Group's operations. For each of the principal risks, action plans have been developed to mitigate the risk with a clear allocation of responsibilities for mitigation and the timescales for completion.

Whilst all the risks identified, including food safety and integrity, could have an impact on the Group's performance, the specific risks which could potentially impact the Group's financial position include the COVID-19 outbreak, a potential reduction in sales volumes and possible disruption and increases to the Group's cost base due to new rules around the importing into the UK of raw materials, the impact of higher labour costs and a scarcity of labour.

As part of our annual strategic planning, the Group prepares a detailed financial model which forecasts the Consolidated Income Statement, Balance Sheet, Cash Flow, covenant performance and liquidity requirements of the Group for a three-year period. Sensitivity analysis is performed on this model taking account of the potential financial impact of the specific risks outlined above, including further COVID-19 restrictions and the new operating rules for the importing of raw materials into the UK under the terms of the UK-EU trade deal which came into effect from January 2021.

On 18 March 2020 the Group refinanced existing debt facilities of £410 million with £455 million of facilities that mature in March 2024 on similar terms to those in place under the previous financing structure. Under the terms of the facilities agreement the Group has the option to request an extension for the maturity of these facilities through until March 2026 with the request subject to lender approval. In addition, at the end of 2020 the Group had £82.5 million of other debt facilities, with £20 million maturing in November 2021, £37.5 million in June 2024 and £25 million in August 2027.

Having taken account of the sensitivity analysis and the availability of adequate financing facilities, the Directors consider that the Group will be able to continue in operation over the three-year period to the end of December 2023.

COVID-19 – Risk summary

COVID-19 emerged as a major risk to companies in China in January and since then has spread to impact companies all around the world. During the year, as the situation has continued to evolve, the Group has put in place a number of actions to mitigate the potential impacts to the business in the three regions in which we operate and across our supply chain. Details of these mitigating actions were explained in the 2019 Annual Report, published in May 2020, and are explained in further detail here to reflect additional actions taken during the remainder of the year.

Unlike many other industries which have been severely impacted by COVID-19, such as travel and hospitality, the food manufacturing industry and provision of food remain fundamental to consumers. Fresh food and the convenience of FPF supports the health and wellbeing of consumers and maintaining the continuity and availability of our products is a key priority for both our industry and government. For this reason, our Group was defined as providing a 'key' or 'essential' service and received protection and, in some cases, exemption from many of the restrictions placed on individuals and companies in these difficult times.

Given that we manufacture and distribute most of our products every day, the Group is used to accommodating volatile and sometimes unpredictable ordering patterns. With a short shelf-life on most of our raw materials and finished goods, we can only hold limited stocks at any time. We therefore have sophisticated supply chains, with robust planning and scheduling procedures and a range of contingency plans are in place in line with our normal operating plans. This gives us a relatively high degree of flexibility and agility in our operations and has served us well in adapting to the challenges presented by the pandemic throughout the year.

This section addresses the key risks to each of the Group's three markets: the UK, US and China. We have assessed these risks under three general headings: People management, Supply chain and logistics and Consumer demand. We also list the specific mitigating actions and consider the potential impact of the ongoing COVID-19 pandemic on both our financial performance and the Group's liquidity position and our ability to meet our financial obligations as they fall due.

Our scenario planning, as set out below, is based on an assessment of a reasonable downside scenario but, given the scale and fast moving nature of the pandemic it is inevitable that there will remain a high level of uncertainty on the overall impact to the business.

United Kingdom

In the UK, we have a mature business employing almost 16,500 people across 23 sites, providing short shelf-life chilled convenience products to a range of major supermarket retailers. The business operates in four key categories: meals, salads, desserts and pizza & bread.

1. People management

The presence of COVID-19 in the local communities in which we operate has the potential to impact the health and safety of our colleagues and can lead to a shortage of core staff in our factories. Our business is a mix of both highly automated and labour-intensive production, and most sites operate 24/7 and 364 days a year. Should a large number of employees be off work, it is possible that we might have to reduce our output to match labour availability. During the first lockdown in 2020, some of our sites experienced high levels of staff absence due to illness, self-isolation and shielding. Weak consumer demand during this period offset much of the impact of staff shortages.

Mitigating action

As a business, we are fully committed to ensuring we safeguard the health, safety and wellbeing of all our colleagues in carrying out their work. As a large FPF manufacturer, our established controls for managing both people and food safety within our operations are industry-leading. While our regular handwashing procedures and high levels of good manufacturing practice ("GMP") and hygiene ensure a safe working environment, we have also implemented a number of additional controls and enhanced safety measures following the virus outbreak. This has included restricted visitor access, suspending all travel unless deemed business critical, a more rigorous return to work procedure, more frequent cleaning regimes at touchpoints, additional handwashing protocols, adhering to Public Health England ("PHE") guidelines for social distancing in our offices, rest changing and ancillary areas, thermal imaging for temperature checks, safety screens for factory workers on the line, mandatory visors, mandatory masks for office-based staff, as well as following specific PHE guidance for distancing in food manufacturing businesses. We are taking measures to ensure that these operating procedures are fully understood, including the launch of the Bakkavor Coronavirus Management System ("BCMS") portal on our intranet that provides managers and colleagues with a 'one-stop shop' of all the latest information, and are rigorously complied with so that we maintain the highest standards. We continue to audit ourselves against both our standard controls and our enhanced COVID-19 protocols on both an announced and unannounced basis.

We have also actioned and continue to take advice from many sources, including HM Government, Public Health England and the NHS. In addition to this, we maintain regular dialogue with all employees by asking them to engage in surveys for feedback on our health & safety protocols. We therefore believe that the current practices and the additional new measures recently introduced should lower the risk of outbreaks at our sites. Where we have experienced an outbreak, for example at our Newark and Tilmanstone sites, we have worked very closely with PHE and the relevant local authorities to put in place a full testing programme to prioritise the health and safety of our colleagues on site.

The financial and emotional wellbeing of our colleagues during the pandemic is just as important as physical wellbeing. To support this, in April we launched a UK-wide Bakkavor Wellbeing Toolkit to offer colleagues emotional, physical and financial support. The Toolkit includes a variety of well-established resources, links and support mechanisms such as our Employee Assistance Programme, Grocery Aid helpline and Neyber – a financial wellbeing hub provided as a benefit for colleagues. We cascaded the Toolkit in physical as well as virtual form by promoting the resources during Mental Health Awareness Week and on pull-up banners and extra printed materials for colleagues at site level.

Labour shortage has become a problem at a small number of sites, within certain times of the year, which we have mitigated by agreeing to reduce ranges with our customers and/or transferring production to other sites with spare capacity. Overall this has not had a material impact on UK sales. Our business is classified as critical to the COVID-19 response. This means that all Bakkavor employees are classified as key workers and are therefore entitled to support with childcare and continued education.

Taken together, these factors mean we consider that our employee attendance will continue at an appropriate level such that we can maintain production.

2. Supply chain and logistics

A second risk to our business could be an interruption to our raw material supply chain. Due to the short shelf-life of a number of raw materials that we hold in stock, we are used to operating a sophisticated supply chain that ensures we can procure, manufacture and distribute product every day. Our raw materials are sourced from across the world, with approximately 37% from the EU and 16% from other parts of the world. With low stocks held at site, any disruption in the supply of our raw materials could mean we are unable to meet orders for particular products. Furthermore, in the event of broader economic stress in the regions in which our suppliers operate, we could find availability and cost of our key raw materials under pressure.

Mitigating action

As a business, we are highly experienced in problem-solving issues regarding supply chain and logistics. Our procurement function is largely centralised at our Head Office in Spalding, Lincolnshire, with commodity focused specialists. This expertise gives us a deep knowledge of the supply chain, including well-established relationships with individual farmers, growers and suppliers. In addition, we have 'on the ground' presence with colleagues based in China, Spain, Italy and South America, which is a key strength in understanding what is happening within the supply base and within the local area. This includes a dedicated team based in Spain who co-ordinate the buying of fresh produce globally and the transportation of raw materials from southern Europe to the UK, and a team in China who co-ordinate the purchase and shipping of raw materials from Chinese suppliers back to the UK. We make limited use of forwarding agents, preferring to rely on our own professionals to ensure the smooth running of what is in effect a just-in-time operating model. This ensures that in the case of difficulties with product availability or transport we are best placed to seek alternative sources or routes.

We also make full use of UK raw materials wherever possible, with approximately 47% of raw materials purchased from the UK, and have a flexible model which allows us to switch suppliers to match seasonal availability, particularly in the spring and summer when UK crops are more readily available. Robust dual-sourcing procedures ensure that we are never completely reliant on one particular supplier and potentially left with no alternatives. With the changing product requirements of our customers, we already have a robust and well established process in place to approve new raw materials and suppliers, and, should we need to accelerate this, we can work effectively with our customers to ensure the appropriate approvals are obtained.

Our commercial teams have worked with our customers to create practical solutions, changing the specification of products and shifting production to sites that can meet changing demand. This includes the introduction of pizza manufacturing into Spalding Deli within five days to meet growing orders during the first UK-wide lockdown.

Following the virus outbreak, we have taken a number of mitigating actions throughout 2020. This has included increasing stock holding across the supply chain, review of alternative and additional suppliers for critical raw materials, implementation of alternative supply options and daily Procurement Leadership Team reviews during the early stages of the pandemic. We have also maintained very close day-to-day contact with our suppliers and been able to respond with appropriate support for those under financial pressures.

During 2020 we have experienced few material supply chain interruptions because of these mitigating actions. Due to the success in managing supply chain complexity throughout the year, we are confident in our ability to ensure continuity of supply in 2021 and this view is further reinforced by the signing of the free trade agreement between the EU and UK.

3. Consumer demand

Finally, demand for our products has been affected by consumers changing their buying preferences. There is uncertainty for us around how long this will impact our business volumes.

Mitigating action

Demand throughout the year remained volatile, particularly during periods of lockdown or heightened restrictions, as consumers cut back on the number of store visits they made, reverting to 'one-big shop' and consequently switched away from short shelf-life products. In order to mitigate this, in H1, we began to make use of the Government's Job Retention Scheme to 'furlough' workers, cut costs through a reduction of agency staff, made changes to shift patterns, delayed new product launches, temporarily closed a factory in Bo'ness to realign our capacity with a rapid drop in demand of food-to-go products, and identified new and more efficient ways of working with our customers, which has led to the restructuring of several office-based functions.

In H2 we experienced an encouraging recovery in sales as the first COVID-19 lockdown was lifted, however, volumes were adversely affected in the final quarter by further restrictions. Most furloughed staff returned to work with only vulnerable staff remaining on furlough. Whilst our Bo'ness factory reopened in H2, two other sites were closed to 'right size' our production facilities to match ongoing demand. Investment in our sites continued throughout 2020, though at lower levels than originally planned. Our teams have concentrated on driving growth back into category as we enjoyed a stronger Christmas period and have confidence in our ability to handle extra volume increases during 2021.

COVID-19 – Risk summary continued

US

In the US, our business employs over 800 people and operates from five sites, producing chilled convenience food for US grocery retailers.

1. People management
The risks to our US business of the impact of a shortage of core staff and / or management are the same as the UK business, and described above.

Mitigating action
The mitigating actions outlined for the UK business can equally apply to the US, with the following additional points of note.

We have also actioned and continue to take advice from many sources including state, federal and county bodies, the US Food and Drug Administration, the US Department of Agriculture and public health organisations.

The food manufacturing sector is classified as a critical infrastructure industry, which means our business is required to continue to operate as usual and our staff are exempt from any 'Stay at Home' orders that were in place in the states in which we operate.

In the event of an acute shortage of labour, our ability to transfer employees between sites is limited due to the geographical spread of our sites and current guidance against domestic travel. However, following the temporary closure of our Breadeli site, we moved colleagues over to our nearby meals production facility in Charlotte, North Carolina. The site has since reopened. There are also actions we could take to reduce the complexity in our product ranges, thereby reducing the reliance on labour.

We are also considering a move to mandatory vaccination in 2021 once supplies become available.

2. Supply chain and logistics
A second risk to our business could be an interruption to our raw material supply chain. Due to the short shelf-life of a number of raw materials that we hold in stock, we are used to operating a sophisticated supply chain that ensures we can manufacture and distribute product every day. Our raw materials are primarily sourced locally in the US, with a small number of products sourced from other parts of the world including Mexico, Chile, Argentina and China. With low stocks held at site, any disruption in the supply of our raw materials could mean we were unable to meet orders for particular products.

Mitigating action
The mitigating actions outlined for the UK business can equally apply to the US, with the following additional points of note.

Our procurement function in the US primarily operates from individual sites, although overall management rests centrally. We source most of our raw materials locally, minimising the risk of disruption through restrictions imposed as a consequence of the outbreak, especially as the food manufacturing sector is classified as a critical infrastructure industry and therefore ensuring it is fully-operational is a key priority for authorities.

We have experienced occasional disruption from supplier factories being affected by COVID-19, notably from one of our chicken suppliers who was forced to temporarily close one of their factories due to high levels of staff absence. With that said, this did not lead to any material interruption to our service levels as we were able to secure alternative supplies from another source.

3. Consumer demand
As outlined in the UK section, there was a risk that consumer demand for our products could fall over the long term if consumers were to change their buying preferences and / or our customers were to limit or change the range of products that they offered. In the first half it was true that volumes were adversely affected, but in H2 volumes have picked up and FPF is increasing strongly with fresh prepared meals in particular growing in penetration.

Mitigating action
The mitigating actions outlined for our UK business apply to the US, with the following additional points of note.

Consistent with our UK business, in the US we adjust volumes to match demand on a daily basis. We operate from five sites in the US and our products are supplied to both local and national grocery retailers. While each site is generally dedicated to a particular key food category, all are multi-product, most are multi-customer and are geared to production of the full range of their products every day. This means they are operationally flexible and used to accommodating changing priorities.

In some instances, we can also supply the same product from two different sites should it become necessary, because of supplying both East and West Coast retail stores, as well as particularly high short-term promotional volumes for example. This applies to all key food categories, except for bread, which is only produced at our Breadeli site in Charlotte, North Carolina.

China

In China, our business employs approximately 2,100 people and operates from nine sites, including one in Hong Kong, and one farm. It supplies fresh prepared foods and vegetables, mainly to western foodservice customers.

1. People management

The risks to our business in China of the impact of a shortage of core staff and / or management are the same as the UK business.

Mitigating action

The mitigating actions outlined for the UK business apply to China, with the following additional points of note.

We have also actioned and continue to take advice from all relevant Chinese Government authorities, including the Food Safety Administration, Department of Labour and the Tax bureau. In addition to this, we maintain regular dialogue with all employees, many of whom live on-site in company dormitories making it easier for us to ensure that they are maintaining the highest hygiene standards.

Due to our customer base, we are not considered 'critical' to the COVID-19 response but are permitted to continue production.

Compared to the UK, the incidence of COVID-19 has been much lower in China generally with no recorded cases in our factories on mainland China. Early in the year our Wuhan factory was closed for several weeks, but all other factories remained open and were used by the local government as examples of how companies should respond to the pandemic. During H2 operations have been more or less back to normal as temperature checks and face coverings were in use pre-COVID-19.

Hong Kong continues to experience more disruption with repeated lockdown periods and continuing COVID-19 cases in the general public that are leading to local lockdowns, which can in turn affect staff availability.

2. Supply chain and logistics

A second risk to our business could be an interruption to our raw material supply chain. As we hold limited stocks of short shelf-life products, we are used to operating a sophisticated supply chain that ensures we can manufacture and distribute product every day. Our raw materials are almost exclusively sourced locally, with very little imported from outside China. With low stocks held at site, any disruption in the supply of our raw materials could mean we were unable to meet orders for particular products.

Mitigating action

The mitigating actions outlined for the UK business apply to China, with the following additional points of note.

As a business, we are extremely experienced in problem-solving issues regarding supply chain and logistics. Our procurement function in China is largely operated out of individual sites, although overall management rests centrally. We source most of our products locally, minimising the risk of disruption through restrictions imposed as a consequence of the outbreak, especially since maintaining a fully operational food industry is a key priority for authorities.

We have not experienced any material supply shortages, in part due to lower demand levels at the peak of the crisis.

3. Consumer demand

As outlined in the UK section, there is a risk that demand for our products could continue to fall if consumers were to change their buying preferences over the long term or our customers were to limit or change the range of products that they offered. Our customer base in China is primarily with western foodservice players and therefore they may be unable to keep stores open due to any further local and / or central government restrictions put in place.

Mitigating action

As a large food manufacturing business, we adjust volumes to match demand daily. We operate through nine sites in China and across a number of categories. All our sites are multi-product, multi-customer and are geared to production of the full range of their products every day. This means they are all extremely flexible and used to changing priorities. In February, when it became necessary to temporarily close a number of our factories, we maintained customer service levels by transferring production across our remaining locations, including our new site at Haimen. Given the challenging nature of the operating environment, we also took a number of necessary actions to control costs. As in other parts of the Group, these included temporary salary cuts and recruitment freezes and in Hong Kong we have streamlined our operating structure.

We also continued to offer our customers innovative products by developing in-home meal solutions that meet the needs of foodservice providers as they adjust to the fact that consumers are spending more time at home.

Demand was badly affected in the first half of the year but by the last quarter customer demand on mainland China was only slightly below pre-COVID-19 levels. This being said, it continues to be occasionally disrupted at individual factories by local lockdowns. In Hong Kong, demand continues to be depressed by the ongoing COVID-19 cases and lockdowns.

Brexit – Risk summary

Overall risk

At the end of the transition period, the introduction of EU and UK border controls will increase administrative costs and may lead to food inflation and disruption at ports of entry. In addition to this, new immigration controls could affect labour availability.

Mitigating action
The Brexit Working Group, a multidiscipline team, established in 2018, on behalf of the Group Board have kept Brexit mitigations under review, including organisational changes, systems development, customer plans, stock levels and staff retention.

1. Disruption at ports of entry

The new administrative procedures required at the ports of entry into the UK, notwithstanding the transitional arrangements that the UK Government have introduced, are likely to result in delays that could lead to a shortage of supplies and disruption to the manufacturing and delivery process.

Mitigating action
Where possible, Bakkavor increased stocks of longer-life raw materials and packaging in advance of the year-end and will hold these levels during the first quarter of 2021.

In conjunction with Bakkavor's customers, the Group has sought to reduce dependence on EU imports where equivalent raw material is available from UK sources. Notable examples are the increase in the proportion of both raw chicken and liquid egg that are now sourced from within the UK.

Bakkavor has secured permission to use Customs Simplified Freight Procedures ("CFSP") from the beginning of 2021 to simplify and speed up border arrangements.

2. Shortage of customs clearance services

The customs clearance industry will have to expand massively to cope with the new customs declarations at the UK ports of entry and there is a risk that there will not be enough qualified staff.

Mitigating action
The Bakkavor Inbound Logistics team ("BIL"), based in Southern Spain and Lincolnshire, have been responsible for the importing of salad items from Southern Europe for many years. As part of the Group's Brexit preparations at the beginning of 2020, they successfully took on responsibility for the importation and customs clearance of all imports from outside of the EU. BIL trained some of its existing staff as clearance agents, recruited and trained additional customs clerks, and implemented software which connects the ERP system with the customs computer systems. At the end of the transition period they took responsibility for imports from the EU and the rest of world and have recruited and trained additional staff as clearance agents. With this experience, Bakkavor is in a strong position to take on the clearance of EU imports.

3. Accurate customs declarations and security controls for imports

With many UK factories there was a risk that importing from the EU would not be carried out consistently.

Mitigating action
In early 2019 Bakkavor was accredited with AEO status in the UK, for both security and customs clearance. This accreditation established a relationship with the customs authorities and should facilitate border crossings in the future.

Ordering from EU suppliers has been centralised by expanding the BIL team responsibilities to give them ownership over order placement with EU suppliers on behalf of all of our Bakkavor UK factories. In order to ensure this process happens, the IS team has developed a portal to allow EU suppliers to provide the information required for UK clearance.

BIL is also responsible for controlling transport into the UK. They have added a clear service level agreement with all major hauliers to confirm them as trusted traders, which will allow them to deliver direct to Bakkavor sites in the UK. BIL has arranged for hauliers without the Trusted Trader Status to report to a third-party site in Kent in order to carry out the security checks required.

To facilitate exports from small suppliers in Southern Spain, BIL has established a LAME facility in Northern Spain which has been approved by the Spanish customs authorities as a consolidation facility for the export of produce from the region. In addition to this, Bakkavor's Spanish office has gained European AEO status.

4. New border controls for exports to Ireland

Beginning in 2021, exports to the Republic of Ireland and Northern Ireland will be subject to new border control arrangements.

Mitigating action

Bakkavor has been liaising with customers to prepare for the new border procedures required when exporting to the Republic of Ireland and Northern Ireland, including possible duty payments.

All of Bakkavor's packaging has already been modified to include both Irish and UK addresses.

Bakkavor has registered for the UK Government Trader Support Scheme, which provides guidance on the implementation of the Northern Ireland Protocol.

Export Health Certs ("EHC") are required for exports to the EU containing products of animal origin ("POAO") to confirm that the product meets the health requirements of the EU. Bakkavor supplies many composite products to the stores of its retail customers in Ireland. From the beginning of 2021, because a number of these products include POAO, they will require export health certification. For composite products of the sort that Bakkavor exports, the UK Government has introduced a groupage system which Bakkavor is adopting.

We have appointed vets to attest production at each of our UK sites every 30 days and have appointed vets to authorise EHCs at point of departure from Bakkavor's premises. All Bakkavor UK sites have collected the information they need to provide evidence of the safety of their products and the Group IS team has developed software to make this information available to our vets and/or our customers.

5. Brexit impact on currency movements

Following the transition period it is also possible that Sterling will fall in value, increasing the cost of imports. The additional costs of raw materials will need to be passed on to consumers via higher prices in stores and may reduce consumer demand.

Mitigating action

Bakkavor will be forced to pass on raw material inflation and clearance costs to its customers.

In the event of Sterling weakness Bakkavor will seek to increase the proportion of its raw materials purchased from UK sources.

It is Bakkavor Group Policy to mitigate exposure to movements in the Sterling-Euro exchange rate by purchasing forward currency contracts, in order to reduce the risk of currency fluctuation. The proportion covered in 2021 has been increased beyond the normal policy levels in light of potential Brexit disruption.

6. Immigration law changes

The new immigration law, post-Brexit, will restrict our ability to recruit EU staff as the majority of our workforce are paid below the new minimum levels for work visas.

Mitigating action

To mitigate this, the Group has regularly encouraged existing EU staff to obtain settled or pre-settled status. This includes holding workshops and providing internet access to help assist with these applications. During 2020 our staff turnover level fell during the COVID-19 lockdown period as EU staff remained in the UK. We're expecting it to increase once lockdown measures are fully released and will likely be further exacerbated after January 2021 when the new immigration law is introduced. There is a need to concentrate recruitment in the UK, which includes looking at different shift patterns such as more family-friendly shift patterns to encourage local recruitment. Bakkavor is also seeking to further reduce its reliance on agency labour, which has a high proportion of EU nationals.

In 2020, the Group extended its principal risks and uncertainties to include COVID-19 to recognise the major impact the pandemic continues to have on our business.

Risk	Link to strategy	Description	Mitigating controls	Risk trend
Food safety and integrity	1, 2, 3	Millions of people eat our products every day. We have a duty to make food that is safe and that is clearly and correctly labelled. Consumer safety and confidence are vital to our business; any issue that breaches that trust could result in loss or reduction of customer business and also impact our credibility and reputation.	Stringent food safety policies in place throughout the organisation and use of Hazard Analysis Critical Control Point principles to identify and control food safety risks. Employees trained against documented procedures. Supply chain food safety and integrity is understood and managed through robust risk assessment and management process. Food safety audits conducted for new suppliers with regular audits of existing suppliers. Regular reporting of food safety performance to the Board and immediate reporting of significant issues.	The risk has stayed the same.
Raw material and input cost inflation	1, 3	The Group's cost base and margin are vulnerable to fluctuations in the price and availability of raw materials, packaging materials and freight. Ability to pass on any increases in these costs to customers within a reasonable timeframe is a challenge and failure to do so could impact the Group's profitability and hence its ability to continue to invest in the business.	Central procurement team focused on achieving a balance between price, quality, availability and service levels. Forward purchasing agreed and price variations passed on where possible. Agreements in place with some customers on recovery of raw material cost impacts. Continued focus on cost reduction and productivity enhancements.	The risk has remained the same with COVID-19 and Brexit having the potential to disrupt supply chains leading to higher costs and/or shortages.
Reliance on a small number of key customers	1, 3	We work with four of the largest food retailers in the UK and a significant proportion of our revenue is from these customers. In the US we work with a small number of large retailers and in China a small number of large food service customers. Any major customer loss would have a significant negative impact on our business.	Close partnership model in place with customers. In the UK, customer-specific champions and teams manage strategic customer relationships. Relationships with all grocery retailers beyond the four largest gives breadth of cover. Strong reputation for food safety and quality. Reputation amongst customers for strong insights and innovation capabilities. Significant investment in manufacturing facilities and highly complex 'just in time' manufacturing process.	Customer concentration has remained unchanged.
Labour availability and costs	1, 2, 3	Manpower scarcity and higher labour costs could affect the Group's business and future profitability. The Group competes with other manufacturers for good and reliable employees. The supply of such employees is limited and competition to hire and retain them may result in higher labour costs. Additionally, in the UK, Brexit presents a risk as historically the Group has employed a material number of people who are citizens of EU countries.	Specific campaigns and focus groups in place targeting recruitment of future employees and building attractiveness of careers in the food industry. Initiatives in place to enhance and upgrade factory site facilities to help attract and retain employees. Central staff dedicated to recruitment and management of staff costs. Initiatives in place to support employees with Brexit-related concerns.	The potential medium-term impact from reduced immigration and the retention of existing EU colleagues following Brexit has increased the risk of labour availability in the UK.

Read our Corporate Responsibility section
page 42 →

Link to our strategic framework

1 Leveraging number one position in the UK

2 Accelerating growth in high-potential international markets

3 Improving operational efficiency

Risk	Link to strategy	Description	Mitigating controls	Risk trend
IT systems and cyber risk	1, 2	Unauthorised access of the Company's Information Technology ("IT") systems could lead to breaches of data protection and release of market sensitive information. Any breakdown or failure in the Group's IT infrastructure or the Group's communication networks, including malicious cyber-attacks by third parties, could delay or otherwise impact the Group's day-to-day business.	Group Information Systems ("IS") manage access to business data in the UK through strong password protection, role-based access to business systems and policies to ensure appropriate use. The risk associated with high levels of home working have been addressed with enhanced processes and the introduction of two factor authentication. Group IS has strict policies and actively ensures that the IS infrastructure and equipment, in the UK in particular, are sufficiently protected against malicious cyber-attacks. We work closely with our cyber security partner and continue to enhance our controls. In addition, we have cyber insurance and therefore some of the risk of a cyber-attack is passed onto our insurers. Local teams in the US and China are developing our IS infrastructure capabilities.	↑ The risk has increased as cyber threats have become more common during the COVID-19 pandemic.
Health and safety	1, 2	We understand our duty of care to secure and protect the health and safety ("H&S") of our employees and to reduce the environmental impact of our operations. Failure to maintain the H&S of employees could have a significant reputational impact and also have serious legal consequences.	H&S is managed locally by our teams and by the Group's in-house experts who embed and monitor practices. Stringent processes are implemented for identifying and managing H&S risks. Regular reporting of H&S Key Performance Indicators to the Group Board and immediate reporting of significant issues. An established culture of employee engagement around accident prevention across the Group.	↑ The level of risk has remained unchanged in terms of accidents at work, however COVID-19 has provided an additional risk to the health of our colleagues.
Recruitment and retention of key employees	1, 2, 3	We have a highly experienced management team who are passionate about our business and who are integral to our continued growth and success as a market leader. The loss of any of these personnel, or the Group's inability to recruit new personnel, would have an adverse impact on the Group. We risk being unable to achieve our strategic growth objectives without the recruitment, development and retention of talented and committed people who understand and respect our values.	Company values used to recruit, appraise, reward and develop employees. Ongoing succession planning, commitment to training and bonus schemes in place to retain key personnel and manage staff turnover. Graduate recruitment and apprenticeship schemes have been expanded. Training and career development opportunities have been enhanced.	− The level of risk has remained unchanged.
Strategic growth and change programmes	1, 2, 3	Much of our future growth will be delivered from new factory builds and acquisitions. This adds a level of execution risk to continuing operations.	All capital investment and organisational change projects are subject to detailed review by the Board and Senior Management considering the risks and opportunities of each proposal. Detailed planning and sharing of best practice within the Group minimises risk.	↓ The risk has decreased in the short term as we have reduced capital expenditure on new factory builds, while new ventures have become more mature.

Risk	Link to strategy	Description	Mitigating controls	Risk trend
Treasury and pensions	3	To achieve our growth objectives, we require a strong financial platform. The Group has significant facilities governed by financing agreements under which we are subject to various financial covenants and undertakings. Breaching any covenant would impair our ability to maintain existing financing and secure future financing, thereby destabilising the business. The Group has a closed defined benefit pension plan which is exposed to interest and inflation rates, values of assets and increased life expectancy.	Financial results, projections and covenant performance reviewed regularly. Open and regular dialogue with our lenders and an active investor engagement programme. Treasury function operates within framework of strict Group Board-approved policies and procedures. Active policy of hedging known non-Sterling denominated expenditure both for specific projects and on a rolling basis for material purchases. The pension scheme has hedges in place for a large portion, but not all, of its risks.	The Group has proved resilient over the last 12 months and has good levels of headroom on its facilities.
Brexit disruption	1	Read more about our Brexit risk summary on pages 78-79.	Learn more about our mitigating actions on pages 78-79 of the Brexit risk summary.	Disruption at ports of entry is possible in the first quarter of 2021 whilst new administrative procedures bed in. However, overall the risks have been reduced significantly following the signing of the free trade deal.
Disruption to Group operations	1 2	Catastrophic damage to one of our factories by fire, flood or mechanical breakdown, as well as disruption due to information systems failure or pandemics.	Building and property management protocols are employed and audited in conjunction with our property insurers. Business continuity plans are in place for each factory site and for many products alternative Bakkavor factories could supply in the event of a major issue.	COVID-19 mitigations are now well established and resulting disruption has reduced over time.
Sustainability	1 2 3	To continue with our growth agenda we must ensure that the business is developing in a sustainable way.	Under our Corporate Responsibility strategy, Trusted Partner, we are scaling up our focus and performance monitoring in relation to a number of key areas including carbon, waste, packaging and responsible sourcing.	COVID-19 and Brexit have both introduced an increased level of uncertainty.

Our Corporate Responsibility strategy
page 42 →

Link to our strategic framework

1 Leveraging number one position in the UK

2 Accelerating growth in high-potential international markets

3 Improving operational efficiency

Risk	Link to strategy	Description	Mitigating controls	Risk trend
Consumer behaviour and demand	1	Changes in consumer demand due to a serious change in the economy or other consumption factors could impact our plans.	We work closely with our customers to adapt to changing consumer trends such as dietary changes, sustainability concerns and the impact of COVID-19 on shopping habits.	↑ COVID-19 restrictions have temporarily reduced demand for fresh prepared foods.
Competitors	1, 2	The Group operates in a highly competitive market.	Developing and maintaining strong working relationships with our customers, underpinned by high service levels and constant product development and innovation.	– The level of risk has remained unchanged.
Legal and regulatory	1, 2	Bakkavor is subject to a wide range of legislation, regulations and codes of practice covering many aspects of our business including food safety, health & safety, data privacy, competition, ethical business, tax and financial reporting. Failure to comply could impact our reputation and lead to financial penalties.	Our legal, financial, tax, and environmental teams monitor relevant laws and regulations to ensure compliance. Our outsourced internal audit team provides assurance on key risks. In 2020 we introduced e-learning for key global policies, including anti-bribery & corruption and cyber security.	– The level of risk has remained unchanged.
COVID-19 pandemic	1, 2, 3	Read more about our COVID-19 risk summary on pages 74-77.	Learn more about our mitigating actions on pages 74-77 of the COVID-19 risk summary.	↑ **NEW** The impact of COVID-19, raising costs and affecting consumer demand, is expected to continue but for an unknown amount of time.

Our 2020 Strategic Report, from the inside front cover to page 83, has been reviewed and approved by the Board and signed on its behalf by Agust Gudmundsson.

Agust Gudmundsson
Chief Executive Officer
15 March 2021

CHAIRMAN'S LETTER ON CORPORATE GOVERNANCE

Simon Burke
Chairman

> In the last year during the global COVID-19 pandemic, the Board has focused on rapid actions to protect our people, customers and other stakeholders."

Dear fellow shareholders

On behalf of the Board, I am pleased to present to you Bakkavor Group plc's Corporate Governance Report for the year ended 26 December 2020.

The 2018 UK Corporate Governance Code (the "2018 Code") was published in July 2018 and applies to Bakkavor with effect from 2020. The full text of the Code is available on the Financial Reporting Council's website, www.frc.org.uk.

We continue to make good progress in consolidating our corporate governance framework to align ourselves with best practice and enabling us to deliver our strategy for the long-term benefit of all our stakeholders.

Changes to our Board

In September, I was delighted to welcome Umran Beba as a new Independent Non-executive Director to the Board. I am equally delighted to welcome Jill Caseberry as a new Independent Non-executive Director to the Board.

Sue Clark and Todd Krasnow stepped down from the Board in the autumn following the expiry of their contracts. I would like to thank Todd and Sue for their significant contribution to Bakkavor.

Ben Waldron replaced Peter Gates to become Chief Financial Officer and Executive Director on the Board. Peter will be greatly missed and the Board wishes him well in retirement. Ben was succeeded as President of Bakkavor USA by Pete Laport. Lastly, our Chief Operating Officer UK, Mike Edwards was appointed as an Executive Director to the Board.

External Board evaluation

During autumn 2020, the Nomination Committee instructed Clare Chalmers Limited, an experienced independent provider, to conduct an evaluation of the effectiveness of the Board and its Committees.

The review concluded that both the Board and its Committees were working well and recognised that much had been done to ensure the Board was making a positive impact on the business. The Board was judged to be of high calibre, with strong experience and a well-balanced mix of skills. More details about the external Board evaluation can be found on page 101.

Board activities

The Board's focus during the year has been on strategically significant matters, including Bakkavor's response to the global COVID-19 pandemic and preparations for Brexit, whilst being mindful of the impact of Bakkavor's decisions on its stakeholders.

COVID-19 response

Significant decisions and adjustments were made by the Management Board with the oversight and support of the Board, with certain rapid actions taken to address COVID-19; Bakkavor's priorities being i) protecting our people, ii) protecting our customers and suppliers and iii) protecting our business.

The Board is extremely proud of our colleagues' effort, commitment and determination during this difficult period. With their health, safety and wellbeing the foremost priority, it oversaw the launch of the Bakkavor 'Coronavirus

Management System' to provide clear and detailed communication to colleagues and ensure that we maintained safe ways of working.

The Board also received regular updates on the implementation of the Bakkavor Wellbeing Toolkit to offer support to colleagues during the COVID-19 crisis whether emotional, physical or financial in nature.

The Board and Management Board offered voluntary reductions in their remuneration for three months: the Chairman and Non-executive Directors agreed to a 50% reduction in base salaries and fees, while the Group's founders (CEO, Agust Gudmundsson and Non-executive Director, Lydur Gudmundsson) volunteered not to take any salary in the period. The wider Management Board agreed to a voluntary 20% reduction in base salaries.

Brexit

The Board received regular updates on the Group's preparations for Brexit in light of the developing government guidance, focusing on management of operational risk, financial impact and potential strategic consequences. The Board reviewed the Management plans with respect to inbound and outbound logistical arrangements impacting the Group's key customers, and employee arrangements with respect to the potential impact of the new UK government immigration rules to be implemented in the course of 2021.

An overview of the range of matters that the Board discussed and debated at its meetings during the year, as well as its response to COVID-19 can be found on pages 92 to 96.

Dividend

As a result of the COVID-19 pandemic and its impact on the business during the year, the Board will not be declaring a dividend for the full year 2020. At the outset of the pandemic, the Board made the prudent decision to suspend the 2019 final dividend as a precautionary measure until the impact of COVID-19 became clearer. The Board is, however, mindful of the importance of income to shareholders and this payment will remain under review until we have clearer visibility on future trading.

Governance structure

GROUP BOARD

Simon Burke
Non-executive Chairman

Jane Lodge
Independent Non-executive Director

Denis Hennequin
Independent Non-executive Director

Umran Beba
Independent Non-executive Director

Lydur Gudmundsson
Non-Independent Non-executive Director

Patrick L. Cook
Non-Independent Non-executive Director

Jill Caseberry
Independent Non-executive Director

EXECUTIVE DIRECTORS

Agust Gudmundsson
Chief Executive Officer

Ben Waldron
Chief Financial Officer

Mike Edwards
Chief Operating Officer, UK

MANAGEMENT BOARD

Pete Laport
President, Bakkavor USA

Donna-Maria Lee
Chief People Officer

Annabel Tagoe-Bannerman
Group General Counsel & Company Secretary

Engaging with our stakeholders

The Board is responsible for leading stakeholder engagement, ensuring that the Company fulfils its obligations to those impacted by the business: our customers, suppliers, colleagues, investors and communities.

The Directors' duties under Section 172 of the Companies Act 2006 help to underpin the good governance which is at the heart of the Board's activities. Details of how the Board met its obligations in respect of Section 172 during the year, by taking account of shareholder and wider stakeholder interests in its strategic planning and decision-making processes, are set out on pages 20 to 25.

The 2018 Directors' Remuneration Policy has reached the end of its three-year life and a new policy will be put forward for a shareholder vote at the Annual General Meeting on 20 May 2021. During the year, the Board engaged with its principal investors to understand their views on Executive remuneration. See pages 120 to 130 for further information on the new Remuneration Policy.

Looking ahead

The governance priorities for 2021 include continued stakeholder engagement and oversight of the actions being taken by the Management Board to mitigate the potential impact of COVID-19 to the business and across its supply chain.

Simon Burke
Chairman
15 March 2021

CORPORATE GOVERNANCE COMPLIANCE STATEMENT

Except as outlined below, the Board believes that the Group complied with the provisions of the 2018 Code for the financial year ended 26 December 2020.

Provision 11 – The Company is not compliant with Provision 11 of the 2018 Code, as less than half of the Board, excluding the Chair, is made up of independent Non-executive Directors. As a result, the Board lacks the appropriate balance of Executive and independent Non-executive Directors. The Company announced on 25 February 2021 the appointment of Jill Caseberry, as an additional Non-executive Director and member of the Remuneration Committee with effect from 1 March 2021. In order to achieve the required balance under this provision, the Company has commenced, with the assistance of an independent external executive search consultancy, the recruitment of an additional independent Non-executive Director. It is expected that the additional independent Non-executive Director will be recruited within the next three to six months. The Board is in the process of appointing a new designated workforce engagement Non-executive Director following Sue Clark's recent departure.

Provision 17 – Nomination Committee composition
As required under provision 17 of the 2018 Code, the Nomination Committee comprised of three independent Non-executive Directors and one Non-independent Non-executive Director for the most part of 2020. For the purposes of Nomination Committee membership, the Chair of the Board is not deemed as independent. Following the departure of Sue Clark on the 27 November 2020, the Nomination Committee comprises two independent Non-executive Directors and one Non-independent Director, while the search for an additional independent Non-executive Director is being undertaken. It is the expectation that the new independent Non-executive Director will sit on the Nomination Committee.

Provision 24 – Audit and Risk Committee composition
As required under provision 24 of the 2018 Code, the Audit and Risk Committee comprised three independent Non-executive Directors for the most part of 2020. Following the departure of Sue Clark on the 27 November 2020 the Audit and Risk Committee comprises two independent Non-executive Directors while the search for an additional independent Non-executive Director is being undertaken. It is the expectation that the new independent Non-executive Director will sit on the Audit and Risk Committee.

Provision 32 – Remuneration Committee composition
As required under Provision 32 of the 2018 Code, the Remuneration Committee comprised three independent Non-executive Directors for the most part of 2020. Following the departure of Sue Clark on 27 November 2020 the Remuneration Committee comprised two independent Non-executive Directors. Following Jill Caseberry's appointment as independent Non-executive Director and a member of the Remuneration Committee effective 1 March 2021, compliance with this provision has been achieved.

Provision 38 – Pension contribution rates
The Remuneration Committee gave detailed consideration to the provisions of the 2018 Code in respect of the alignment of pension contribution rates for Executive Directors with those available to the workforce. As set out in the Report on Directors' Remuneration, the pension for all Directors will be in line with the workforce (currently 3%) including for new joiners with the exception of Mike Edwards, the UK Chief Operating Officer, for the reasons set out on page 135 in the Report on Directors' Remuneration.

The Chief Executive Officer's pension contribution has been reduced from 15% of salary to 3% of salary from 1 February 2021 and well in advance of current guidance to reduce by the end of 2022.

Provision 41 – Workforce engagement on alignment of executive remuneration and wider company pay policy
The Company did not engage with the workforce in relation to the alignment of executive remuneration with the wider company pay policy and was therefore not compliant with Provision 41. The Company will consider the right interventions in terms of engaging with the workforce around executive remuneration in the course of the next 12 months.

Our compliance with key areas of the Code is summarised below.

This report's key features

Over the next few pages we look at the Board: its role, performance and oversight. We provide detail on Board activities and discussions during the year on pages 92 to 96, the actions arising from these and the progress made against them. We also provide insight on Director independence, effectiveness and the findings of our external Board evaluation. We have used the key themes of the Code to articulate the Board's activities during the year:

Board leadership and company purpose
The Board rigorously challenges strategy, performance, responsibility and accountability to ensure that every decision we make is of the highest quality.

The Board is satisfied that the Company's purpose, values, strategy and culture are aligned and promote the long-term success of the Company, generating value to shareholders and other stakeholders.
Read more on page 91 →

Division of responsibility
Through the leadership of the Chairman, a culture of debate and open dialogue is promoted with effective contribution of all Non-executive Directors who provide constructive challenge and hold management to account.

The Board is satisfied that there is a clear division of responsibility between the leadership of the Board and the Executive leadership of the Company's business.
Read more on page 97 →

Composition, succession and evaluation
The Board continuously evaluates the balance of skills, experience, diversity, knowledge and independence among the Directors.
Read more on page 100 →

Audit, risk and internal control
All Board decisions are taken within the context of the risks involved. Effective risk management is central to achieving our strategic objectives.

The Board ensures that there is effective engagement with its shareholders and other stakeholders.
Read more on page 107 →

Remuneration
Having a formal and transparent procedure for developing policy on remuneration for Executive Directors is crucial. Bakkavor's Remuneration Policy aims to attract, retain and motivate by linking reward to performance.
Read more on page 120 →

Governance summary

Independence: A search has been commenced, with the assistance of an independent external executive search consultancy, to recruit an additional independent Non-executive Director to the Board to ensure the appropriate balance of Executive and independent Non-executive Directors. The Chairman was considered independent on his appointment. More information about the Board is found on pages 88 to 89.

Accountability and election: There is clear separation of duties between the Chairman and Chief Executive Officer roles. All the Directors seek election by shareholders at the first AGM after their appointment and annual re-election by shareholders thereafter.

Senior Independent Director: Our Senior Independent Director, Denis Hennequin, provides a communication channel between the Chairman and the Non-executive Directors.

Evaluation: An externally facilitated performance evaluation of the Board and its Committees was undertaken during the year in accordance with the requirements of the 2018 Code, details of which can be found on page 101.

Attendance: The Directors have all attended an acceptable level of Board and Committee meetings, details of which are available on page 100.

Skills and experience: The Board and its Committees are considered to have an appropriate combination of skills, experience and knowledge to direct the Company.

Independent Auditors: PricewaterhouseCoopers LLP ("PwC") were appointed as External Auditors in 2019 following a thorough tender process.

Non-Audit Services Policy: Details on the Non-Audit Services Policy are provided within this report on page 113.

Internal Audit: Details of the Internal Audit function, as undertaken by KPMG LLP ("KPMG"), are provided within this report on page 114.

Performance-related pay: Our reward framework is simple, transparent and designed to support and drive our business strategy.

Workforce engagement: Detail on how Bakkavor engages with the workforce and its key stakeholder groups is presented on pages 20 to 25 and page 60.

Diversity: Information about Bakkavor's Inclusion and Diversity Policy, Board diversity and consideration of diversity in succession plans can be found on page 60 and pages 104 to 105.

Our Governance framework

The Chairman of each Committee reports to the Board on the matters discussed at Committee meetings. Reports from each Board Committee Chair, including information on each Committee's respective composition and activities in the year, can be found in the sections relating to each Committee within this report.

THE BOARD
chaired by Simon Burke

Accountable to shareholders for the long-term sustainable success of the Group, this is achieved through setting out the strategy, monitoring the strategic objectives and providing oversight of the implementation by the management team.

AUDIT AND RISK COMMITTEE

Chaired by Jane Lodge

The Audit and Risk Committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing the Group's annual and half-year Financial Statements and accounting policies, risk management and internal and external audits and controls. The Audit and Risk Committee will normally meet not less than four times a year.

Read more on page 108 →

NOMINATION COMMITTEE

Chaired by Simon Burke

The Nomination Committee reviews the structure, size and composition of the Board, ensuring that there is a healthy balance of skills, knowledge, experience and diversity. It is also responsible for reviewing succession plans for the Board, Management Board and Senior Executives. The Nomination Committee will normally meet not less than two times a year.

Read more on page 102 →

REMUNERATION COMMITTEE

Chaired by Denis Hennequin

The Remuneration Committee recommends the Group's policy on Executive remuneration, determines the levels of remuneration for Executive Directors and the Chairman to ensure that these are in line with the long-term interests of the Group, and prepares an annual remuneration report for approval by the shareholders at the Annual General Meeting. The Remuneration Committee will normally meet not less than three times a year.

Read more on page 116 →

DISCLOSURE COMMITTEE

Chaired by Simon Burke

The Disclosure Committee comprises the Chairman, the Chief Executive Officer, the Chief Financial Officer and the Group General Counsel & Company Secretary. Other Directors, representatives from the Company's brokers, members of the Company's Management Board and Senior Executives and other external advisers may attend meetings in whole or in part, if invited. The Disclosure Committee oversees the Company's compliance with its disclosure obligations.

Read more on page 91 →

THE MANAGEMENT BOARD
chaired by Agust Gudmundsson

The Management Board implements the strategic objectives set by the Board and delegates to management the detailed planning and implementation of those objectives and policies, in accordance with appropriate risk parameters.

GROUP GENERAL COUNSEL & COMPANY SECRETARY
Annabel Tagoe-Bannerman

The Company Secretary supports both the Board and Management Board, ensuring good information flows and advising on all corporate governance matters.

GROUP BOARD

Simon Burke
Non-executive Chairman
NC

Appointment: Simon has served as a Non-executive Director of Bakkavor since February 2017 and was appointed as Chairman in October 2017.

Skills and experience: Simon is a chartered accountant with over 30 years' experience in the retail and food sectors. Following a decade in financial and advisory roles, he was appointed CEO of Virgin Retail UK in 1988, and following a turnaround of that business, held increasingly senior roles until appointed CEO of the global Virgin Entertainment Group in 1996. In 1999, Simon was appointed Chairman and Chief Executive of Hamleys plc where he completed a successful restructuring and subsequent sale of the company in 2003. Simon then specialised in value creation roles in both quoted companies and private-equity-backed businesses. He has chaired many well-known consumer businesses, including Majestic Wine, Mitchells & Butlers, Bathstore.com, and Superquinn.

External appointments: Simon is a Non-executive Director of the Co-operative Group Limited and also Chairman of The Light Cinemas (Holdings) Limited and Blue Diamond Limited.

Agust Gudmundsson
Chief Executive Officer

Appointment: Agust is one of the founders of Bakkavor and has served as Chief Executive Officer of Bakkavor since May 2006. He served as Executive Chairman of Bakkavor from 1986, the year the Bakkavor Group was founded, through to May 2006.

Skills and experience: Agust received his education from the College of Ármúli in Reykjavik, Iceland.

External appointments: Agust currently has no external appointments.

Ben Waldron
Chief Financial Officer

Appointment: Ben joined Bakkavor in 2011 as Group Financial Controller and has served as Chief Financial Officer and Executive Director to the Board since 27 December 2020.

Skills and experience: Prior to joining Bakkavor, Ben was Assurance and Advisory Director at Ernst & Young LLP, the assurance, consulting, strategy, transactions and tax advisory services provider, bringing with him an extensive experience in Finance. After joining Bakkavor as Group Financial Controller, he then became Head of Strategic Development, supporting the Group's IPO in 2017 and leading acquisitions and the disposal of non-core business in the UK and Europe. In January 2019, he took on responsibility for the US business as President of Bakkavor USA and has successfully transformed the US operations. Ben holds a Bachelor of Science degree from the University of Birmingham.

External appointments: Ben currently has no external appointments.

Mike Edwards
Chief Operating Officer, UK

Appointment: Mike joined Bakkavor in 2001 and became Chief Operating Officer UK in 2014 and has served as Executive Director since 27 December 2020.

Skills and experience: With over 26 years' experience in the food industry including United Biscuits and Heinz, Mike has an extensive commercial expertise and deep client relationships. Since joining in 2001, he has held various senior operational roles across Bakkavor. He holds a degree from the University of Portsmouth.

External appointments: Mike currently has no external appointments.

Denis Hennequin
Independent
Non-executive Director
AC NC RC

Appointment: Denis has served as a Non-executive Director of Bakkavor since February 2017 and is the Chairman of the Remuneration Committee.

Skills and experience: Denis has extensive leadership experience within the retail sector, spending the majority of his career with the McDonald's Corporation in a variety of senior financial and operational roles before becoming President and Chief Executive Officer of McDonald's Europe, where he was responsible for changing the image and concept, securing its market-leading position. Denis was appointed Chairman and Chief Executive Officer of Accor in 2011 where he was responsible for an estate spread across over 90 countries. He left Accor in 2013 to pursue an advisory and portfolio career.

External appointments: Denis is currently a Non-executive Director of Eurostar International Limited, Kellydeli and Expresso House. He is also Vice-Chairman of Pret A Manger, Chairman of PICARD Company Limited and a founding partner of investment fund French Food Capital.

Jane Lodge
Independent
Non-executive Director
AC

Appointment: Jane has served as a Non-executive Director of Bakkavor since April 2018 and is the Chair of the Audit and Risk Committee.

Skills and experience: Jane spent 25 years at Deloitte & Touche LLP, the audit, tax, consulting, enterprise risk and financial advisory services provider, progressing to a Senior Audit Partner working for major corporates. She served as the first female Partner to sit on the Deloitte UK Board, overseeing management strategy, acquisitions, performance against plan and admission of new partners. She was also the manufacturing and industry lead Partner, providing best practice and insights across the Deloitte businesses of tax, auditing, consulting, and corporate finance. Jane left Deloitte in 2011 to build a non-executive portfolio.

External appointments: Jane is currently a Non-executive Director and Chair of the Audit Committees of Costain plc and DCC Plc and a Non-executive Director of Glanbia plc.

Board Committees

AC Audit and Risk Committee see page 108

NC Nomination Committee see page 102

RC Remuneration Committee see page 116

Umran Beba
Independent
Non-executive Director

NC RC

Appointment: Umran has served as a Non-executive Director of Bakkavor since September 2020.

Skills and experience: Umran is an experienced senior business executive with a general management background and significant expertise in talent and diversity. Umran spent 25 years at PepsiCo Inc. the global food and beverage company where she held a number of international commercial and functional roles, with her last position being Senior Vice President, Chief Global Diversity and Engagement Officer. From 2010 to 2015, she served as an Independent Non-executive Director on the board of Calbee, Inc, a major Japanese snack foods manufacturer and for eight years until June 2020, was a Future Council Member of the World Economic Forum. She earned her MBA and Bachelor of Science in Industrial Engineering from Bogazici University in Istanbul.

External appointments: Umran is currently a partner at August Leadership, an executive search firm. She also serves on the board of the International Youth Foundation and Neighbors Link, a trustee at Purchase College Foundation.

Lydur Gudmundsson
Non-independent
Non-executive Director

NC

Appointment: Lydur is one of the founders of Bakkavor. He served as Chief Executive Officer from 1986 to 2006 and Non-executive Chairman from 2006 to 2017. He served as Chairman of Exista from 2006 to 2010.

Skills and experience: Lydur has unique expertise and insight into the Company's business as a founder of the Bakkavor Group. He received his education from the Commercial College of Iceland.

External appointments: Lydur currently has no external appointments.

Patrick L. Cook
Non-independent
Non-executive Director

Appointment: Patrick L. Cook has served as a Non-executive Director of the Bakkavor Group since July 2018.

Skills and experience: Patrick received his education from Vanderbilt University in Tennessee, United States and is a senior investment professional with significant direct investing experience in food companies.

External appointments: Patrick is currently Managing Director at the Baupost Group. He is also a member of the Boards of DRS Acquisition LLC, Surfaces Southeast Holdco, LLC and H&P Partners, LLC and a member of the supervisory board of Tanager Group B.V.

Jill Caseberry
Independent
Non-executive Director

RC

Appointment: Jill has served as a Non-executive Director of Bakkavor since 1 March 2021.

Skills and experience: Jill is an accomplished general manager with extensive sales, marketing and general management experience across a number of blue-chip companies including Mars, PepsiCo and Premier Foods. Jill brings a depth of understanding of the food industry, spending most of her career in marketing, commercial and general management roles in food and beverage sector, where she has been involved in both turnaround and growth situations, in a range of branded and own label businesses.

External appointments: Jill is currently a Non-executive Director, Remuneration Committee Chair and member of the Audit and Nomination Committees of Bellway plc and Halfords Group plc. Jill is also a Non-executive Director and member of the Remuneration Committee of C&C Group plc, and a Non-executive Director and member of the Remuneration, Audit and Nomination Committees of St. Austell Brewery Company Limited.

Annabel Tagoe-Bannerman
Group General Counsel
& Company Secretary

Appointment: Annabel joined Bakkavor as Group General Counsel & Company Secretary in June 2019.

Skills and experience: Annabel has held senior legal positions in a number of companies including Britvic plc and Ladbrokes plc. She was the Group General Counsel and an Executive Committee member at Ladbrokes plc. She trained and began her career in private practice in the City of London at the multinational law firm SJ Berwin LLP. Annabel obtained her post-graduate law degree at The University of Law, UK and qualified as a solicitor (England and Wales) in March 2005. She is also a Chartered Company Secretary (ACIS). Annabel is an alumna of London Business School.

Gender diversity
Number of Directors

7

3

Length of tenure
Number of Directors[1]

<3 YEARS	6
3-5 YEARS	4
7-10 YEARS	0
>10 YEARS	0

1 Since the Company's listing on the London Stock Exchange in October 2017.

MANAGEMENT BOARD

The Management Board implements the strategic objectives set by the Board and delegates the detailed planning and implementation of those objectives and policies to management, in accordance with appropriate risk parameters.

Agust Gudmundsson
Chief Executive Officer

See Board profile on page 88 →

Mike Edwards
Chief Operating Officer, UK

See Board profile on page 88 →

Ben Waldron
Chief Financial Officer

See Board profile on page 88 →

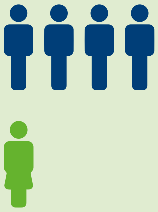
Pete Laport
President, Bakkavor US

Pete joined Bakkavor in October 2020. Pete has the overall responsibility for the US operations. After graduating with a degree in engineering and a Masters in Business Administration, Pete has held management, operational and commercial roles at PepsiCo and Nestle and led the global supply chain for Dunkin' Donuts and Baskin-Robbins ice cream and for fresh prepared salad producer Ready Pac. Pete's most recent role was with Revlon as Global Chief Supply Chain and Manufacturing officer.

Donna-Maria Lee
Chief People Officer

Donna-Maria Lee joined Bakkavor Group plc in September 2018. Donna-Maria has worked within manufacturing, consumer and corporate functions for over 25 years. Prior to joining Bakkavor, she was Senior Vice President, Global HR, Burberry plc. In this role Donna-Maria was accountable for the overall HR strategy, people and change agenda.

Gender diversity
Number of Directors



Male	4
Female	1

Length of tenure
Number of Directors[1]

<3 YEARS	3
3–5 YEARS	2
7–10 YEARS	0
>10 YEARS	0

1 Since the Company's listing on the London Stock Exchange in October 2017.

CORPORATE GOVERNANCE REPORT

BOARD LEADERSHIP AND COMPANY PURPOSE

The role and responsibilities of the Board

Company purpose

The Board provides effective and entrepreneurial leadership of Bakkavor by setting the purpose and strategic direction of the Group and overseeing management's implementation of the strategy.

It is collectively responsible for promoting the long-term success of the Group through the creation and delivery of sustainable stakeholder value. In exercising this responsibility, the Board takes into account the needs of all relevant stakeholders and its contribution to wider society.

The Board sets the Company's purpose: to provide the high-quality food that fast-paced, modern living demands, allowing people to focus on what really matters. This is key to strengthening the Group's impact among its stakeholders and is supported by the Group's values and strategy. The Board is also responsible for assessing, monitoring and promoting the Company's culture and ensuring that this is closely aligned with its strategy. All Directors act with integrity and lead by example to promote the desired culture. Moreover, the Board endeavours to ensure that workforce policies and practices are in line with the Company's values and support its long-term sustainable success.

It is accountable for ensuring that, as a collective body, it has the appropriate skills, knowledge, experience and resources in place to meet its objectives and perform its role effectively. The Board is provided with timely and comprehensive information to enable it to discharge its responsibilities, to encourage strategic debate and to facilitate robust, informed and timely decision-making. The Board also receives regular presentations from key Group heads of functions and updates from the Chair of each Committee.

Subject to company law and the Articles of Association, the Directors may exercise all of the powers of the Company and delegate their power and discretion to Committees. Decisions reserved for the Board include approval of strategic plans and annual budgets, acquisitions, audited financial statements, and appointment of additional Directors. Its work also includes engagement with shareholders and stakeholders.

The powers of the Directors are set out in the Schedule of Matters Reserved for the Board. This is available for review on the Bakkavor website at www.bakkavor.com/investors/governance.

The Management Board

The Board is supported by the Management Board, which implements the strategic objectives of the Board, agrees on performance criteria, and delegates the detailed planning and implementation of those objectives and policies to Senior Executives (being the Executives within the tier below the Management Board) in accordance with appropriate risk parameters.

The Management Board monitors compliance with policies and achievement against objectives by holding Senior Executives accountable for its activities through monthly and quarterly performance reporting and budget updates.

The responsibilities delegated to the Management Board cover the following areas:

- Preparing strategic proposals, corporate plans and budgets
- Executing the strategy agreed upon by the Board
- Executing actions in relation to key Board decisions such as investments, mergers and acquisitions, disposals and divestments
- Monitoring performance and evaluation of health and safety
- Establishing a system of internal control and risk management
- Review and approval of revised policies prior to approval by the Board

Committees

The Board has established three Board Committees: the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee. All three Committees comprise only Non-executive Directors and each Committee has agreed Terms of Reference which are available on our website at www.bakkavor.com/investors/governance.

These Committees assist with the detailed oversight of Bakkavor's financial reporting, risk management and internal and external audit work, establishing the Remuneration Policy and overseeing its implementation, and building appropriate succession and contingency plans for the Directors and Senior Executives, including overseeing workforce engagement, and establishing a diverse pipeline of talent for both the Board and Senior Executive positions.

The Board has also established a Disclosure Committee which comprises the Chairman, Chief Executive Officer, Chief Financial Officer and Group General Counsel & Company Secretary. The Disclosure Committee oversees the Company's compliance with its disclosure obligations under the Market Abuse Regulation.

The Board and its Committees renewed their Terms of Reference and Matters Reserved for the Board in 2020.

Conflicts of interest

Directors have a statutory duty to avoid situations in which they may have interests that conflict with those of the Company, unless that conflict is first authorised by the Board. Directors are required to disclose both the nature and extent of any potential or actual conflicts with the interests of the Company.

In accordance with the Companies Act 2006, the Company's Articles of Association allow the Board to authorise potential conflicts that may arise and to impose such conditions or limitations as it sees fit. During the year, any potential conflicts were considered and assessed by the Board and approved where appropriate. The Board confirms that the procedures in place to deal with conflicts of interest are operating effectively.

KEY BOARD ACTIVITIES IN 2020

Board meetings are an important mechanism through which the Directors discharge their duties, particularly under s.172 of the Companies Act 2006.

The next few pages describe the Board's activities during the year under review. Whilst not being an exhaustive list, it provides an indication of the factors affecting our stakeholders which are considered as part of those discussions.

For each Board and Committee meeting, a tailored agenda is agreed beforehand by the Chairman, Committee Chair, CFO (as appropriate) and Group General Counsel & Company Secretary.

A typical meeting will comprise reports from the CEO and the CFO and the Chief Operating Officer, UK ("COO"), on current trading and financial performance. Further, there will be two or three deep dives into areas of strategic importance.

Strategic deep dives
At each meeting, the Board received presentations on and discussed selected strategically significant matters in greater depth to evaluate progress, provide insight and, where necessary, decide on appropriate action.

COVID-19 response

- Following the World Health Organization's declaration of a pandemic, significant decisions and adjustments were made by the Management Board with the oversight and support of the Group Board.
- Received in-depth updates and discussed and monitored the impact of COVID-19 on the business and stakeholders.

For more details on the Board's response to the COVID-19 pandemic see pages 98 to 99 'Governance in Action – Board Response to COVID-19' and page 22.

Technical Deep Dive – Health and Safety

- Received regular updates on the Health and Safety auditing of the business against both standard controls as well as enhanced COVID-19 protocols on both an announced and unannounced basis.
- Oversaw implementation of control measures based on Government, Public Health England and Industry guidance.

For more details on the Board's response to the COVID-19 pandemic see pages 98 to 99 'Governance in Action – Board Response to COVID-19' and page 22.

Brexit

- Received regular updates on the Group's preparations in light of the developing government guidance, focusing on management of operational risk, financial impact and potential strategic consequences.

Culture

- Received updates on the development of human resources at Bakkavor, and the key areas of focus for delivery, including modernising supporting technological infrastructure, investing in leadership capabilities across the business and improving talent development and succession planning processes.
- Received regular updates on the culture, Bakkavor's values and employee engagement initiatives, including insights, colleagues' views and responses to changes in the business (via a mid-year employee pulse survey), and launching the Bakkavor Employee Health & Wellbeing Toolkit to help to protect employees' health and wellbeing during this challenging time.
- Assessed and monitored the culture in the following ways – dedicated time at Board meetings for updates from the Chief People Officer covering discussions on culture, values and employee/workforce matters, monitoring the levels and nature of whistleblowing reports as well as monitoring absenteeism and employee turnover.

Key

Customers | Suppliers | Investors | Colleagues | Communities

Strategy and company performance

The CEO and CFO led discussions focusing on recent trading, general business performance and the key strategic initiatives underway:

UK

- Received updates on progressive trading performance in the UK.
- Discussed COVID-19 and Brexit disruption and continuation of delivering business priorities and UK efficiencies.
- Considered operational matters impacting the business and its supply chain during the year.
- Discussed ongoing strategic focus in salads and reshape of meals business.

International – US

- Discussed COVID-19 disruption and continuation of delivering business priorities.
- Discussed future capital plans to deliver on the regions' strategic initiatives with region updates on project speed and delivery.
- Considered the restructuring of current team and commercial reset for the business whilst also supporting the transition of leadership from Ben Waldron to Pete Laport as President Bakkavor USA.

International – China

- Discussed COVID-19 disruption and impact on the foodservice channel, resulting contract losses, and the temporary closure of the Wuhan site and Taicang bakery.
- Discussed and agreed the forward-looking strategic priorities in China including new business opportunities, important expansion projects such as the completion of new replacement sites in Wuhan and Xian, and bakery expansion.
- Continued to grow and strengthen our relationship with our existing customers through new product development and expansion of our core offering with new product categories.

Financial updates

- Reviewed financial Key Performance Indicators ("KPIs") and introduced further non-financial KPIs.
- Completed the refinancing of core Group bank facilities, agreeing new term loan and revolving credit facilities totalling £455 million (margin on credit facilities linked to two of the Group's CR targets: its performance against food waste reduction and greenhouse gas emission targets in line with the Group's Corporate Responsibility ("CR") strategy).
- Reviewed the Group's cash flow position and made the prudent decision to suspend the 2019 proposed final dividend as a precautionary measure until the impact of COVID-19 became clearer and agreed that the Board would not declare a dividend for the full year 2020.
- Discussed the balance sheet strategy, capital efficiency and leverage position of the Group.
- Reviewed financial performance in the UK and international markets.
- Received updates on performance against the prior year and against the budget.
- Approved the 2021 budget.
- Received regular updates from the Audit and Risk Committee Chair on its oversight of financial performance.
- Approved the viability and going concern statements.
- Following the recommendation from the Audit and Risk Committee, approved the reappointment of PwC as the Company's External Auditors and agreed the reappointment be proposed to shareholders at the 2021 AGM.

Governance and legal governance

- Deep dive into Corporate Governance led by the Company's external solicitors covering implications of the UK 2018 Governance Code ("the 2018 Code") and s172 Directors' Duties.
- Implementation of the 2018 Code for the 2020 financial year.
- Reviewed the Board and Management Board composition, diversity and succession plans.
- Discussed and approved the Non-executive Directors' succession plan.
- Implemented new e-learning governance and compliance platform.
- Undertook an external evaluation of the Board, Committees' and individual Directors' effectiveness and considered the output and recommendations from the evaluation as described on page 101.
- Led by the Senior Independent Director, undertook an evaluation of the performance of the Chairman.
- Approved the Annual Report & Accounts and the half-year results, going concern and longer-term Viability Statement, Notice of AGM and the Modern Slavery Statement.
- Reviewed the roles of the Board Committees in light of the changes proposed by the 2018 Code and revised the Terms of Reference for each of the Committees together with the Schedule of Matters Reserved for the Board. These can be reviewed on the Bakkavor website at www.bakkavor.com/investors/governance.
- Received governance updates and ongoing training on relevant matters throughout the year in light of the changes of the 2018 Code and updates on Directors' duties under the Companies Act 2006.

Investor engagement

- Held discussions with Investor Relations, including the receipt of feedback following investor roadshows and presentations/ updates from the Company's brokers.
- Encouraged engagement with investors and other stakeholders.
- Held three investor roadshow events in London, Edinburgh and the last one virtually due to the COVID-19 pandemic.
- Hosted two investor site visits and one analyst event at UK sites.
- Held over 75 one-to-one investor meetings and analyst calls.

Risk

- Reviewed the principal key risks to the Group and agreed the Group risk appetite for each of the principal risks.
- Discussed changes in principal risks in the course of the year.
- Reviewed the potential impact of COVID-19 and Brexit on the business and reviewed mitigations for COVID-19 and planning for Brexit.
- Received monthly technical updates from the UK, US and China concerning health and safety, food safety and whistleblowing.
- Agreed the risk-based, internal audit scope, providing assurance on management controls. The internal audit programme is managed by KPMG LLP.
- Considered risk appetite in connection with major capital proposals and transformation projects. Proposals are supported by detailed analysis to ensure the risks associated with each project are fully understood.
- Discussed the impact of cyber risk and approved a further increase in insurance cover.
- Encouraged additional mitigation of the risk involved with rising labour costs and increasing concerns about availability of lower skilled labour.
- Received regular updates from the Audit and Risk Committee Chair on the activities of the Audit and Risk Committee during FY20.

Key

Customers | Suppliers | Investors | Colleagues | Communities

Workforce / colleague engagement

- With regard to engagement with employees and recognising the employee voice, considered feedback from the employee engagement survey and actions undertaken to recruit and develop talent within the business. See page 60 of the Strategic Report.
- Received feedback from the Board Employee Representative on engagement with Site Employee Forums ("SEF"), Group Employee Forums ("GEF") and colleagues generally.
- Considered feedback from the Board Employee Representative specifically on the discussion points with SEF and GEF around COVID-19 and how the input from the workforce shaped the resources provided in the Bakkavor Employee Health & Wellbeing Toolkit, offering colleagues emotional, physical and financial support.
- Continued focus on health & safety for colleagues.
- Discussed employee retention and focus on employee survey results in line with the Group themes on Career development and the Company values, review of the Reward strategy and benefit scheme and review of the terms and conditions around pay metrics .
- Further embedded the diversity and inclusion culture and oversaw the implementation of the Group policy.
- Reviewed the Board Employee Representative role and agreed it was an effective way of enhancing employee engagement.
- Agreed a new Board Employee Representative would be appointed as soon as possible to support the workforce engagement with the Board.

For further information on Workforce Engagement see page 56 of the Corporate Responsibility report and page 141 of the Directors' Report.

Remuneration

- Determined remuneration arrangements for the Chairman, Executive Directors and Management Board.
- Reviewed workforce remuneration and related policies, taking into account the alignment of incentives and rewards with culture, when setting the policy for Executive Director remuneration.
- Received regular updates from the Remuneration Committee Chair on the activities of the Remuneration Committee during FY20.

Corporate responsibility and sustainability

- Monitored implementation of Corporate Responsibility strategy, which is built around three focus areas that represent the business's value chain: (i) responsible sourcing in the supply chain, (ii) sustainability and innovation in the Company's operations; and (iii) engagement and wellbeing in our workplaces and communities.
- Received updates on progress of the Trusted Partner Corporate Responsibility strategy and progress made through the year.
- Received updates on upcoming Task Force on Climate-related Financial Disclosures ("TCFD") requirements and appraised of a gap analysis of the framework and recommended course of action.

Further details of our Corporate Responsibility Framework, and our Corporate Responsibility strategy for 2020 and the reporting responsibilities are set out in pages 42-65 of the Strategic Report.

Key

Customers | Suppliers | Investors | Colleagues | Communities

Customers & suppliers	• Received updates on the proactive engagement with suppliers and customers to review the potential risks within the Company's supply chain because of the COVID-19 outbreak. • Continued focus on preparations for Brexit, covering key areas such as obtaining Authorised Economic Operator ("AEO") status for both clearance and security to demonstrate the Company's high customs administration standards and expertise, investments in ERP systems, including direct links to the customs systems, to enable the Company to start efficiently clearing rest of the world imports and to be used to clear EU imports post-Brexit. • Oversaw the restructure of the UK procurement operations to focus all orders for direct EU imports through one central team to ensure administration post-Brexit is as efficient as possible. • Monitored engagement with the Company's major customers to develop joint supply chain systems to reflect the new border control arrangements and to protect our export business to Northern Ireland and the Republic of Ireland.
Group IT Strategy	• Reviewed Group IT objectives, strategy and tactics to deliver business trust, value and security resilience. • Reviewed proposed digital and operational technology roadmap and delivery plan. • Discussed Group IT related risks including cyber security and business continuity. • Approved the Group core IT plan.
Key priorities for the Board in 2021	• Continuing to foster relationships and engaging with stakeholders, including employees, suppliers, customers and the community. • Oversight of actions being taken by the Management Board to mitigate the potential impact of COVID-19 on employees, relationship with customers and relationship with suppliers across the supply chain. • Driving efficiencies and profitability in the UK. • Engagement with capital markets to drive share performance. • Review of strategy and plan to enhance returns on capital. • Aligning culture and values with strategy. • Aligning employee engagement and talent pipeline development. • Succession planning for Senior Executives. • Focusing on the Corporate Responsibility Framework and its implementation.

DIVISION OF RESPONSIBILITIES

Key roles and responsibilities

Chairman	The Chairman, Simon Burke, is responsible for leading the Board and creating the right conditions to ensure the Board's effectiveness in all aspects of its role, including its membership and that of its Committees. The Chairman sets the Board's agenda, in consultation with the Chief Executive Officer and the Group General Counsel & Company Secretary, taking full account of Board members' issues and concerns and the need to allow sufficient time for robust and constructive discussion and challenge. He is responsible for encouraging and facilitating active engagement by all Directors, drawing on their skills, knowledge and experience. The Chairman is also responsible for promoting effective communication between the Board, Senior Executives, shareholders and other major stakeholders. The Chairman has a close working relationship with the Chief Executive Officer and the Group General Counsel & Company Secretary to ensure that the strategies and actions agreed by the Board are implemented. At least annually, the Chairman meets with the Non-executive Directors without the Executive Directors present to discuss, amongst other matters, the performance of Executive Directors, the Board as a whole, the Committees and the interaction between the Executive and Non-executive Directors.
Chief Executive Officer	The Chief Executive Officer ("CEO"), Agust Gudmundsson, has specific responsibility for recommending the Group's strategy to the Board and for implementing the strategy once approved. In undertaking such responsibilities, the CEO takes advice from, and is provided with, support by the Management Board and his Senior Executive team. Together with the Chief Financial Officer, the Chief Executive Officer monitors the Group's operating and financial results and directs the day-to-day business of the Group. The CEO is also responsible for the recruitment and development of the Group's Senior Executive team below Board level.
Chief Financial Officer	The Chief Financial Officer ("CFO"), Ben Waldron, is responsible for the financial reporting of the Group, monitoring the Group's operating and financial results and management of the Group's internal financial risk management and financial control systems. He supports the CEO in implementing the Group's strategy and, in relation to the financial and operational performance of the Group, is also responsible for the Group Treasury, Tax, Legal, Corporate Affairs, Risk, and Information Systems.
Non-executive Directors	The role of the Non-executive Directors is to offer guidance and advice to the Board as a whole and the Executive Directors in particular, drawing on their wide experience across many industries. They also provide scrutiny, constructive challenge and oversight of the Executive Directors and Senior Executives. **Non-executive Directors' role at Board meetings** Independent and Non-independent Non-executive Directors assess, challenge and monitor the Executive Directors' delivery of strategy within the risk and governance structure agreed by the Board. As Board Committee members, they also review the integrity of the Company's financial information, recommend appropriate succession plans, monitor Board diversity and set the Directors' remuneration. **Non-executive Director time commitment** Each Director commits to dedicating an appropriate amount of time to their duties during the financial year, and it is expected that the Non-executive Directors will meet the time commitment reasonably expected of them, pursuant to their letters of appointment. Where Directors are unable to attend meetings, they are encouraged to give the Chairman their views in advance on the matters to be discussed. **External appointments** In advance of any new Board appointments, each potential new Non-executive Director is required to provide a detailed overview of all other directorships and significant commitments, together with a broad indication of the time commitment associated with such other directorship(s) or significant commitments(s). All Directors must seek prior approval of the Board in advance of undertaking any additional external appointments. The Company recognises that external appointments enable Directors to broaden their knowledge and experience to the benefit of the Company. Before approving any additional external appointment, the Board shall consider the time commitment required for the role. Each proposed external appointment shall be reviewed independently. **Monitoring Non-executive Director independence** The Board reviews the independence of its Non-executive Directors as part of its annual Board effectiveness review. With the exception of Lydur Gudmundsson and Patrick L. Cook, the Board considers the Non-executive Directors to be independent and the Chairman was considered to be independent on appointment. The Company maintains clear records of the terms of service of the Chairman and Non-executive Directors to ensure that they continue to meet the requirements of the 2018 Code. Neither the Chairman nor any of the Non-executive Directors have exceeded the maximum nine-year recommended term of service set out in the 2018 Code.
Senior Independent Director	Denis Hennequin is the Senior Independent Non-executive Director and in this capacity he acts as a sounding board for the Chairman. He serves as a trusted intermediary for the other Directors when necessary. He is also available to shareholders if they are unable to resolve any concerns through communication with the Chairman, CEO or other Executive Directors, or when shareholders prefer to speak directly to him. He is responsible for evaluating the performance of the Chairman on behalf of the other Directors. Led by the Senior Independent Non-executive Director, the Non-executive Directors meet without the Chairman present at least annually to appraise the Chairman's performance, and on other occasions as necessary.
Group General Counsel & Company Secretary	The Group General Counsel & Company Secretary, Annabel Tagoe-Bannerman, supports and works closely with the Chairman, the CEO and the Board Committee Chairs in setting agendas for meetings of the Board and its Committees. She supports the accurate, timely and clear flow of information to and from the Board and its Committees, and between Directors and the Management Board and Senior Executives. The Group General Counsel & Company Secretary advises the Board on corporate governance issues and is responsible for administering Bakkavor's Share Dealing Code and organising the AGM.

GOVERNANCE IN ACTION – BOARD RESPONSE TO COVID-19

The COVID-19 pandemic has been unprecedented in scale and pace of impact and has changed the way people around the world live their lives.

Significant decisions and adjustments had to be made by the Management Board with the oversight and support of the Group Board. Certain quick actions and measures had to be put in place covering the COVID-19 related priorities being i) protecting our people, ii) protecting our customers and suppliers and iii) protecting our business.

Each of these priorities provided clear direction for the Group throughout a very challenging time, allowing for decisions to be implemented quickly, hands-on operational intervention, and delivery of prompt and concise communication and guidance to stakeholders. Further information can be found in our Section 172 (1) Statement on pages 22-25.

The Board's response to COVID-19

The Board received regular updates from the Management Board and Senior Executives, enabling it to provide critical oversight, guidance and support in response to the COVID-19 crisis.

Crisis management

- Received regular updates on COVID-19 from the Management Board on the following crisis management procedures established:
  - Daily leadership meetings/calls, both at Group and at country level; and
  - Daily updates on people, operations, supply chain and other COVID-19-related events.

Protecting our people

- Oversaw the implementation of the Coronavirus Management Strategy based on specific COVID-19 risk assessments.
- Oversaw the launch of the Bakkavor 'Coronavirus Management System' to provide clear and detailed communication to colleagues and ensure that we continued to maintain safe ways of working.
- Received regular updates on the implementation of the Bakkavor Wellbeing Toolkit to offer support to colleagues during the COVID-19 pandemic whether emotional, physical or financial in nature.
- Agreed measures to enable colleagues to keep working and minimise absence levels, with all Bakkavor colleagues classified as 'key workers'.
- Received regular updates from the Chief People Officer discussing:
  - New processes and ways of working to be adopted to be able to effectively manage the situation over a sustained period of time.
  - HR working as one global team to facilitate quick decisions and timely cascade of key information.
  - Reassuring and safeguarding employees whilst highlighting Bakkavor's responsibility in ensuring continuous food supply.
  - The implementation and communication of new health policies in a timely, comprehensive and effective way.
  - Introducing additional hygiene standards and social distancing at sites.

– Defining non factory ways of working e.g. meeting protocols, office-based employees encouraged to work from home wherever possible, with increased support from IT team.

- Received regular updates on technical measures (Food, Health and Safety) including:
  - Implementation of control measures based on Government, Public Health and Industry guidance.
  - Implementation by local management of a coronavirus policy in Hong Kong aimed at identifying risk areas early on to prevent cases in the workplace, including twice daily temperature checks, mandatory quarantine and testing in the event of symptoms or close personal contact, mandatory wearing of masks, increased sanitation of touch points and monthly antiviral spraying of the factory and offices.
  - Implementation in the US of strict social distancing, enhanced hygiene measures, temperature checking across all sites, as well as contact tracing measures to protect our people and embedding support for vulnerable colleagues.
  - Introduction of restricted visitor access, a more rigorous return to work procedure, more frequent cleaning regimes at touchpoints and additional handwashing protocols.
  - Ensuring all colleagues were self-certified as fit to work and adhered to Public Health England ("PHE") guidelines for social distancing in offices, rest, changing and ancillary areas, as well as following the specific PHE guidance for distancing in food manufacturing businesses.
  - Health and Safety auditing of the business against both standard controls as well as enhanced COVID-19 protocols on both an announced and unannounced basis.
  - Co-operation with various regulatory bodies including the UK Government and PHE, our colleague site representatives and trade unions to consider the views of our stakeholders and to help maintain a safe working environment.
  - Working with the NHS on a voluntary testing programme at Leicester and Newark with approximately 95% of staff participating in the programme.
- Supported any impacted colleagues by making use of the Job Retention Scheme (Furlough) introduced by the Government in the UK and other government financial support supplied in China.

Protecting our customers and suppliers

- Received updates about proactive engagement across the Group with suppliers and customers to review the potential risks within our supply chain because of the COVID-19 pandemic. This included detailed analysis on where the ingredients and chemicals in our products are sourced and finding alternatives as COVID-19 restrictions moved around the globe.
- Received an in-depth review of the work of the Procurement team and the Inbound Logistics team and considered the impact of supply and supplier engagement and support which included leveraging our in-house Inbound Logistics team where we source directly from farmers and could therefore operate the supply chain with greater visibility and control.
- Agreed to temporarily close our Bridgeness site in the UK in order to realign our capacity following a sharp drop in demand for food-to-go products.
- Agreed to temporarily close the Wuhan site and Taicang bakery in China, while maintaining customer service levels in difficult circumstances at other sites.
- Agreed the temporary closure of the bakery in Charlotte in the US, due to the impact of a short-term shift in consumer habits away from fresh products towards the frozen and ambient aisles.
- Agreed to postpone certain new product launches and simplified existing ranges to help ensure continuity of supply at a time of considerable uncertainty and volatile demand.
- Received reports on the Group's community initiatives including food donations.

Protecting our business

- The Board and Management Board offered voluntary reductions in their remuneration for three months: the Chairman and Non-executive Directors agreed to a 50% reduction in base salaries and fees, while the Group's founders (CEO, Agust Gudmundsson and Non-executive Director, Lydur Gudmundsson) volunteered not to take a salary in the period. The wider Management Board agreed to a voluntary 20% reduction in base salaries.
- Stress tested Group financial resilience and identified potential mitigating actions including:
  - Completion of the refinancing of core Group bank facilities, agreeing new term loan and revolving credit facilities totalling £455 million.
  - Suspension of the proposed final dividend payment.
  - Halting capital spend, non-essential operational expenses and non-operational recruitment.
  - Reviewing production footprint, cost base, overhead structure and all non-essential services.
  - Eliminating all non-essential operating costs.
  - Deferring a substantial portion of non-essential capital expenditure.
  - Assessing government interventions and support policies and applicability to Bakkavor and its employees utilising the Coronavirus Job Retention Scheme where necessary.

COMPOSITION, SUCCESSION AND EVALUATION

Meeting attendance

The Board held 10 scheduled meetings during the year, and individual attendance is set out below.

Sufficient time is provided, periodically, for the Chairman to meet privately with the Senior Independent Director and the Non-executive Directors to discuss any matters arising.

Current Directors except as noted

	Board		Annual General Meeting
Total number of meetings in 2020	10		1
	Scheduled meetings eligible to attend	Scheduled meetings attended	
Executive Directors			
Agust Gudmundsson	10	10	1
Peter Gates[1]	10	10	1
Ben Waldron was appointed to the Board on 27 December 2020			
Mike Edwards was appointed to the Board on 27 December 2020			
Non-executive Directors			
Simon Burke* (Chairman)	10	10	1
Sue Clark*[2]	10	9	1
Patrick L. Cook	10	10	1
Lydur Gudmundsson	10	10	1
Denis Hennequin*	10	10	1
Todd Krasnow*[3]	9	9	1
Jane Lodge*	10	10	1
Umran Beba*[4]	3	3	0
Jill Caseberry* was appointed to the Board on 1 March 2021			

*Considered to be independent.

1 Peter Gates retired from the Board on 26 December 2020.

2 Sue Clark did not attend the Board meeting on 17 August 2020. Sue received the meeting materials electronically. Sue Clark stepped down from the Board on 27 November 2020.

3 Todd Krasnow stepped down from the Board on 19 October 2020.

4 Umran Beba was appointed to the Board on 1 September 2020.

Board composition

The Board consists of three Executive Directors and seven Non-executive Directors. The biographical details of each of the Directors, along with each of their individual dates of appointment, are set out on pages 88 to 89.

The Company is not compliant with Provision 11 of the 2018 Code, as less than half of the Board, excluding the Chair, is made up of independent Non-executive Directors. As a result, the Board lacks the appropriate balance of Executive and independent Non-executive Directors. The Company announced on 25 February 2021 the appointment of Jill Caseberry, as an additional Non-executive Director and member of the Remuneration Committee with effect from 1 March 2021. In order to achieve the required balance under this provision, the Company has commenced, with the assistance of an independent external executive search consultancy, the recruitment of an additional independent Non-executive Director in due course.

Board skills and expertise

In light of the current and future needs of the Board, part of the role of the Chairman and the Nomination Committee is to maintain a balance of skills and expertise on the Board and to make recommendations to the Board where changes are required to maintain that balance. The Board considers that the skills, experience and backgrounds of the Directors are sufficiently relevant and complementary to allow oversight, challenge and review of Bakkavor's progress in achieving its corporate goals.

For information on the skills and experience of each Director and appointments to the Board see pages 88 to 89 and page 104 of the Nomination Committee report

Board succession and changes to the Board

For information about Board succession and changes to the Board please see pages 104 of the Nomination Committee Report.

Board inductions

Following appointment, each Director receives a comprehensive and formal induction to familiarise them with their duties and Bakkavor's business operations and risk and governance arrangements. The induction programme, which is co-ordinated by the Chief People Officer and the Group General Counsel & Company Secretary, includes briefings on industry and regulatory matters relating to Bakkavor, site visits, and face-to-face meetings with the Management Board, Senior Executives and different teams within the business.

Ongoing professional development

In order to facilitate greater awareness and understanding of Bakkavor's business and the environment in which it operates, all Directors are given regular updates on changes and developments in the business. Over the course of the year, Directors will continually update and refresh their skills and knowledge and seek independent professional advice when required.

The Board received presentations throughout the year from various departments within the business on key topics including human resources, legal, audit, risk and compliance, food safety, health and safety, sustainability, corporate governance and corporate finance.

Annual re-election of the Board

The rules governing the appointment and replacement of Directors can be found in the Articles of Association, the Code, the Companies Act 2006 and related legislation. Under the terms of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board.

All Directors are subject to annual re-election. The Board should set out in the Notice of AGM papers accompanying the resolutions for the election of each Director, the specific reasons why their contribution is, and continues to be, important to the Company's long-term sustainable success.

In compliance with the Code, all Directors will retire and offer themselves for re-election on an annual basis. At our third AGM, held on 12 June 2020, each Director offered himself or herself for election or re-election as a Director. All Directors will retire at the 2021 AGM and offer themselves for re-election.

External Board evaluation

Stage 1
Briefing & Board observation
One to one interviews with Board

→

Stage 2
Results collated, reported and evaluated

→

Stage 3
Presentation to the Board and Board discussion

→

Stage 4
Action plan agreed

Process

During autumn 2020, the Nomination Committee instructed Clare Chalmers Limited, a highly experienced and independent provider of board evaluations, to conduct an external evaluation of the effectiveness of the Board and that of its Committees and individual Directors in accordance with the requirements of the 2018 Code and recommendations of the Financial Reporting Council's Guidance on Board Effectiveness. Clare Chalmers Limited has not previously provided any services to the Company or otherwise has any other connections to the Group or any individual Directors.

Clare Chalmers Limited was provided with a full briefing on the objectives of the Board review by Simon Burke, who is both Company Chairman and Chair of the Nomination Committee. In making the assessment of the Board and Committees' effectiveness, the proceedings of one Board meeting and one meeting of each Committee were observed.

Electronic access to the papers for these meetings and a full year's-worth of Board and Committee papers was provided via a secure portal to assist in the assessment of the quality of information that had been provided to the Board and Committees during the year.

Detailed individual interviews with members of the Board and Management Board, the General Counsel & Company Secretary, Senior Executives and representatives from Bakkavor's External Auditors and Remuneration Consultants were also conducted.

A report was produced by Clare Chalmers Limited based on the observations and information compiled from the interviews. The recommendations presented in the report were based on the bespoke objectives set out in the brief and on the principles of the 2018 Code and other corporate governance guidelines.

The draft conclusions were discussed first with the Chairman and then with the whole Board at its meeting on 18 November 2020. Clare Chalmers was present for this discussion, which was recorded in the minutes of the meeting. Following the Board meeting, individual feedback was provided to the Chairs of each of the Committees relating to their Committees' respective performance and effectiveness. Board members provided their feedback on the Chairman to the Senior Independent Director (Denis Hennequin). The Chairman also received feedback from all Board members.

Board evaluation insights

The review found that the Board was working well and recognised that a lot of work had been done to ensure the Board was making a positive impact on the business. The suggestions in this report were aimed at enhancing the Board as it matures.

Committees

Board Committees were also reviewed and, overall, were considered to function well in terms of their effectiveness, decision-making and the rigorous manner in which they addressed all issues brought to their attention.

Chairman

The Chairman was considered to provide robust leadership for the Board.

The review highlighted certain areas of focus that would further enhance the performance and effectiveness of the Board and these were discussed with the Board and an appropriate action plan agreed.

Board action plan

Review of Board and Committee composition. The Company has commenced, with the assistance of an independent external executive search consultancy, the recruitment of an additional independent Non-executive Director.

Greater use of informal pre-Board discussions to enable engagement with different parts of the business.

Increasing level of engagement with the Senior Executives.

Review Board reporting of Risk.

Site visits to be scheduled when COVID-19 lockdown restrictions are eased (in the meantime engaging with sites remotely).

Focus on Strategy Day in early 2021 to review the Group's strategic priorities and future capital plans to underpin this strategy.

The Company expects to update shareholders on the progress made in relation to the matters identified above in its 2021 Annual Report.

The summary of the Board performance evaluation set out above has been reviewed and approved by Clare Chalmers Limited.

Simon Burke
Chair, Nomination Committee

"I am delighted to be reporting for the first time since my appointment as Chair of the Committee on 19 October 2020, replacing Todd Krasnow following his decision to step down from the Board at the conclusion of his initial three-year term of office."

Committee membership

I would like to take this opportunity to thank Todd for all of the work he undertook as Committee Chair, including broadening the Committee's agenda by enhancing oversight on corporate governance matters during the year.

The Committee currently comprises two independent Non-executive Directors, one Non-independent Non-executive Director and myself. For the purposes of Committee membership, the Chair of the Board is not deemed as independent. There is an additional independent Non-executive Director role to be filled in due course. The skills and experience of the Committee members are set out on pages 88 to 89.

Meetings during the year

The Committee held five meetings during the year, and details of individual attendance at the meetings are set out below.

Committee meetings and membership

Member	Member since	Scheduled meetings eligible to attend	Scheduled meetings attended
Todd Krasnow (Chair)[1]	20 October 2017	5	5
Umran Beba[2]	1 September 2020	2	2
Sue Clark[3]	20 October 2017	5	5
Lydur Gudmundsson	20 October 2017	5	5
Denis Hennequin	20 October 2017	5	5
Simon Burke (Chair)[4]	19 October 2020	N/A	N/A

1 Todd Krasnow stepped down from the Board at the conclusion of his initial three-year term of office on 19 October 2020 and Simon Burke was appointed to the Committee as Chair on 19 October 2020.

2 Umran Beba was appointed to the Board on 1 September 2020.

3 Sue Clark did not renew her contract following its expiry and stepped down from the Board on 27 November 2020.

4 The last Committee meeting of the financial year ending 26 December 2020 took place on 13 October 2020, and Simon Burke was present at this meeting as an attendee.

The Committee considers that the membership of the Committee is well balanced in terms of skills, knowledge, effectiveness and experience. The Group General Counsel & Company Secretary attends all Nomination Committee meetings to record meetings and provide advice to the Directors. The Chief People Officer may be invited to attend from time-to-time to participate in discussions such as succession planning.

Key activities during the year

Board composition

- Reviewed Board composition
- Recommended for approval by the Board the appointment of two additional independent Non-executive Directors
- Commenced search for an additional independent Non-executive Director to ensure the Board has the appropriate balance of Executive and independent Non-executive Directors

Board appointments

- Ensured that there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board and Management Board
- Recommended for approval by the Board, the appointment of two independent Non-executive Directors, the Chief Financial Officer as an Executive Director on the Board, the Chief Operating Officer, UK as an Executive Director on the Board, and President, Bakkavor US on the Management Board

Succession planning

- Reviewed and updated succession plans for the Board, Management Board and Senior Executives
- Implemented the Leadership Development Programme

Non-executive Directors

- Reviewed the continued independence of the Non-executive Directors
- Reviewed Non-executive Director time commitments

Inclusion and diversity

- Reviewed Board diversity and the Group's Inclusion and Diversity Policy

Governance and Board and Committee evaluation

- Received regular updates on corporate governance developments
- Reviewed the Governance section of the 2020 Annual Report and recommended it to the Board for approval
- Reviewed the Committee's Terms of Reference
- Recommended the appointment of external consultants to undertake the external Board evaluation
- Reviewed the external Board and Committee evaluation report and considered the recommendations

As Chairman of the Nomination Committee (the "Committee"), I am pleased to outline below the responsibilities of the Committee and how the Committee has carried these out during 2020.

Role of the Nomination Committee

The principal roles and responsibilities of the Committee include:

- Reviewing the composition, structure and size of the Board and Board Committees to ensure that they are appropriately balanced in terms of skills, knowledge, diversity and experience
- Making appropriate recommendations to the Board relating to succession planning at Board, Management Board and Senior Executive level
- Ensuring that there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board and Management Board
- Identifying, and nominating for approval by the Board, suitable candidates to fill Board vacancies as and when they arise
- Keeping under review the leadership needs of the Group, with a view to ensuring the continued ability of the organisation to compete effectively in its marketplace
- Conducting an annual evaluation of the Board to consider its composition and diversity, and how effectively members are working together to achieve strategic objectives
- Overseeing the development of a policy on Inclusion and Diversity, its objectives and linkage to the Company strategy, and monitoring its implementation
- Monitoring the gender balance of the Management Board and Senior Executives
- Monitoring governance developments which will affect the Group, so as to be in line with best practice
- Further details of responsibilities are set out in the Committee's Terms of Reference on the Company's website at www.bakkavor.com/investors/governance

> The Nomination Committee has the key role of reviewing the structure of the Board and ensuring that there is a pipeline of qualified candidates with the right mix of experience and skills through strong succession planning and a robust appointment process."

Details of key activities during the year

Board composition

The Company is not compliant with Provision 11 of the 2018 Code, as less than half of the Board, excluding the Chair, is made up of independent Non-executive Directors. As a result, the Board lacks the appropriate balance of Executive and independent Non-executive Directors. The Company announced on 25 February 2021 the appointment of Jill Caseberry, as an additional Non-executive Director and member of the Remuneration Committee with effect from 1 March 2021. In order to achieve the required balance under this provision, the Company has commenced, with the assistance of an independent external executive search consultancy, the recruitment of an additional independent Non-executive Director in due course.

Board appointments

The Committee led the process for the appointment of Directors to the Board and Management Board.

During the year, the Committee adopted a formal transparent procedure for the recruitment of new Directors to the Board which, in summary, is as follows:

Selection criteria: Employing the Board Knowledge and Skills matrix to identify key areas of diversity, skill or experience that would add to the effectiveness and reach of the Board.

External search consultant: Independent external search consultant who have no other affiliation with the Group nor any individual director were engaged to lead search (who have adopted the Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice).

Interview process: Longlist of candidates reviewed by the Committee and reduced to a credible shortlist of candidates who are then interviewed by members of the Committee. The ideal candidate is then recommended to the Board for formal approval.

Board approval: The Board formally approves the appointment of the candidate who will then be put forward for approval by the shareholders at the next Annual General Meeting.

Non-executive Director appointment

The Committee worked with executive search consultants Russell Reynolds Associates (who have no other affiliation with the Group), on the recruitment process of a new Non-executive Director to replace Todd Krasnow who stepped down from the Board on 19 October 2020. Umran Beba was appointed as an independent Non-executive Director with effect from 1 September 2020. The Committee also worked with Russell Reynolds Associates on the recruitment of Jill Caseberry who was appointed as an independent Non-executive Director with effect from 1 March 2021.

Chief Financial Officer appointment to the Board

During the year, Peter Gates indicated his intention to retire from the Board and step down from his role as Chief Financial Officer and Executive Director. Following his decision, the Committee undertook an extensive search for his replacement, supported by Russell Reynolds Associates.

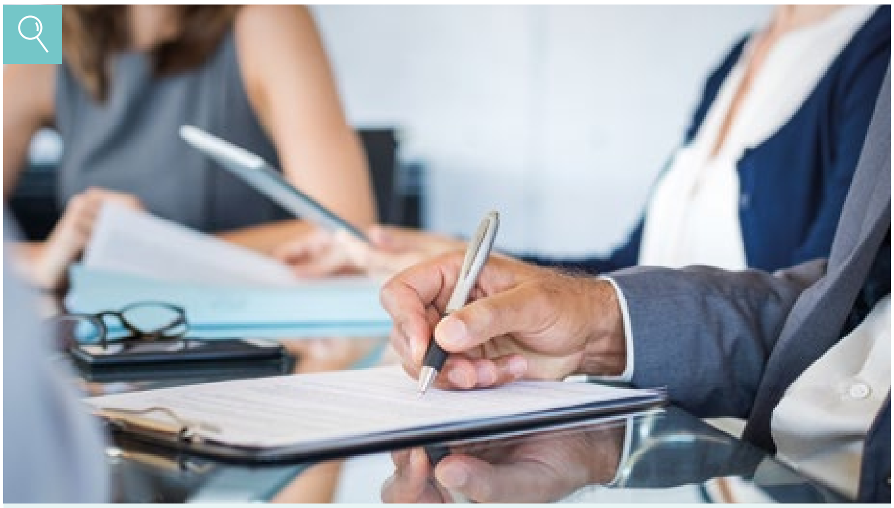
The recruitment process culminated in the announcement on 14 October 2020 of Peter Gates' retirement with effect from 26 December 2020 and the appointment of Ben Waldron as Chief Financial Officer and an Executive Director of the Company with effect from 27 December 2020.

Additional Executive Director appointment to the Board

Mike Edwards, the UK Chief Operating Officer, was appointed as an additional Executive Director on the Board with effect from 27 December 2020, which was announced on 14 October 2020.

Director election and re-election at the Annual General Meeting

Umran Beba, Jill Caseberry, Ben Waldron and Mike Edwards will be standing for election at the Annual General Meeting on 20 May 2021 and all other Directors will be standing for re-election. The Board has set out in the Notice of the Meeting its reasons for supporting the election and re-election of the Directors and their biographical details on pages 88 to 89 demonstrate the range of experience and skills which each brings to the benefit of the Company.



SUCCESSION PLANNING

During the year the Committee reviewed succession planning at Board, Management Board and Senior Executive level to ensure a diverse pipeline for succession, taking into account the skills and expertise required by the Company.

Board succession planning

The Committee undertook a skills audit to map the Board's existing skillset, personal attributes and expected behaviours against those required to oversee and execute corporate strategy. The Committee agreed a Board Knowledge and Skills questionnaire for completion by all Board members and finalised the Board Knowledge and Skills matrix which is used to inform the Board recruitment criteria and is currently being used in the recruitment process of the new independent Non-executive Directors.

The Committee is confident that the Board has the necessary mix of skills and experience to contribute to the Company's strategic objectives.

The Committee's succession planning review included arrangements relating to contingency planning for sudden and unforeseen departures and medium-term planning to ensure the orderly replacement of current Board and Management Board members and Senior Executives (e.g. retirement).

Read more on page 105 →

Management Board succession planning

During the year the Committee oversaw the recruitment of Pete Laport as President, Bakkavor USA on the Management Board to replace Ben Waldron after his appointment to the Board as CFO and Executive Director. The recruitment was supported by independent global executive search consultants, Muller & Associates.

Talent and leadership development

The Committee's succession planning review considered longer-term planning focused on identifying potential candidates within the Group for progression and areas where external recruitment may be required.

The Committee reviewed the Group's leadership framework which was launched to help Bakkavor's leaders understand the drivers in building high performing, engaged teams. It also kept under review systems designed to identify talent and potential through performance development discussions, potential ratings and talent development grids with such programmes in the process of being rolled out to line managers under the guidance of HR leadership and accompanied by toolkits and training.

Members of the Committee will have the opportunity to meet with 'high potential' employees, who will gain exposure to the Board through site visits, Board presentations and ad hoc informal dinners held throughout the year.

Non-executive Directors

Consideration was given by the Committee to the continued independence of the Non-executive Directors, including their term in office, the time commitment required from each of them taking into account the number of meetings and preparation and attendance at those meetings. It was concluded that all Non-executive Directors remained independent (excluding Lydur Gudmundsson and Patrick L. Cook) and all Non-executive Directors devoted an appropriate amount of time to fulfil their responsibilities.

The Committee considered the Non-executive Directors' time commitment and it is pleased to note that there are no issues at the current time. It believes that the Non-executive Directors have sufficient time to be effective representatives of stakeholders' interests.

Inclusion and diversity

The Committee recognises that the success of the business relies on the skills, experience and commitment of the diverse range of people who work for the Company and that the successful delivery of the Group's strategy and planned growth depends on the recruitment and retention of a motivated and skilled workforce in an increasingly competitive and mobile labour market.

It is important to create an equal and inclusive workplace through understanding all points of view, being aware of, and open to, different cultures and customs and encouraging all employees to broaden their perspectives. The Committee oversaw the launch and implementation of the Inclusion and Diversity Policy in early 2020.

Its three objectives are: i) living the Bakkavor values; ii) building an inclusive and diverse workforce across all levels of the organisation; and iii) providing opportunity for employees to succeed.

The Committee monitored the development of the Inclusion and Diversity Policy throughout the year, receiving regular updates on its implementation and the progress made in this area.

Board diversity

The Committee recognises the importance of diversity and understands the significant benefits that come with having a diverse Board. The Committee believes that diversity is a wider issue than race and gender, and includes variations in experience, skills, personal attributes and background. The Company's second gender pay report, which identifies the areas on which the Company has focused, can be found on page 62.

The Board will continue to appoint on merit, based on the skills and experience required for membership of the Board, being mindful of the Hampton-Alexander and Parker Reviews when considering future appointments and giving consideration to all forms of diversity when the Committee reviews the Board's composition.

The Company ensures Non-executive Directors 'long lists' reflect the Board's diversity commitments in respect of gender and ethnicity. All long lists of potential appointments include at least 50% female candidates, and the Company is committed to ensuring that candidates from all ethnicities are considered. For appointments to the Board, the Company uses executive search consultancies who have signed up to the voluntary code of conduct setting out the key principles of best practice in the recruitment process. These principles include a recommendation that search firms should consider gender diversity.

Board and Nomination Committee evaluation

During autumn 2020, the Nomination Committee instructed Clare Chalmers Limited, a highly experienced and independent provider of board evaluations, to conduct an external evaluation of the effectiveness of the Board and that of its Committees and individual Directors in accordance with the requirements of the Code and recommendations of the Financial Reporting Council's Guidance on Board Effectiveness. Clare Chalmers Limited has not previously provided any services to the Company or otherwise has any other connections to the Group or any individual Directors.

Please see further details on page 100.

Governance

The Committee received regular updates on corporate governance developments from the Group General Counsel & Company Secretary, and a governance update provided by the Company's external corporate solicitors.

During the year, the Terms of Reference were updated to align with the 2018 Code. The revised Terms of Reference can be found on the Bakkavor website at www.bakkavor.com/investors/governance

Simon Burke
Chair, Nomination Committee
15 March 2021

ACCOUNTABILITY

Major interests in shares

The Group has been notified in accordance with the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rules ("DTRs"), or was otherwise aware, that the following held, or were beneficially interested in, 3% or more of Bakkavor's issued Ordinary shares. There were no other interests in shares notified between 26 December 2020 and 15 March 2021, being the last practicable date.

Name	26 December 2020 Number of Ordinary shares	% of voting rights	Date of publication of Annual Report Number of Ordinary shares	% of voting rights
Carrion Enterprises Limited (corporate holding structure of Agust Gudmundsson)	142,103,505	24.52	142,103,505	24.52
Umbriel Venture Limited (corporate holding structure of Lydur Gudmundsson)	142,103,505	24.52	142,103,505	24.52
BP-PE5 L.L.C. (corporate holding structure of the Baupost Group)	143,832,928	24.82	143,832,928	24.82
Ruffer LLP	29,342,732	5.06	29,342,732	5.06
Aberforth Partners LLP	28,996,413	5.0	28,996,413	5.0

Articles of Association

The Company's Articles of Association set out the objects and powers of the Company. The Articles of Association detail the rights attaching to shares, the method by which the Company's shares can be purchased or re-issued, the provisions which apply to the holding of and voting at general meetings and the rules relating to the Directors, including their appointment, retirement, re-election, duties and powers. The Company's Articles of Association may be amended by a special resolution passed by the shareholders at an AGM or EGM of the Company. A copy of the Articles of Association can be obtained from the Company's website, www.bakkavor.com

Share capital and capital structure

The Company's issued share capital as at 26 December 2020 comprised a single class of share divided into Ordinary shares of 2 pence each. At the date of publication, the Company's issued share capital comprised 579,425,585 Ordinary shares. Details of the Company's issued share capital are also shown in Note 28 to the Consolidated Financial Statements.

Details of employee share schemes are set out in Note 32 to the Consolidated Financial Statements.

Restrictions attaching to shares

The Company has a single class of share which carries no right to fixed income. Each share is non-redeemable, carries equal voting rights and ranks equally for dividends and capital distributions, whether on a winding up or otherwise.

There are no specific restrictions on the size of a holding nor on the transfer of Ordinary shares, which are both governed by the general provisions of the Articles and prevailing legislation. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or that may result in restrictions on voting rights. There are no persons who hold securities carrying special rights with regard to the control of the Company.

Powers of the Company issuing or buying back shares

Under the Articles, the Board has general and unconditional authority for each prescribed period to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company in accordance with section 551 of the Act.

The Company was given authority at the 2020 AGM to make market purchases of up to 10% of its issued share capital as permitted under the Articles. The Company made no purchases of its own Ordinary shares during the year ended 26 December 2020 and up to the date of this report.

This standard authority is renewable annually; the Directors will seek to renew this authority at the 2021 AGM.

A special resolution will be proposed to renew the Directors' authority to repurchase the Company's shares within certain limits and as permitted by the Articles at the 2021 AGM.

AUDIT, RISK AND INTERNAL CONTROL

Risk management and internal control

The Board has overall responsibility for the Group's system of internal control and risk management. It ensures the effective identification and management of key strategic and emerging risks, and for the review and approval of the ongoing risk management process, including clear policies that outline what can be considered an acceptable level of risk.

The Board has established procedures:

- To manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.
- For ensuring the maintenance of the Group's risk management and internal control systems and reviewing them annually.

The framework under which risk is managed in the business is supported by a system of internal controls designed to embed the effective management of the key business risks throughout the Group.

For further details of the Board's approach to risk management see pages 70 to 73 in the Risk Management section of the Annual Report.

The Audit and Risk Committee, delegated by the Board, reviews the effectiveness of the Group's risk management process and internal control system and receives regular reports from management and both Internal and External Auditors. These detail the risks that are relevant to business activity, the effectiveness of internal controls in dealing with these risks and an update on the implementation of any corrective actions that are considered necessary. The Audit and Risk Committee reports to the Board on the effectiveness of the risk management process.

The principal risk and uncertainties facing the Group are set out on pages 74 to 83 and form part of the Directors' Report.

Whilst the Board as a whole is responsible for the Group's system of internal control, day-to-day risk management is led by Senior Management with ownership for individual risks, as identified in the Risk Register, assigned to a member of the Senior Management team. Management of risk is embedded in daily working practices and underpinned by Bakkavor's policies and Code of Conduct and Business Ethics.

Where risks are identified, action plans are developed to mitigate each risk, with clear allocation of responsibilities and timescales for completion. Progress towards implementing these plans is monitored and reported back to the Board through the Audit and Risk Committee, as part of a structure business review.

The process for identifying, evaluating and managing the significant risks has been in place throughout the financial year. Up to the date of the approval of the Annual Report and Financial Statements, the process accords with the Financial Reporting Council ("FRC") Guidance on Risk Management, Internal Control and Related Financial and Business Reporting and is regularly reviewed by the Board and the Audit and Risk Committee. On a regular basis, the risks faced by the Group are reviewed with management and also the Audit and Risk Committee.

The internal control system provides Senior Management with an ongoing process for risk management. The system can only provide reasonable, and not absolute, assurance, as it is designed to manage rather than eliminate all risks.

In analysing and reviewing risk, the Audit and Risk Committee and the Board consider:

- The nature and extent of the risks, including principal risks, facing the Group, as well as emerging risks;
- The extent and categories of risks it regards as desirable or acceptable for the Group to bear;
- The likelihood of the risk concerned materialising and the impact of associated risk materialising as a consequence;
- The Group's ability to reduce the incidence and impact on its business of risks that do materialise;
- The operation of the relevant controls and control processes;
- The costs of operating particular controls relative to the benefits in managing related risks; and
- The Group's risk culture.

The Directors confirm that the Board has carried out a robust assessment of the key and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. No significant failings or weaknesses were identified in the Board's assessment of the Group's systems of risk management or internal control.

Internal controls over financial reporting

The Group's financial reporting process has been designed to provide assurance regarding the reliability of the financial reporting and preparation of its Financial Statements, including Consolidated Financial Statements, for external purposes in accordance with International Financial Reporting Standards ("IFRS"). The annual review of the effectiveness of the Group's system of internal controls included reviews of systems and controls relating to the financial reporting process.

Internal controls over financial reporting include procedures and policies that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions of the Group.
- Provide reasonable assurance that transactions are recorded as necessary to allow the preparation of Financial Statements and that receipts and expenditures are being made only in accordance with authorisations of management and Directors.
- Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposal of Group assets that could have a material effect on the Group's financial and operational controls and compliance with laws and regulations.

Jane Lodge
Chair, Audit and Risk Committee

"The Audit and Risk Committee's remit covers accounting and financial reporting, internal controls, reviewing the performance of internal audits, overseeing the relationship with the External Auditors and reviewing the performance of its activities."

Committee membership

I am pleased to report on the activities of the Audit and Risk Committee ("the Committee") during the 52 weeks ended 26 December 2020.

As in previous years, the Committee has focused on its core responsibilities of supporting the Board and protecting the interests of shareholders in relation to financial reporting and internal control. This has been achieved by ensuring that the Group has in place a robust risk management process and an effective internal control framework to manage its risks, in support of going concern and viability confirmations. This year has been unusual with a particular focus on a few key risks, including the impact of the COVID-19 pandemic and Brexit. In addition, the Committee has continued to focus on ensuring the integrity, quality and compliance of the Group's external financial reporting.

The Committee currently comprises two Independent Non-executive Directors, namely Denis Hennequin, and myself as Chair. There is an additional independent Non-executive Director role to be filled in due course. For the purposes of Committee meetings, we meet the quorum requirement of two independent Non-executive Directors.

Together we provide the range of financial and commercial expertise necessary for the Committee to meet its responsibilities in a robust and independent manner. Detailed information on the experience, skills and qualifications of all the Committee members can be found on page 88.

The Board is satisfied that, with my 25 years at Deloitte LLP, I have significant financial experience in the UK listed environment, and the necessary qualifications, skills and experience to fulfil my role as Audit and Risk Committee Chair.

Meetings during the year

The Committee held five meetings during the year, and details of individual attendance at the meetings are set out below.

Committee meetings and membership

Member	Member since	Scheduled meetings eligible to attend	Scheduled meetings attended
Jane Lodge (Chair)	3 April 2018	5	5
Denis Hennequin[1]	20 October 2017	5	4
Sue Clark[2]	20 October 2017	5	5

1 Denis Hennequin was unable to attend the meeting on 17 June 2020
2 Sue Clark did not renew her contract following its expiry and stepped down from the Board on 27 November 2020

Only Committee members have the right to attend meetings, but the Chief Financial Officer, the Group Financial Controller, the Head of Risk, the Internal Auditors (KPMG) and the External Auditors (PwC) are invited to attend meetings of the Committee as the Committee feels appropriate.

The Committee also meets privately, without management present, and receives regular updates from other business areas at several of its meetings. It reviews other additional matters when considered necessary.

To ensure the Committee discharges its responsibilities appropriately, an annual calendar, linked to the Committee's Terms of Reference and covering key events in the financial reporting cycle, is approved by the Committee. Following each Committee meeting, I report to the Board on the activities of the Committee and make recommendations to the Board as appropriate.

The Committee discharges its responsibilities through a series of scheduled meetings during the year, the agendas for which include risk assessment and management processes, the programme of Internal Audit and assurance work, in-depth discussions on key financial and other risk areas, and work related to events in the financial calendar of the Company and the programme of External Audit work.

Key activities during the year

Integrity of Financial Statements

- Reviewed the Group's accounting policies to ensure they remain appropriate and have been consistently applied
- Reviewed and challenged the key financial reporting judgements and estimates and concluded that accounting treatments were appropriate
- Reviewed and concluded that the Financial Statements and narrative reporting are fair, balanced and understandable
- Reviewed and concluded that the Group is both a going concern over a one-year period and viable over the three-year review period, including consideration of the impact of COVID-19 and Brexit, and that the relevant disclosures are appropriate

Internal controls and risk management

- Reviewed the Group's internal controls and risk management systems including those for assessing emerging risks and concluded that they are operating effectively
- Supported the Board in its assessment of risk appetite and development of a Group Risk Appetite Statement
- Reviewed and challenged the Group's Brexit readiness planning and COVID-19 response
- Reviewed and updated, where necessary, the Committee's Terms of Reference

External Audit

- Reviewed and was satisfied with the effectiveness of the External Audit process
- Approved the terms of engagement and remuneration of the External Auditors
- Monitored the independence of the External Auditors

Internal Audit

- Reviewed and challenged the work of Group's Internal Audit function (KPMG) and concluded that it is operating effectively
- Reviewed and approved the Internal Audit Charter
- Reviewed and approved the Internal Audit plan for the coming year

Role of the Audit and Risk Committee

The Committee provides an independent overview of the effectiveness of the Group's internal financial control systems, financial reporting processes and risk management. Its principal responsibilities are:

- Monitoring and reviewing the effectiveness of the Group's Internal Audit activities
- Reviewing Bakkavor's Financial Statements, including annual and half-year results and announcements, and reporting to the Board on significant financial reporting issues and judgements
- Monitoring and reviewing and, where appropriate, making recommendations to the Board on the adequacy and effectiveness of Bakkavor's internal control and risk management systems
- Ensuring a robust assessment is conducted of the principal risks facing Bakkavor, including those that would threaten its business model, future performance, solvency or liquidity, and ensuring an understanding of the risk appetite of the Company
- Reviewing in detail the identified risks, the actions taken to minimise risks, the policies in force and the other sources of assurance upon which reliance is placed to mitigate risk
- Reviewing the content of the Annual Report & Accounts and advising the Board whether it is fair, balanced and understandable, and whether it provides the information necessary for shareholders to assess the Company's performance, business model and strategy
- Recommending to the Board, for approval by shareholders, the appointment, reappointment or removal of the External Auditors; including the agreement of the terms of engagement at the start of each audit, the audit scope and the External Audit fee
- Reviewing the effectiveness and objectivity of the External Audit and the External Auditors' independence, including consideration of fees, audit scope and terms of engagement and the provision of any permitted non-audit services
- Monitoring the effectiveness of Bakkavor's Whistleblowing Policy and the anti-bribery and business ethics procedures
- Advising the Board on the assessment of the viability of the Company.

The Committee's Terms of Reference are available on the Bakkavor website at www.bakkavor.com/investors/governance

Details of key activities during the year

Audit and Risk Committee evaluation

During autumn 2020, the Nomination Committee instructed Claire Chalmers Limited, a highly experienced and independent provider of board evaluations, to conduct an external evaluation of the effectiveness of the Board and that of its Committees and individual Directors in accordance with the requirement of the 2018 Code and recommendations of the Financial Reporting Council's Guidance on Board Effectiveness. Clare Chalmers Limited has not previously provided any services to the Company or otherwise has any other connections to the Group or any individual Directors.

The evaluation indicated that the Committee was working well. Further details of the evaluation are included under 'Board evaluation insights' on page 101.

How the Committee has discharged its responsibilities during FY20

Key areas of focus

The Committee has an extensive agenda which focuses on the audit, assurance and risk management processes within the business. During FY20, the work of the Committee principally fell under the following key areas:

Key areas of focus	Matters considered
Financial reporting	The Committee reviewed the form and content of the Annual Report and Financial Statements as well as the half year and full year results statements including the key estimates and judgements made by management in the preparation of the financial statements. In order to fulfil these duties, during the year under review, the Committee: • Considered the implications of COVID-19 on the half year and full year financial statements, including the presentation of the relevant costs. • Reviewed and challenged management on the appropriateness of estimates and judgements made in the preparation of the financial statements. • Took into account input from the External Auditors and the judgements applied in the application of the Group's accounting policy with regards to the presentation of these costs.

Monitoring the integrity of the FY20 Financial Statements including significant judgements

The Committee:

- Reviewed the appropriateness of Group accounting principles, practices and policies and monitored changes to, and compliance with, accounting standards on an ongoing basis.
- Reviewed the half year and full year results statements for FY20. Before recommending their release to the Board, we compared the results to management financial statements and budgets, focusing on key areas of judgement and also discussed the statements with the external auditors.
- Reviewed, prior to making recommendations to the Board, the Annual Report and Financial Statements for the year ended 26 December 2020.

In undertaking the review, the Committee discussed with management and the External Auditors the critical accounting policies and issues considered most significant in preparing the Annual Report and Financial Statements.

These were:

COVID-19 impact	COVID-19 has the potential to impact the Group's operations in the UK, US and China in terms of people, supply chain and logistics and consumer demand in future years. The impacts could potentially affect the Group's ability to continue as a going concern unless the appropriate mitigating actions are taken on a timely basis. Management has assessed the potential financial impact of further COVID-19 restrictions on the operations in each region of the business to Q1 FY22. Sensitivity analysis has been carried out on the forecasts to Q1 FY22 for the potential impact on trading from further COVID-19 related restrictions in the year. Management has prepared a paper that concludes that sensitised forecasts to Q1 FY22 indicate that the Group is expected to continue to comply with the financial covenants in its financing agreement and maintain significant liquidity headroom for the foreseeable future. Therefore, in their view, COVID-19 does not impact the Group's ability to continue as a going concern. The Committee: • Received updates on the Internal Audit review of practices through remote working and the risk-based Internal Audit on the Group's approach to compliance with the 'Coronavirus Job Retention Scheme ' put in place by HMRC to provide support to employers. • Reviewed the paper prepared by management which includes a downside scenario for future potential impacts of COVID-19 on the Group's forecasts, and in particular the liquidity headroom available and the headroom on financial covenants. • Reviewed the actions available to management should trading to Q1 FY22 be below the latest forecasts prepared by management. • Having carried out their review, concurred with management's view that whilst there is still a level of uncertainty about the impact of COVID-19 they do not consider this affects the Group's ability to continue as a going concern.

Key areas of focus	Matters considered
Impairment of goodwill and intangible assets	As at 26 December 2020, the Group had significant amounts of goodwill and intangible assets that are subject to an annual impairment review under IFRS. The Committee: • Reviewed a paper prepared by management that set out the basis and assumptions for the annual impairment review. The paper set out the determination of cash-generating units ("CGUs"), the cash flow forecast used and the discount rate to be applied for the purpose of the value-in-use calculation. The impairment review indicated that no impairment provisions were required for the year ended 26 December 2020. • Reviewed and approved the associated disclosure in the Financial Statements.
Customer deduction accruals	The Group has arrangements in place with its customers to provide volume-related rebates, and is required to make estimates in determining the value and timing of accruals for these customer deductions due in respect of sales. The Committee: • Reviewed a paper prepared by management that set out the rationale for the calculation and timing of the accruals held under these arrangements at 26 December 2020. The paper included a summary of the key agreements in place and the level of accruals held across the business. • Challenged management on the logic that had been applied to determine the level of accruals held under these arrangements at 26 December 2020. • Acknowledged that this was a highly subjective area that required a significant level of estimates to be made, but concurred with the rationale applied by management to determine the value of these accruals.
Presentation of exceptional items in the Consolidated Income Statement	The Group recognises a significant amount of exceptional items in its Consolidated Income Statement. The recognition of these items as exceptional is considered to be subjective. The Committee: • Reviewed the schedule of exceptional items and the rationale for why the relevant items were considered to be exceptional. • Reviewed the disclosure of exceptional items in the Consolidated Income Statement and concurred with management's presentation of those items as being fair, balanced and understandable.
Fair, balanced and understandable reporting	At the request of the Board, the Committee assessed, through discussion with, and the challenge of, the Management Board and Senior Executives, whether disclosures in the Group's published Financial Statements were fair, balanced and understandable. The Committee: • Received papers on key judgement areas that set out management's accounting treatment, and also sought and obtained confirmation from the Chief Financial Officer and his team that they considered the disclosures to be fair, balanced and understandable. • Discussed this evaluation with the External Auditors, which took this into account when conducting its audit. It also established through reports from management that there were no indications of fraud relating to financial reporting matters. • Received a detailed paper covering key points and areas of consideration in the preparation of the Group's published Financial Statements for the year ended 26 December 2020 to assist the Committee with its assessment that the disclosures were considered to be fair, balanced and understandable. • Having assessed the available information and the assurances provided by management, concluded that the processes underlying the preparation of the Group's published Financial Statements were appropriate in ensuring that those statements were fair, balanced and understandable.

Key areas of focus	Matters considered
Risk management and internal control	The Committee is required to assist the Board in the annual review of the effectiveness of the Company's risk management process and internal control systems. In order to fulfil these duties, during the year under review, the Committee: • Received reports and assessments of the risks that might threaten the Group's business model, future performance or liquidity. • Reviewed the Group Risk Register to identify the top risks faced by the Group and discussed the quantification of these risks and mitigating actions in order to support the Board's robust assessment of the principal risks. • Received reports on Information Security ("IS") risks, particularly cyber security risks, with a growing focus on the handling of the personal data we hold on our customers and colleagues. • Considered and challenged management on the overall effectiveness of the risk management and internal control systems. • Reviewed relevant disclosures within the 'Audit, Risk and Internal Control' section of the Corporate Governance Report which can be found on page 107 of the Annual Report. • Was provided with an update on the progress of the FY20 Risk Management Plan focused on business continuity planning, financial controls, production performance, stock management and HR practices. • Approved revisions to the FY20 Risk Management Plan which had been proposed to reflect the impact of COVID-19. • Received presentations on principal and emerging risks and discussed, with management, the material internal controls and risk assurance processes which exist to mitigate and manage these risks in accordance with the Board's risk appetite. • Reviewed and approved the Risk Management Plan for FY21 which sets out the planned activities for the year ahead, as well as staffing and resources. The FY21 Risk Management Plan is driven by the perceived levels of risk throughout the business and also takes into account the ongoing impact of COVID-19. In light of the above, the Committee continues to be satisfied that the Group control environment remains appropriate and effective and has reported this opinion to the Board.
Principal risks and viability	The Committee evaluated a report from management that set out the view of the Group's longer-term viability. Taking the management assessment into account, the Committee agreed to recommend the Viability Statement to the Board for approval. For further information on the Viability Statement see page 73.
FRC Audit Quality Review	The FRC is the UK's independent regulator responsible for promoting transparency and integrity in business, and its responsibilities include the monitoring of audits of public interest entities, and certain other entities, performed by firms registered to conduct statutory audits in the UK. This monitoring is performed by the FRC's Audit Quality Review ("AQR") team, which periodically undertakes thematic inspections that focus on particular aspects of audit across a sample of audits and firms. The AQR team will select individual audits to inspect and take account of a number of factors, including the assessed risk in relation to the entity and particular sectors that they may wish to focus on. On 31 January 2020, the AQR team communicated to the Company that the work within the scope of their review was assessed as requiring limited improvements. The AQR identified issues relating to aspects of audit work over revenue and impairment of goodwill and other assets in the International cash-generating unit ("CGU"). However, the AQR had no issues to report in relation to the other areas reviewed. The FRC provides no assurance that the Annual Report & Accounts are correct in all material respects; its role is not to verify the information provided but to consider compliance with reporting requirements. As part of its review, the Committee considered the findings of the review undertaken by the FRC's AQR team of the audit by Deloitte LLP ("Deloitte") (the Company's previous Auditors) of the Group Financial Statements for the year ended 29 December 2018, which the AQR had selected as part of their 2019/20 annual inspection of audit firms. The focus of the review was to identify areas where improvements were required rather than highlighting areas where work was performed at or above the expected level. The Committee received a copy of the findings and discussed these with Deloitte. The Committee confirmed that no significant areas for improvement were identified within the report and that there was nothing within the report which might have a bearing on the appointment of PricewaterhouseCoopers LLP ("PwC") as External Auditors in 2019. A full copy of the review was discussed with PwC at pre-Audit and Risk Committee meeting before discussion with the wider Committee. The FRC's review was on the basis that the FRC (which includes the FRC's officers, employees and agents) accepts no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders.

Key areas of focus	Matters considered

External Audit

PwC has been the Group's External Auditors for two years since the appointment in 2019. The current External Audit partner is Arif Ahmad who has held his role since the beginning of 2019.

During the year, the Committee considered the approach, scope and risk assessments of External Audit.

The Committee:

- Met with the key members of the PwC audit team to discuss the 2020 audit plan and agree areas of focus.
- Assessed regular reports from PwC on the progress of the 2020 audit and any material issues identified, including management override of controls and fraud in revenue recognition.
- Reviewed and debated the draft audit opinion for the 2020 year-end and was briefed by PwC on critical accounting estimates, where significant judgement is needed.
- Approved the audit plan and the main areas of focus, including valuation of customer deduction accruals, impairment reviews for goodwill and intangible assets, potential impact of COVID-19 on 2021 trading and presentation of exceptional items in the Group's Consolidated Income Statement.
- Took account of the impact of COVID-19 on the Group's financial reporting timetable to ensure the External Auditors had the necessary time to complete their work. This also included a review of the audit process which was required to be carried out remotely, other than inventory accounts.
- Reviewed and discussed with PwC its Audit and Risk Committee report on the 2020 Financial Statements which highlighted any matters arising from the audit work undertaken by the External Auditors.

Audit and audit-related fees

The Committee:

- Reviewed and approved a recommendation from management on the Company's audit and audit-related fees payable to the Company's External Auditors, PwC.
- Considered the 2020 audit fees to be in line with those expected for a listed company of this type given the complexities of the business, the external reporting requirements and recent regulatory developments that require external auditors to exercise greater independence and rigour in the provision of their services and in the setting of their fees.

Non-audit fees

To prevent the objectivity and independence of the External Auditors becoming compromised, the Committee has a formal policy governing the engagement of the External Auditors to provide non-audit services. The policy is reviewed on an annual basis and this year the Committee reviewed the Group's policy governing non-audit work against details of regulations on the statutory audit of public interest entities to ensure that its policy remains in line with new regulation.

The Committee reviews and updates the Group's policy for the provision of non-audit services to be provided by the External Auditors to ensure that it is in line with regulatory guidance for public interest entities. The Committee ensures that there are no exceptions to the policy. All non-audit services to the Group provided by the External Auditors will be put to the Committee for prior consideration and approval.

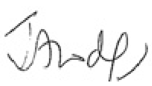
The External Auditors do not provide any non-audit services to the Group other than the subscription to PwC's online technical portal (Viewpoint) and the half year review of the financial statements which the Committee provided prior approval for.

Audit fees	
Total audit fees	**£635k**
Non-audit fees	
Half year review	£38k
Viewpoint subscription	£1k
Total non-audit fees	**£39k**

The Committee confirms that it has complied with the requirements of the CMA Order 2014 as regards to audit tendering, auditors' appointment, negotiation and agreement of audit fees and approval of non-audit services.

Key areas of focus	Matters considered
External Audit effectiveness	Under its Terms of Reference, the Committee assesses annually the qualifications, expertise, resources and independence of the External Auditors as well as the quality and effectiveness of the audit process. The Committee assessed the External Auditors' performance and effectiveness through a questionnaire completed by the Committee members and other relevant internal parties and considered the following factors in assessing the effectiveness of the external audit process: • the experience and expertise of the Audit partner and the audit team; • the internal quality control processes in place; • the findings from external inspections, including the FRC's July 2020 Audit Quality Inspection report; • the level of professional scepticism displayed throughout the audit process; • the extent to which the audit plan was met and the quality of its delivery and execution; • the robustness and perceptiveness of work performed on key accounting and audit judgements; and • the content of reports on audit findings and other communications. The assessment highlighted that PwC had provided a detailed review of the FY19 Annual Report and Financial Statements and best practice approaches on disclosures as well as demonstrating strong technical knowledge. The assessment also highlighted proposed actions for further consideration to ensure the smooth running of the FY20 External Audit and these were reflected in the approach to the management of the FY20 audit. In assessing the External Auditors' professional scepticism, the Committee noted in the current year that PwC had robustly challenged management's assumptions and judgements made in carrying out the impairment review of goodwill and intangible assets and the recognition and value of customer deduction accruals. In addition, PwC challenged management's assumptions around the potential impact of COVID-19 restrictions and Brexit on the Group's trading forecasts as part of their work on assessing the viability of the business.
External Auditors' independence	In assessing the independence of the External Auditors, the Committee takes into account the information and assurances provided by the External Auditors confirming that its engagement team and its network firms involved in the audit are independent of any links with the Company. During the year, the Committee reviewed and considered the following factors to assess the objectivity and independence of PwC: • PwC's procedures for maintaining and monitoring independence, including those to ensure that the partners and staff have no personal or business relationships with the Group, other than those in the normal course of business permitted by UK ethical guidance. • The degree of challenge to management and the level of professional scepticism shown by the Audit partner and the audit team throughout the process. • PwC's policies for rotation of the Audit partner every five years, and regular rotation of key audit personnel. The current Audit partner (Arif Ahmad) has held his role since the beginning of 2019. Following consideration of the performance and independence of the External Auditors, the Committee recommended to the Board that the reappointment of PwC as the Company's External Auditors should be proposed to Shareholders at the 2021 AGM.
Internal Audit	The Committee oversees the performance, resourcing and effectiveness of the Internal Audit activity. Internal Audit services have been outsourced to KPMG, who was appointed with effect from the beginning of the 2019 financial year. Overall responsibility and direction for the Group's Internal Audit activity is retained by the Head of Risk, who reports to the Committee. The Internal Audit activity provides assurance over the effectiveness of key internal controls, as identified as part of the risk assessment process. KPMG reports to the Head of Risk throughout the year and to the Committee at least four times a year. The Committee: • Reviewed and assessed the Internal Audit Plan for 2021 ("IA Plan"). The proposed plan represents the third year of the three-year assurance plan that KPMG put in place on its appointment as the Company's Internal Auditors and will be a mixture of full systems audits, in-flight reviews and high-level limited-scope reviews, as agreed with the Committee. The IA Plan responds to certain factors across the Group's operations such as: i) the requirement to continue providing assurance over financial controls across the UK, US and China in support of 'operational excellence'; ii) maintaining a strong system of internal controls across the Group (especially given the global pandemic and its impact on the business's operations); and iii) coverage of information security / cyber controls and the continued importance of infrastructure, network and data security to the Group. • Reviewed and monitored management's responsiveness to the findings and recommendations of the Internal Audit activity. • Received all Internal Audit reports and, in addition, received summary reports on the results of the work of the Internal Audit activity on a periodic basis. The Committee is actively engaged in strengthening the Internal Audit activity and extending its scope during 2021.

Key areas of focus	Matters considered
Internal Audit effectiveness	The Committee has a duty to carry out an annual assessment of the effectiveness of the Internal Audit function, and as part of this assessment: • determine whether it is satisfied that the quality, experience and expertise of Internal Audit is appropriate for the business; and • review and monitor management's responsiveness to the Internal Auditors' findings and recommendations. The Committee recommended that the Internal Audit function was highly effective but improvements could be made by continuing to focus on building relationships with the local businesses; embedding the Internal Audit process in the US and China businesses; and adding more value by harnessing technology and sharing best practices.
Whistleblowing	The Committee considered the adequacy of the Group's arrangements by which employees may, in confidence, raise concerns about improprieties in matters of financial reporting or other matters. The Committee reviewed revisions to the Group's Whistleblowing Policy. There are several confidential modes for employees and third parties to communicate any improprieties in matters of financial reporting or other areas. Moreover, whistleblowing is monitored by the Board at each Board meeting. The Whistleblowing Policy is reviewed annually.
Anti-Bribery and Business Ethics Policy	The Committee considered the adequacy of the Group's arrangements with regard to its anti-bribery and corruption and business ethics processes. The Committee reviewed the revisions to the Anti-Bribery and Business Ethics Policy which applies across the Group. The revised Anti-Bribery and Business Ethics Policy includes a Gifts and Entertainment Policy. The Committee concluded that the revised Anti-Bribery and Business Ethics Policy was considered to be adequate. A new governance and compliance e-learning platform was launched in 2019 and training commenced in 2020 in the UK for staff. Training was undertaken by staff in mainland China and Hong Kong in 2020 and is currently being rolled-out to staff in the US. Refresher training will be undertaken by staff annually.
Group IT risks	The Group IT Director provides the Committee with regular updates on cyber security and during the year, the Committee received an in-depth report on Group IT risks. Since February 2020, the IT risk mitigation focus has centred on COVID-19. Learning from the COVID-19 outbreak had enabled Group IT to scale proactively to ensure UK employees could be quickly transitioned to home working with minor impact to process performance. There had been an increase in cyber security risk over the period due to increased criminal focus on taking advantage of employee and corporate instability. Going forward, four key security priorities had been identified for development and implementation during the course of 2020/21: 2 factor authentication; network segmentation; cyber training; and an international security strategy. All priorities have received budgetary funding and are delivering to plan. The Group IT Strategy was ratified by the Board in November 2020, with Internal Cyber Audit confirming, in the same month, only minor opportunities for improvement.



Jane Lodge
Chair, Audit and Risk Committee
15 March 2021

Denis Hennequin
Chair, Remuneration Committee

> As Chair of the Remuneration Committee, I am pleased to present, on behalf of the Board, the Directors' Remuneration Report for the year ended 26 December 2020."

Committee membership

The Committee comprised of four independent Non-executive Directors, and members during the year included Sue Clark, Todd Krasnow, Umran Beba and myself as Chair. Todd and Sue ceased to be members of the Committee upon stepping down from the Board on 19 October 2020 and 27 November 2020 respectively and Umran joined the Board and the Remuneration Committee on 1 September 2020. Jill Caseberry joined the Board and the Remuneration Committee on 1 March 2021.

The Committee met six times during 2020 and items considered during the financial year included:

- Agreeing Executive Director base salary increases, effective from 1 January 2020
- Reviewing performance against the 2019 annual bonus targets and determining the payout
- Determining the measures and setting performance targets for the 2020 annual bonus and the delayed 2020 LTIP awards
- Determining the remuneration terms for the two new Executive Directors who joined the Board on 27 December 2020
- The impact of the COVID-19 pandemic on Directors' and Senior Executives' remuneration arrangements
- Consideration of developments in market trends, good practice, the updated investor and proxy agency guidance and the impact of the UK Corporate Governance Code on remuneration
- The design of the new Directors' Remuneration Policy for approval at the 2021 Annual General Meeting
- Updates from the Chief People Officer on employment and pay conditions across the wider workforce
- An update from Sue Clark, Bakkavor's Non-executive Director tasked with bringing employee views to the Board, on remuneration matters raised

Committee meetings and membership

Member	Member since	Scheduled meetings eligible to attend	Scheduled meetings attended
Denis Hennequin (Committee Chair)	20 October 2017	6	6
Sue Clark[1]	20 October 2017	6	6
Todd Krasnow[1]	20 October 2017	5	5
Umran Beba	1 September 2020	2	2

1 Todd Krasnow and Sue Clark stepped down from the Board on 19 October 2020 and 27 November 2020, respectively.

This report is split into three sections:

- This Annual Statement summarising the work of the Committee during the year and our approach to remuneration
- The 2021 Directors' Remuneration Policy, which details Bakkavor's proposed Directors' Remuneration Policy
- The Annual Report on Remuneration, which sets out both the remuneration arrangements and incentive outcomes for the year under review and how the Committee intends to implement the Directors' Remuneration Policy in 2021.

As the 2018 Directors' Remuneration Policy has reached the end of its three-year term, a new Directors' Remuneration Policy is being put to a binding shareholder vote at the 2021 AGM. There will also be the usual advisory vote at the AGM on 20 May 2021 on the remainder of the Directors' Remuneration Report, being the Annual Statement and Annual Report on Remuneration.

Business context

This has been an unprecedented year for Bakkavor and we are proud of the outstanding response by colleagues to the challenges arising from the global pandemic.

Against the backdrop of COVID-19, Bakkavor had an essential role to play and our 19,000 colleagues across 45 locations in the UK, US and China showed tremendous effort, commitment and determination during a difficult period by ensuring the continued supply of our products to the UK's leading grocery retailers and some of the world's best known brands.

Since the start of the outbreak, the Directors' priority has been to safeguard the health and wellbeing of our colleagues. As a large fresh prepared food manufacturer our established controls for managing both people and food safety within our operations are industry-leading and they provided a very strong base on which to build our COVID-19 controls.

Following an encouraging start to the year, the COVID-19 outbreak created significant challenges, initially in China and then in the US and UK. The Board took swift and decisive actions to preserve liquidity including a tight control on costs with a reduction in all non-essential capital projects and discretionary expenditure. As we experienced a reduction in orders across our food categories, we reviewed capacity across our facilities to better match demand. In addition, the Board

At a glance summary

What our Executive Directors earned during 2020

The following table provides a summary of total remuneration for 2020 and the prior year. Further details are set out in the Annual Report on Remuneration on page 130.

Agust Gudmundsson

Total remuneration

694

£000	2020	2019
● Base salary	**577**	769
● Benefits	**2**	8
● Bonus	**0**	95
○ LTIP	**–**	–
● Pension entitlements	**115**	115
TOTAL	**694**	987

Peter Gates

Total remuneration

563

£000	2020	2019
● Base salary	**455**	479
● Benefits	**12**	12
● Bonus	**0**	93
○ LTIP	**0**	–
● Pension entitlements	**96**	96
TOTAL	**563**	680

The lower base salaries in 2020 reflect the voluntary salary reductions taken by the Executive Directors for three months during the financial year.

2020 annual bonus

Metrics	Weighting	% outcome
Group Adjusted EBIT (post bonus provision)	75%	0%
Employee turnover	25%	25%
Total (% of max)	100%	**25%**

Adjusted EBIT in 2020 was £83.6 million and as this was below the threshold earnings target of £104.6 million, no bonus was payable for performance against the financial element.

The employee turnover element was met in full however, in light of the impact of the pandemic on the business, neither the CEO nor CFO will receive an annual bonus for 2020 performance.

2018 LTIP awards

Peter Gates received awards under the Long-Term Incentive Plan in April 2018 which were based on earnings per share and relative total shareholder return performance to 26 December 2020. Neither of the conditions were met and therefore these awards will lapse in full in April 2021. Agust Gudmundsson does not participate in the LTIP scheme.

How our Executive Directors will be paid in 2021

A summary of how the Committee intends to operate the Remuneration Policy for 2021 is as follows:

Component	Agust Gudmundsson[1] (£000)	Ben Waldron[2] (£000)	Mike Edwards[2] (£000)
Base salary	769	370	481
Pension (% of salary)	3%	3%	20%
Annual bonus maximum (% of salary)	80%	125%	125%
LTIP award (% of salary)	n/a	150%	150%
Shareholding guidelines (% of salary)	200%	200%	200%

1 The CEO's salary has been reduced to 2019 levels. Consistent with previous years, the CEO will not participate in the LTIP. The CEO's pension allowance was decreased with effect from 1 February 2021 from 15% to 3% of salary.

2 Ben Waldron and Mike Edwards joined the Board on 27 December 2020. Ben's base salary has been set at £370,000, which is lower than his predecessor's salary and reflects his first PLC Board appointment. Mike's salary will be increased by 2.75% in line with the workforce increase and his salary level reflects his importance in the business since joining Bakkavor in 2001.

suspended the final dividend for 2019 and did not declare an interim dividend for 2020.

Our overall performance was significantly impacted by COVID-19 however our core characteristics of scale, innovation, operational expertise and strong customer relationships ensured that we were able to respond to the pandemic from a position of strength.

As the UK lockdown was lifted in H2, the business delivered a very encouraging second half sales recovery. The growth in the US was offset by a decline in revenues in China, our business most severely impacted by the pandemic. At a Group level, revenue for the full year was 4.9% lower than the prior year. Moving forward, the business will continue to have an essential role to play, and looking ahead, we are well-placed to achieve long-term sustainable growth.

Remuneration in 2020

As disclosed in last year's report, base salaries were initially increased by 2.5% in line with the expected general workforce increase from 1 January 2020.

Base salaries

As part of the swift actions taken by the Board to preserve cash, the Board and Management Executive agreed on voluntary reductions in salary/fees for three months: the Chairman and Non-executive Directors took a 50% reduction in fees, while the Group's founders (CEO, Agust Gudmundsson and Non-executive Director, Lydur Gudmundsson) did not take a salary or fee during this period. The wider Management Board also agreed to a voluntary 20% reduction to their base salaries.

Bakkavor's policy has been to review workforce salaries in the middle of the year with increases effective from 1 July. During 2020, the decision was taken not to go ahead with the general workforce increase. Reflecting this decision, the CEO and CFO's base salaries were re-set to 2019 levels with effect from 1 July 2020 after the three-month period of voluntary reductions.

Variable pay

The annual bonus plan for 2020 was based 75% on Adjusted EBIT and 25% on employee engagement measured through employee turnover. As a result of the pandemic's impact on our business, Adjusted EBIT of £83.6 million fell short of the threshold and no bonus became payable in respect of this element. The non-financial element of employee turnover was met in full, achieving the full 25% for this element.

However, given the business context set out above, the Remuneration Committee did not feel it was appropriate to pay a bonus to Executive Directors and the Executives agreed with this decision. Therefore, no annual bonuses were awarded to the CEO and CFO.

The first LTIP award post-IPO was granted to selected Senior Executives in 2018 and these were based on the achievement of EPS and TSR measures, tested to 26 December 2020. The impact of the pandemic on Company performance will result in these awards lapsing.

As set out in last year's report, given the sudden impact of COVID-19 on the business, the Remuneration Committee decided to delay the grant of the 2020 LTIP award and this was made in September 2020. While previous awards had 50% based on EPS, an earnings measure felt inappropriate for the 2020 award given the uncertain earnings outlook. Therefore, these awards will vest subject to a relative Total Shareholder Return ("TSR") metric only. The Remuneration Committee retains discretion to reduce vesting to protect against inappropriate outcomes taking into account such factors as it considers relevant (including but not limited to overall performance of the Company and/or general market and share price response in the context of the COVID-19 pandemic).

Board changes

On 13 October 2020, Peter Gates notified the Board of his intention to retire from the end of the 2020 financial year. Peter received his base salary, benefits and pension to the date of ceasing employment and did not receive any payment in lieu of notice. Following a decade of service, Peter retired as a good leaver and was treated as such for the purposes of his outstanding incentives. His deferred bonus award will vest at the normal time and his outstanding LTIP awards will vest on their normal vesting dates subject to performance assessment and a time pro-rata reduction.

Ben Waldron joined the Board as CFO at the start of the 2021 financial year. His salary has been set at £370,000 and his pension will be in line with the workforce pension at Bakkavor. It is the Committee's intention to review Ben's salary as he gains more experience in the role and in light of his contribution to the Group.

Mike Edwards joined Bakkavor in 2001. He became Chief Operating Officer for the UK in 2014 and reflecting his significant contribution to the Group, joined the Board at the start of the 2021 financial year. Mike's salary in his role below Board as UK COO in 2020 was £468,220 and this was increased by 2.75% in line with the wider workforce to £481,096 from 1 January 2021. Mike's pension contribution prior to joining the Board was a company contribution of 20%.

The Remuneration Committee is aware of shareholders' expectations regarding pension alignment and carefully considered this matter in Mike's case. Reducing Mike's pension to 3% would have reduced his fixed pay by c.£80,000 which did not feel appropriate upon his appointment. The Committee considered increasing Mike's base salary but felt that his salary remained appropriate for the role being undertaken, save for an inflationary adjustment. Therefore, the Committee agreed that Mike's pension contribution should remain at 20% of salary for the life of the 2021 Directors' Remuneration Policy (covering the three financial years ending December 2023), after which time it will be reduced to the workforce rate in place at the time.

The Remuneration Committee is aware that the approach being taken is not fully in line with investor guidance but believes it is a pragmatic solution which (i) ensures Mike's salary (and bonus and LTIP potential in cash terms) is not increased, (ii) achieves workforce pension alignment within a reasonable period of time, and (iii) does not reduce Mike's pay for being promoted to the Board.

The CEO's pension contribution has been reduced from 15% of salary to 3% of salary from 1 February 2021 and well in advance of current guidance to align by the end of 2022.

2021 Directors' Remuneration Policy

The 2018 Directors' Remuneration Policy has reached the end of its three-year life and a new policy will be put forward for a shareholder vote at the 2021 Annual General Meeting. The Committee undertook a comprehensive review and concluded that the policy remains appropriate and that there should be no change to the structure of packages or to incentive quantum. The key changes to the policy are as follows:

- Introduction of a two-year post cessation shareholding guideline
- A requirement to consider the prevailing share price at the date of grant when deciding on the number of shares to be granted under the LTIP
- Introduction of additional malus and clawback provisions
- Pension for all Directors to be in line with the workforce (currently 3% of salary) including for new joiners with the exception of the current UK COO, for the reasons set out above

Application of Remuneration Policy for 2021

The Remuneration Committee intends to operate the Remuneration Policy for Executive Directors for 2021 as follows:

- Base salary levels for the new Directors are set out above. The CEO will not receive a salary increase in 2021
- Annual bonus provision will remain at 80% of salary for the Chief Executive Officer and 125% of salary for the new Chief Financial Officer and newly appointed position to the Board of UK Chief Operating Officer. The annual bonus measures will be the same as last year with 75% based on Adjusted EBIT and 25% on employee engagement measured through employee turnover. The same bonus criteria cascade down to the broader workforce in the UK covering c.1,370 employees with regional profit performance assessed where relevant in the US and China
- It is expected that LTIP awards will be granted in 2021 at 150% of salary to the Chief Financial Officer and UK Chief Operating Officer (the Chief Executive Officer does not participate in the LTIP). The Committee considered the fall in the share price over the year and whether an adjustment was needed to the grant levels to reflect this. However, on balance it was felt that the award levels should be unchanged but to avoid any potential windfall gains, the Committee will place a share price cap on the value of each LTIP award under this grant. Details of the value of the cap will be set out in the RNS at the time the award is made.
- A post-cessation shareholding guideline will operate based on the lower of 200% of salary and the level of shareholding on cessation (excluding shares purchased with own funds and any shares from share plan awards made before the approval of the 2021 Directors' Remuneration Policy).

Shareholder feedback

The Committee was pleased to note the very high levels of shareholder support for the 2020 advisory vote on our Remuneration Report.

If you have any comments or feedback on this report or our policy more generally, then please let me know through the Group General Counsel & Company Secretary.

I look forward to receiving your support at the 2021 AGM.

Denis Hennequin
Chair, Remuneration Committee
15 March 2021

Directors' Remuneration Policy

This part of the Directors' Remuneration Report sets out the proposed Directors' Remuneration Policy ("the Policy") for the Group and has been prepared in accordance with Schedule 8: The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 (as amended) and the UK Listing Authority's Listing Rules. This new Policy will be put to a binding shareholder vote at the AGM on the 20 May 2021 and, subject to its approval, will be formally effective from the date of approval.

Key considerations when determining the Remuneration Policy

The Remuneration Committee designed the Policy with the following aims in mind. The Policy should:

- Attract, retain and motivate high-calibre Senior Executives and focus them on the delivery of the Group's strategic and business objectives
- Be competitive against appropriate market benchmarks with the scope to earn above-market rewards for strong performance
- Be simple and understandable, both internally and externally
- Achieve the appropriate consistency of approach across the Senior Management population
- Take due account of good governance and promote the long-term success of the Group

In seeking to achieve the above objectives, the Committee is mindful of the views of a broad range of stakeholders in the business and accordingly takes account of a number of factors when setting remuneration. This includes market conditions, pay and benefits in relevant comparator organisations, terms and conditions of employment across the Group, the Group's risk appetite, the expectations of institutional shareholders and feedback from shareholders and other stakeholders.

The Policy has considered the principles of the 2018 UK Corporate Governance Code and the voting guidelines of major UK institutional investor bodies. Under the Code, the Committee is asked to address six factors in determining the Directors' Remuneration Policy:

1. **Clarity** – the Policy is well understood by our Directors and Management Board and has been clearly articulated to shareholders and proxy voting agencies.
2. **Simplicity** – the Committee believes the current, market standard remuneration structure is simple and well understood. We have purposefully avoided any complex structures which have the potential to deliver unintended outcomes.
3. **Risk** – our Policy and approach to target setting seek to discourage any inappropriate risk-taking. Measures may be a blend of share price, financial and non-financial objectives and the targets are appropriately stretching to help ensure that the risk of inappropriate actions being taken is mitigated. Enhanced malus and clawback provisions will apply.
4. **Predictability** – Executives' incentive arrangements are subject to individual participation caps. An indication of the range of values in packages is provided in the reward scenario charts included in the Policy report. Deferred bonus and LTIP awards provide alignment with the share price and their values will depend on share price at the time of vesting.
5. **Proportionality** – there is a clear link between individual awards, delivery of strategy and our long-term performance.
6. **Alignment to culture** – pay and policies cascade down the organisation and are fully aligned to Bakkavor's culture.

Key changes to the Directors' Remuneration Policy

Full details of the substantive changes proposed in the new Policy, along with the rationale for each, are provided in the Annual Statement. The changes are primarily aimed at ensuring the Policy remains aligned to high standards of good governance and takes account of developments in this regard over the period since the previous Policy was approved. We set out below a summary of these changes:

Additional incentive safeguards – Addition of a formal commitment to ensuring the prevailing share price is considered in advance when deciding on the number of shares to be awarded as part of any LTIP grant and ensuring the Policy allows full flexibility for the Committee to adjust formulaic outcomes in light of overall Group performance.

Introduction of a post-cessation shareholding requirement – Executive Directors will ordinarily be required to hold the lower of 200% of salary and the value of their shareholding at cessation (excluding shares purchased with own funds and any shares from share plan awards made before the approval of this Policy) for two years after ceasing to be a Director.

Malus and clawback – Additional triggers will apply to annual bonus and long-term incentives from 2021.

Pension alignment – The CEO and CFO and future Executive Directors who join the Board have pension rates in line with the workforce and the current UK COO will be aligned with the workforce rate by the end of December 2023.

Remuneration Policy table

The table below sets out, for each element of pay, a summary of how remuneration is structured and how it supports the Company's strategy.

Executive Directors

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Base salary			
To recruit and retain Executives of the highest calibre who are capable of delivering the Group's strategic objectives, reflecting each individual's experience and role within the Group. Base salary is designed to provide an appropriate level of fixed income to avoid an over-reliance on variable pay elements that could encourage excessive risk-taking.	Salaries are normally reviewed annually and changes are generally effective from the start of the financial year. The annual salary review of Executive Directors takes a range of factors into consideration, including: • Business performance • Salary increases awarded to the overall employee population • Skills and experience of the individual over time • Scope of the individual's responsibilities • Changes in the size and complexity of the Group • Market competitiveness assessed by periodic benchmarking • The underlying rate of inflation	Whilst there is no prescribed formulaic maximum, any increases will take into account prevailing market and economic conditions and the approach to employee pay throughout the organisation. Base salary increases are awarded at the discretion of the Committee; however, salary increases will normally be no greater than the general increase awarded to the wider workforce, in percentage of salary terms. Percentage increases beyond those granted to the wider workforce may be awarded in certain circumstances, such as when there is a change in the individual's role or responsibility or where there has been a fundamental change in the scale or nature of the Company. In addition, a higher increase may be made where an individual had been appointed to a new role at below-market salary while gaining experience. Subsequent demonstration of strong performance may result in a salary increase that is higher than for the wider workforce.	Executive Directors' performance is a factor considered when determining salaries. No recovery or withholding provisions apply.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Benefits			
Benefits in kind offered to Executive Directors are provided to assist with retention and recruitment.	The Company aims to offer benefits that are in line with typical market practice. The main benefits currently provided include: • Family private medical insurance • Life assurance • Income protection • Health screening • Company car/car allowance • Travel insurance Under certain circumstances, the Group may offer relocation allowances or assistance. Expatriate benefits may be offered where required. Travel and any reasonable business-related expenses (including tax thereon) may be reimbursed on a gross-of-tax basis. Executive Directors may become eligible for other benefits which are introduced for the wider workforce on broadly similar terms.	The value of each benefit is not predetermined and is typically based upon the cost to the Group.	Not performance-related. No recovery or withholding provisions apply other than for any relocation costs that may be provided. A proportion of any relocation costs may be recovered where a Director leaves the employment of the Group within a specified time period after appointment or date of relocation.
Pensions			
The Group aims to provide a contribution towards life in retirement.	Directors are eligible to receive employer contributions to the Company's pension plan (which is a defined contribution plan) or a salary supplement in lieu of pension benefits, or a mixture of both.	The CEO's contribution rate from 1 February 2021 and the CFO's rate is in line with the workforce rate, currently 3% of salary. Subject to the approval of this Policy, the current UK COO's pension contribution rate will continue at the level in place prior to his joining the Board – 20% of salary – and this will reduce to the workforce rate (currently, 3% of salary) from 1 January 2024. Any future Executive Director appointments will receive pension contributions aligned with the workforce contribution rate in place at the time.	Not performance-related. No recovery or withholding provisions apply.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Short-Term Incentive Plan "STIP" or annual bonus			
The annual bonus scheme rewards the achievement of stretching objectives that support the Group's corporate goals and delivery of the business strategy. Delivery of a proportion in deferred bonus shares provides a retention element and alignment with shareholders.	Bonuses are determined based on measures and targets that are agreed by the Committee. Bonus is based on performance over the relevant financial year. Two-thirds of the annual bonus will be payable in cash, typically in March following the end of the financial year. Up to one-third of the bonus is compulsorily deferred in shares (or cash in the case of the current Chief Executive Officer) for three years under the Deferred Annual Bonus Plan. At the discretion of the Committee, participants may also be entitled to receive the value of dividends paid between grant and vesting on vested shares. The payment may assume dividend reinvestment.	The maximum annual bonus opportunity is 150% of salary for Executive Directors. The current Chief Executive Officer's bonus opportunity is lower, at 80% of his base salary. The normal maximum for the CFO and UK COO is 125% of salary, although this may be increased in line with the maximum 150% of salary limit.	Performance measures are determined by the Committee each year and may vary to ensure that they promote the Company's long-term business strategy and shareholder value. The majority of the annual bonus outcome will be based on financial measures. This may be a single measure, such as profit, or a mix of measures as determined by the Committee. Personal objectives and/or strategic KPIs may also be chosen. Where a sliding scale of targets applies to financial measures, up to 20% of that element may be payable for threshold performance. The bonus measures are reviewed annually and the Committee has the discretion to vary the mix of measures or to introduce new measures taking into account the strategic focus of the Company at the time. The Committee may alter the bonus outcome if it considers that the payout is inconsistent with the Company's overall performance, taking account of any factors it considers relevant. This will help to ensure that the payout reflects overall Company performance during the period. The Committee will consult with leading investors if appropriate before any exercise of its discretion to increase the bonus outcome. Bonus payments, including deferred bonus awards, are subject to recovery and withholding provisions (see 'Recovery and withholding' in the 'Notes to the policy table' on page 126 for further detail).

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Long-Term Incentive Plan ("LTIP")			
The LTIP is designed to incentivise the successful execution of business strategy over the longer term and provide long-term retention. It facilitates share ownership to provide further alignment with shareholders.	Awards will typically be granted annually to Executive Directors in the form of nil or nominal cost options that vest according to performance conditions normally measured over three financial years. The Remuneration Committee will consider the prevailing share price when deciding on the number of shares to be awarded as part of any LTIP grant. Awards are subject to an additional post-vesting holding period, which requires awards to be retained for a period of two years from the end of the vesting period, except for shares sold to pay personal tax upon vesting/exercise. At the discretion of the Committee, participants may also be entitled to receive the value of dividends paid between grant and vesting (or, if applicable, between grant and the earlier to occur of the expiry of any holding period and the exercise of an award) on vested shares. The payment may be in cash or shares and may assume dividend reinvestment. The current Chief Executive Officer will not participate in the LTIP.	The individual plan limit is 200% of base salary in any financial year. The award policy for the CFO and UK COO is set at 150% of base salary, although the Committee has the discretion to make an award of up to 200% of base salary.	Performance is normally measured over no less than three financial years. Awards will be subject to the achievement of stretching targets designed to incentivise performance in support of the Group's strategy and business objectives. LTIP awards may be subject to relative TSR and earnings per share growth targets. However, the Committee has the flexibility to vary the mix of measures or to introduce new measures for future awards, taking into account business priorities at the time of grant. For TSR and financial measures, no more than 25% of each element may vest for threshold performance. The Committee may alter the vesting outcome if it considers that the level of vesting is inconsistent with the Company's overall performance, taking account of any factors it considers relevant. This will help to ensure that vesting reflects overall Company performance during the period. Awards are subject to recovery and withholding provisions (see 'Recovery and withholding' in the Notes to the policy table for further detail).
All-employee share schemes			
Encourage employee share ownership and therefore increase alignment with shareholders.	The Company may, from time to time, operate tax-approved share plans (such as the HMRC-approved Save As You Earn Option Plan and Share Incentive Plan) for which Executive Directors could be eligible.	The schemes are subject to the limits set by HMRC from time to time.	Not performance-related. No recovery or withholding provisions apply.
Share ownership guidelines			
Encourage Executive Directors to build a meaningful shareholding in the Group so as to further align their interests with those of shareholders.	Executive Directors are required to retain at least half of any share awards vesting as shares (after the sale of any shares to settle tax due) until they have reached the required level of holding. Shares owned outright by the Executive Director or a connected person are included. Shares or share options which are subject to a performance condition are not included. Unvested deferred bonus shares and vested LTIP awards which remain unexercised may count towards the in-employment guideline on a net of tax basis.	During employment: Executive Directors are required to build and retain a shareholding in Bakkavor equivalent to at least 200% of their base salary. Post employment: Executive Directors are normally required to hold shares at a level equal to the lower of their shareholding at cessation and 200% of salary for two years post cessation (excluding shares purchased with own funds and any shares from share plan awards granted before the approval of this policy).	Not performance-related.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Chairman and Non-executive Directors' fees			
To attract Non-executive Directors who have a broad range of experience and skills. To provide the Group with access to independent judgement on issues of strategy, performance, resources and standards of conduct.	Non-executive Directors may receive fees paid monthly in cash, which consist of an annual basic fee. They may also receive additional fees for additional responsibilities. The Chairman's fee is reviewed annually by the Committee (without the Chairman present). Fee levels for the Non-executive Directors are determined by the Company Chairman and Executive Directors. In exceptional circumstances, if there is a temporary yet material increase in the time commitments for Non-executive Directors, the Board may pay extra fees to recognise that additional workload. Non-executives ordinarily do not participate in any pension, bonus or share incentive plans. Travel, accommodation and other business-related expenses incurred in carrying out a Non-executive role will be paid by the Company including, if relevant, any 'gross-up' for tax. As was disclosed in the prospectus prepared on Admission and in the Policy approved by shareholders in 2018, Lydur Gudmundsson is currently employed to provide consulting services to the Group for an annual fee. He receives medical cover for the benefit of his family in the UK.	When reviewing fee levels, account is taken of market movements in the fees of Non-executive Directors, Board Committee responsibilities and ongoing time commitments. Actual fee levels are disclosed in the Annual Report on Remuneration for the relevant financial year.	Not performance-related. No recovery or withholding provisions apply.

Notes to the policy table

Recovery and withholding

Awards under the Annual Bonus Plan, the Deferred Annual Bonus Plan and the Long-Term Incentive Plan are subject to recovery and withholding provisions which permit the Committee, at its discretion, to reduce the size of any future bonus or share award granted to the employee, to reduce the size of any granted but unvested share award held by the employee, or to require the employee to make a cash payment to the Company. The circumstances in which the Company may apply the recovery and withholding provisions are the discovery of a material misstatement of financial results, a miscalculation or error in assessing any condition (including any performance condition) applying to the award, in the event of serious misconduct committed by the employee, where there has been corporate failure or reputational damage.

In respect of cash bonus payments under the Annual Bonus Plan, the recovery and withholding provisions apply for one year from the date of payment of the bonus (or, if later, the date of publication of the Company's financial results for the year following the relevant year over which the bonus was earned).

In respect of share awards under the Deferred Annual Bonus Plan and the Long-Term Incentive Plan, the recovery and withholding provisions apply up until the third anniversary of the date on which the relevant award vests, although the Committee may extend this period for a further two years if there is an ongoing investigation into the circumstances of any event that, if determined to have occurred, would permit the Committee to operate the recovery and withholding provisions.

Performance conditions

The choice of performance metrics applicable to the annual bonus scheme reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of key financial targets and individual and/or strategic performance measures intended to ensure that Executive Directors are incentivised to deliver across a range of objectives for which they are accountable. The Committee has retained some flexibility on the specific measures which will be used to ensure that any measures are fully aligned with the strategic imperatives prevailing at the time they are set.

The measures and their weightings for the bonus scheme for the forthcoming year will be set out on a prospective basis, subject to limitations with regard to commercial sensitivity. The full details of the targets will be disclosed in the Directors' Remuneration Report when they are in the public domain, usually following the end of the relevant financial year.

The choice of the performance conditions applicable to the LTIP awards will be aligned with the Company's objective of delivering superior levels of long-term value to shareholders. The Committee has retained flexibility on the measures which will be used for future award cycles to ensure that the measures are fully aligned with the strategy prevailing at the time the awards are granted.

The Committee will review the calibration of targets applicable to the annual bonus and the LTIP annually to ensure they remain appropriate and sufficiently challenging, taking the Company's strategic objectives and the interests of shareholders into account.

Differences in remuneration policy between Executive Directors and other employees

The overall approach to reward for employees across the workforce is a key reference point when setting the remuneration of the Executive Directors. When reviewing the salaries of the Executive Directors, the Committee pays close attention to pay and employment conditions across the wider workforce and in normal circumstances the increase for Executive Directors will be no higher than the average increase for the general workforce.

The key difference between the remuneration of Executive Directors and that of our other employees is that, overall, at senior levels, remuneration is increasingly long term and 'at risk', with an emphasis on performance-related pay linked to business performance, and share-based remuneration. This ensures that remuneration at senior levels will increase or decrease in line with business performance and provides alignment between the interests of Executive Directors and shareholders. In particular, long-term incentives are provided only to the most senior Executives, as they are reserved for those considered to have the greatest potential to influence overall levels of performance.

Committee discretion in operation of variable pay schemes

The Committee operates under the powers it has been delegated by the Board. In addition, it complies with rules that are either subject to shareholder approval (Long-Term Incentive Plan and Deferred Share Bonus Plan) or to approval by the Board (annual performance bonus scheme). These rules provide the Committee with certain discretions which serve to ensure that the implementation of the Remuneration Policy is fair, both to the individual Director and to shareholders. The Committee also has discretion to set components of remuneration within a range, from time to time. The extent of such discretion is set out in the relevant rules, the maximum opportunity or the performance metrics section of the Policy table above. To ensure the efficient administration of the variable incentive plans outlined above, the Committee will apply certain operational discretions.

These include the following:

- Selecting the participants in the plans on an annual basis
- Determining the timing of grants of awards and/or payments
- Determining the quantum of awards and/or payments (within the limits set out in the Directors' Remuneration Policy table)
- Determining the choice and adjustment of performance measures and targets for each incentive plan in accordance with the Policy set out above and the rules of each plan
- Determining the extent of vesting based on the assessment of performance, and judgement relating to measurement of performance in certain circumstances such as a change of control or reconstruction
- Whether recovery and withholding shall be applied to any award in the relevant circumstances and, if so, the extent to which it shall be applied
- Making appropriate adjustments as required in certain circumstances, for instance changes in capital structure

- Determining 'good leaver' status for incentive plan purposes and applying the appropriate treatment
- Undertaking the annual review of weighting of performance measures and setting targets for the Annual Bonus Plan and other incentive schemes, where applicable, from year to year

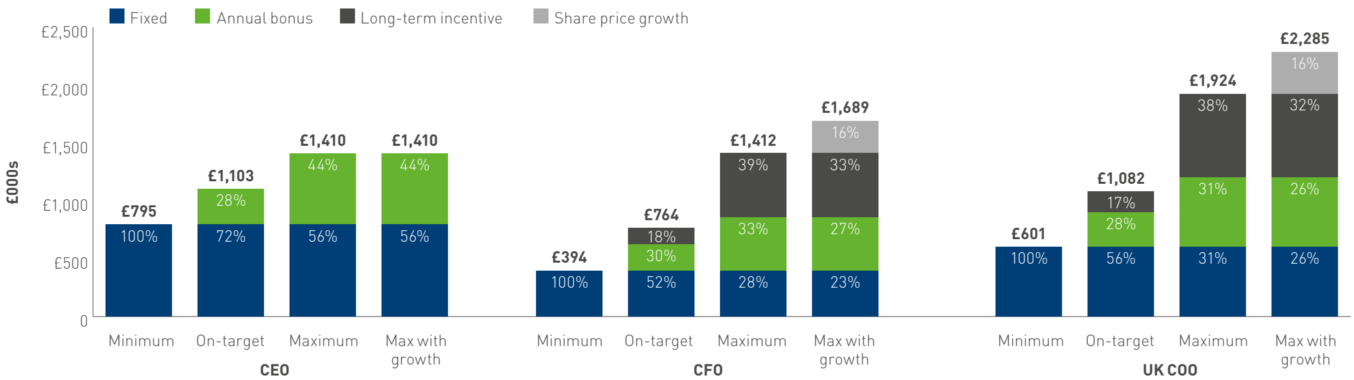
If an event occurs which results in the Annual Bonus Plan or LTIP performance conditions and/or targets being deemed no longer appropriate (e.g. material acquisition or divestment), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions are not materially less challenging than the original conditions. Any use of the above discretion would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Legacy arrangements

For the avoidance of doubt, the Committee may approve payments to satisfy commitments agreed prior to the approval of this Directors' Remuneration Policy, including to the listing of the Company in November 2017 that have either been disclosed to shareholders in the prospectus or formed part of the pre-IPO Remuneration Policy. The Committee may also approve payments outside this Remuneration Policy in order to satisfy legacy arrangements made to an employee prior to (and not in contemplation of) promotion to the Board. This includes restricted share awards (being share awards without any performance criteria) which were granted to below Board employees who have subsequently been appointed to the Bakkavor Board. All historic awards that were granted prior to the approval of this Directors' Remuneration Policy, including in connection with or prior to listing, but which remain outstanding, remain eligible to vest based on their original award terms.

Remuneration scenarios for Executive Directors

The charts below show an estimate of the 2021 remuneration package for each Executive Director under four assumed performance scenarios. These scenarios are based upon the Remuneration Policy set out above.



The scenarios used in the graphs above are defined as follows:

	Minimum	Target	Maximum	Maximum with share price growth
Base salary	As at 1 January 2021			
Benefits	Estimated value for 2021			
Pension	CEO and CFO – 3% of salary; and UK COO – 20% of salary			
Bonus	0% of maximum	50% of maximum	100% of maximum CEO: 80% of salary CFO and UK COO: 125% of salary	As per maximum
LTIP (CFO & UK COO only)	0% of maximum	25% of maximum	100% of maximum CFO & UK COO: 150% of salary	As per maximum but in addition a 50% share price increase over three years is assumed

Other remuneration policies

Remuneration for new appointments

Where it is necessary to appoint or replace an Executive Director, the Committee's approach when considering the overall remuneration arrangements in the recruitment of a new Executive Director is to take account of the calibre, expertise and responsibilities of the individual, his or her remuneration package in their prior role, and market rates. Remuneration will be in line with our Policy and the Committee will not pay more than is necessary to facilitate recruitment.

The remuneration package for a new Executive Director will be set in accordance with the terms of the Company's approved Remuneration Policy in force at the time of appointment. Further details are provided below:

Salary	The Committee will set a base salary appropriate to the calibre, experience and responsibilities of the new appointee. In arriving at a salary, the Committee may take into account, amongst other things, the market rate for the role, internal relativities and his or her salary level prior to joining the Board. The Committee has the flexibility to set the salary of a new Executive Director at a lower level initially, with a series of planned increases implemented over the following few years to bring the salary to the desired positioning, subject to individual performance. In exceptional circumstances, the Committee has the ability to set the salary of a new Executive Director at a rate higher than the market level to reflect the criticality of the role and the experience and performance of the individual.
Benefits	Benefits will be consistent with the principles of the Policy set out on page 120. The Company may award certain additional benefits and other allowances including, but not limited to, those to assist with relocation support, temporary living and transportation expenses, educational costs for children and tax equalisation to allow flexibility in employing an overseas national.
Pension benefits	A maximum pension contribution in line with the workforce contribution level (currently 3% of salary) may be payable for external appointments or any internal promotions appointed following the approval of this Policy.
Annual bonus	The maximum bonus opportunity is 150% of base salary.
Long-Term Incentive Plan	The maximum opportunity is 200% of base salary. This may be used on recruitment and on an ongoing basis, if appropriate.
Replacement awards	In addition to the above, the Committee may offer additional cash and/or share-based elements in order to 'buy out' remuneration relinquished on leaving a former employer. In the event that such a buyout is necessary to secure the services of an Executive Director, the structure of any award or payment will mirror, as far as is possible, the arrangements in place at the incoming Executive Director's previous employer. Any share awards made in this regard may have no performance conditions, or different performance conditions, or a shorter vesting period compared with the Company's existing plans, as appropriate. Shareholders will be informed of any buyout arrangements at the time of the Executive Director's appointment.
Notice periods	Notice periods shall be up to 12 months.

Depending on the timing and responsibilities of the appointment, it may be necessary to set different annual bonus/LTIP performance measures and targets from those applicable to other Executive Directors.

Any incentive awards granted to employees prior to their promotion to the Board will be permitted to vest on their original terms.

The terms of appointment for a Non-executive Director would be in accordance with the Remuneration Policy for Non-executive Directors as set out in the Policy table.

Termination and loss-of-office payments

The Group's policy on remuneration for Executive Directors who leave the Group is consistent with general market practice. The Committee will exercise its discretion when determining amounts that should be paid to leavers, taking into account the facts and circumstances of each case.

It is the Company's policy that the period of notice for Executive Directors will not normally exceed 12 months and, accordingly, the employment contracts of the Executive Directors are terminable on 12 months' notice by either party. In the event of an Executive Director's departure, a payment in lieu of notice may be payable. The Company may pay the value of the Executive Director's base salary together with accrued holiday entitlement.

The Company is unequivocally against rewards for failure; the circumstances of any departure, including the individual's performance, would be taken into account in every case. Statutory redundancy payments may be made, as appropriate. Service agreements may be terminated without notice and without payment in lieu of notice in certain circumstances, such as gross misconduct. The Company may require the Executive Director to work during their notice period or may choose to place the individual on garden leave; for example, to ensure the protection of the Company's and shareholders' interests where the Executive Director has access to commercially sensitive information. The Committee may agree payments it considers reasonable in settlement of legal claims. This may include an entitlement to compensation in respect of leavers' statutory rights under employment protection legislation in the UK or in other jurisdictions.

Except in the case of gross misconduct or resignation, the Company may at its absolute discretion reimburse for reasonable professional fees relating to the termination of employment and, where an Executive Director has been required to relocate, to pay reasonable repatriation costs, including possible tax exposure costs.

Ordinarily, Executive Directors have no entitlement to a bonus payment in the event they cease to be employed by the Group or are under notice of termination of employment at the date that their bonus would otherwise be paid. However, they may be considered for a bonus payment by the Committee in 'good leaver' circumstances (i.e. death, injury, disability, retirement, their employing company or the business for which they work being sold out of the Group or in other circumstances at the discretion of the Remuneration Committee). Any such bonus payment would ordinarily be subject to a pro-rata reduction based on the period worked in the relevant year, and there would be no requirement for any portion of such bonus payment to be deferred into an award over shares under the Deferred Annual Bonus Plan.

In the event of an Executive Director's departure, any outstanding share awards will be treated in accordance with the plan rules as follows:

Deferred Annual Bonus Plan ("DABP")	As a general rule, a DABP award will lapse upon a participant ceasing to hold employment or ceasing to be a Director within the Group (where relevant). In the event of a participant's death, injury, disability, retirement, their employing company or the business for which they work being sold out of the Group or in other circumstances at the discretion of the Remuneration Committee, awards will not be forfeited but will instead normally vest in full on the original vesting date (or on the date of cessation if the Remuneration Committee so determines) to such extent (which may include the full extent of the award) as the Remuneration Committee determines appropriate. In exceptional circumstances, the Remuneration Committee may allow the awards to vest on cessation of the participant's employment.
Long-Term Incentive Plan	As a general rule, an LTIP award will lapse upon a participant ceasing to hold employment or ceasing to be a Director within the Group (where relevant). However, if the participant ceases to be an employee or a Director within the Group because of their death, injury, disability, retirement, their employing company or the business for which they work being sold out of the Group or in other circumstances at the discretion of the Remuneration Committee, then their award will vest on the date when it would have vested if they had not so ceased. The extent to which an award will vest in these situations will depend upon two factors: • The extent to which the performance conditions (if any) have been satisfied at that time • The pro-rating of the award by reference to the period of time served in employment during the normal vesting period, although the Remuneration Committee can decide to reduce or eliminate the pro-rating of an award if it regards it as appropriate to do so in the particular circumstances Alternatively, if a participant ceases to be an employee or Director in the Group for one of the 'good leaver' reasons specified above (or in other circumstances at the discretion of the Remuneration Committee), the Remuneration Committee can decide that their award will vest on cessation, subject to: • The performance conditions measured at that time • Pro-rating by reference to the time of cessation as described above Such treatment shall also apply in the case of death.

Executive Directors' service contracts

The Company does not have agreements with any Director that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover. In accordance with long-established policy, all Executive Directors have rolling service agreements which may be terminated in accordance with the terms of these agreements. Directors' service agreements are kept for inspection by shareholders at the Company's registered office.

Name	Date of joining Bakkavor	Date of service contract	Notice period
Agust Gudmundsson	1 August 1986 (founder)	18 December 2011, as amended by a variation letter dated 2 October 2017	12 months either party
Ben Waldron	1 June 2011	12 October 2020	12 months either party
Mike Edwards	4 September 2001	23 December 2020	12 months either party

Policy on external appointments

The Board believes that it may be beneficial to the Group for Executives to hold non-executive directorships outside the Group. Any such appointments are subject to approval by the Board and the Director may retain any fees received at the discretion of the Board. No Executive Director currently holds any external non-executive directorships.

Non-executive Directors' terms of engagement

Each of the Non-executive Directors is engaged under a market-standard Non-executive Director appointment letter, which states that the appointment will continue for a renewable three-year term provided that the appointment must not continue for more than nine years in total. In any event, each appointment is terminable by either party on one month's written notice with no other right to compensation for loss of office. All Non-executive Directors are subject to annual re-election at each AGM. The dates of appointment of each of the Non-executive Directors serving at the date of this report are summarised in the table below.

Non-executive Director	Date of joining Bakkavor	Date of contract or date of first appointment
Simon Burke (Chairman)	1 December 2016	20 October 2017
Umran Beba	1 September 2020	1 September 2020
Jill Caseberry	1 March 2021	24 February 2021
Patrick L. Cook	12 July 2018	12 July 2018
Lydur Gudmundsson	1 August 1986 (founder)	20 October 2017
Denis Hennequin	20 October 2016	20 October 2017
Jane Lodge	3 April 2018	3 April 2018

The Chairman, in consultation with the Executive Directors, is responsible for proposing changes to the Non-executive Directors' fees. The Remuneration Committee is responsible for proposing changes to the Chairman's fees.

In proposing such fees, account is also taken of the time commitments of the Group's Non-executive Directors. The decision on fee changes is taken by the Board as a whole. Individual Non-executive Directors do not take part in discussions in relation to their own remuneration.

Shareholder views

The Board is committed to open dialogue with shareholders and intends to engage directly with them and their representative bodies when considering any significant changes to our remuneration arrangements. The Remuneration Committee will consider shareholder feedback received following each AGM, as well as any additional feedback and guidance received from time to time. This feedback will be considered by the Committee as it develops the Company's remuneration framework and practices going forward. Assisted by its independent adviser, the Remuneration Committee also actively monitors developments in the expectations of institutional investors and their representative bodies.

Employment conditions

The Committee is regularly updated throughout the year on pay and conditions applying to Group employees, including any significant changes to employment conditions. However, no specific remuneration comparison measurements were used to inform the Committee's policy design considerations.

Whilst the Committee does not currently consult directly with employees regarding its policy for Directors, it has considered the new provisions in the UK Corporate Governance Code 2018. As a result, it has formalised a number of existing, and will be introducing a number of new, initiatives to ensure that the 'employee voice' is heard in the boardroom.

The Policy for Executive Directors, which is set out over the previous pages, supports the business needs of the Company, ensuring it promotes long-term success whilst enabling it to attract, retain and motivate Senior Executives of a high calibre. The Committee is satisfied that the Policy supports the Company's strategy of growing long-term shareholder value and appropriately balances fixed and variable remuneration. With a high proportion of reward delivered in the form of equity (for Executives other than the current Chief Executive Officer), this ensures that Executives have a strong alignment with shareholders through the Company's share price.

ANNUAL REPORT ON REMUNERATION

This part of the report has been prepared in accordance with Part 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and Rule 9.8.6 of the Listing Rules. The Annual Statement and Annual Report on Remuneration will be put to a single advisory shareholder vote at the AGM on 20 May 2021.

Report of the Remuneration Committee ("the Committee")

Committee membership

The Committee is formally constituted and operates on written Terms of Reference which are available at www.bakkavor.com. Members of the Remuneration Committee during the year were:

	Attendance
Denis Hennequin (Committee Chair)	6 out of 6
Sue Clark	6 out of 6
Todd Krasnow	5 out of 5
Umran Beba	2 out of 2

Todd Krasnow and Sue Clark ceased to be members of the Committee when they stepped down from the Board on 19 October 2020 and 27 November 2020, respectively. Umran Beba joined the Board and the Remuneration Committee on 1 September 2020 and Jill Caseberry joined the Board and the Remuneration Committee on 1 March 2021.

The biographies of the Committee members are set out on pages 88 to 89.

Members of management including the Chief Executive Officer, the Chief Financial Officer, the Chief People Officer and the Group Head of Reward are invited to attend meetings where appropriate. The Company Secretary is the secretary to the Committee. Attendees are not involved in any decisions and are not present for any discussions regarding their own remuneration. The Company Chairman may attend meetings but is not present when his own remuneration arrangements are being decided.

Independent advisers

The Committee takes account of information from both internal and independent sources, including FIT Remuneration Consultants LLP ("FIT") which acts as the Committee's independent adviser. FIT was appointed by the Remuneration Committee as a result of a tender process and advised the Committee on all aspects of Senior Executive remuneration, including remuneration trends and corporate governance best practice.

FIT is a founder member of the Remuneration Consultants' Group and complies with its Code of Conduct, which sets out guidelines to ensure that its advice is independent and free of undue influence. The Committee reviews the performance and independence of its advisers on an annual basis. Bakkavor incurred fees of £67,604 excluding VAT during 2020 relating to Remuneration Committee advice. FIT billed on a time and materials basis and did not provide any other services to Bakkavor during 2020.

Single total figure of Directors' remuneration – year ended 26 December 2020 (audited)

The total remuneration of the individual Directors who served during the financial year is shown below.

£000s		Base salary	Benefits	Pension	Total fixed remuneration	Bonus	LTIP	Total variable remuneration	**Total remuneration**
Executive Directors									
Agust Gudmundsson [1]	**2020**	**577**	**2**	**115**	**694**	**0**	**–**	**0**	**694**
	2019	769	8	115	892	95	–	95	987
Peter Gates	**2020**	**455**	**12**	**96**	**563**	**0**	**0**	**0**	**563**
	2019	479	12	96	587	93	–	93	680
Non-executive Directors									
Simon Burke (Chairman)	**2020**	**177**	**1**	**–**	**178**	**–**	**–**	**–**	**178**
	2019	200	–	–	200	–	–	–	200
Umran Beba [2]	**2020**	**23**	**–**	**–**	**23**	**–**	**–**	**–**	**23**
	2019	–	–	–	–	–	–	–	–
Sue Clark [3]	**2020**	**56**	**–**	**–**	**56**	**–**	**–**	**–**	**56**
	2019	70	–	–	70	–	–	–	70
Patrick L. Cook [4]	**2020**	**0**	**–**	**–**	**–**	**–**	**–**	**–**	**0**
	2019	0	–	–	–	–	–	–	0
Lydur Gudmundsson [5]	**2020**	**208**	**2**	**–**	**210**	**–**	**–**	**–**	**210**
	2019	265	4	–	269	–	–	–	269
Denis Hennequin	**2020**	**62**	**–**	**–**	**62**	**–**	**–**	**–**	**62**
	2019	70	–	–	70	–	–	–	70
Todd Krasnow [6]	**2020**	**68**	**7**	**–**	**75**	**–**	**–**	**–**	**75**
	2019	100	8	–	108	–	–	–	108
Jane Lodge	**2020**	**62**	**3**	**–**	**65**	**–**	**–**	**–**	**65**
	2019	70	–	–	70	–	–	–	70
Total	**2020**	**1,688**	**27**	**211**	**1,926**	**0**	**0**	**0**	**1,926**
	2019	2,023	32	211	2,266	188	–	188	2,454

Notes to the remuneration table:

1 For Executive Directors, taxable benefits comprised car allowance (Peter Gates only) and private medical cover. Lydur Gudmundsson is also entitled to medical cover in the UK for the benefit of his family.

2 Umran Beba joined the Board on 1 September 2020.

3 Sue Clark stepped down from the Board on 27 November 2020.

4 Patrick L. Cook receives no fee for his services.

5 Lydur Gudmundsson's Non-executive Director base fee is £70,000 p.a. In addition, given his unique expertise and insight into the Company's business as a founder of the Bakkavor Group, pursuant to an agreement between Lydur Gudmundsson and Bakkavor Iberica S.L.U., and a service agreement between Bakkavor Iberica S.L.U. and Bakkavor Holdings Limited, Lydur Gudmundsson will continue to be employed to provide consulting services to the Group for a fee of €230,000 per annum. The exchange rate used to convert to GBP for the above table is £1:€1.11 (2019: £1:€1.18).

6 Todd Krasnow stepped down from the Board on 19 October 2020. His taxable benefits include travel and accommodation-related expenses which have been grossed up for tax.

The Board and Management Board agreed voluntary reductions in salary/fees for three months during 2020: the Chairman and Non-executive Directors took a 50% reduction in base salaries and fees, while the Group's founders (CEO, Agust Gudmundsson and Non-executive Director, Lydur Gudmundsson) did not take a salary/fees during this period. The wider Management Board including Peter Gates also agreed to a voluntary 20% reduction to their base salaries. The total amounts waived were £197k (Agust Gudmundsson), £25k (Peter Gates), £26k (Simon Burke), £9k (Sue Clark), £70k (Lydur Gudmundsson), £9k (Denis Hennequin), £13k (Todd Krasnow) and £9k (Jane Lodge). The figures above reflect the reduced salary levels.

2020 annual bonus (audited)

During the year, employees were eligible for an annual bonus, subject to meeting performance objectives established at the beginning of the financial year by reference to suitably challenging corporate goals over the 12-month period. In 2020, the annual bonus targets and performance-related outcomes were as follows:

Metrics	Weighting	Threshold (0%)	Target (50%)	Maximum (100%)	Actual performance	% outcome
Group Adjusted EBIT (post bonus provision)	75%	£104.6m	n/a	£116.6m	£83.6m	0%
Employee turnover[1]	25%	n/a	20.9%	18.8%	17.9%	25%
Total (% of max)						**25%**

1 Employee turnover starts to earn at target performance, for which 50% of this element becomes payable. No bonus is capable of being earned below target performance.

The annual bonus was based 75% on Adjusted EBIT and 25% on employee engagement measured through employee turnover. As a result of the pandemic's impact on our business, Adjusted EBIT of £83.6 million fell short of the threshold and no bonus became payable in respect of this element. The non-financial element of employee turnover was met in full, achieving the full 25% for this element.

However, given the impact of the pandemic on the Bakkavor business, the Remuneration Committee did not feel it was appropriate to pay a bonus to Executive Directors and the Executives agreed with this decision. Therefore, no annual bonuses were awarded to the CEO and CFO.

Bonuses were paid to employees below the Board and reflected the huge efforts and commitment applied by colleagues during a difficult and challenging period.

Long-Term Incentive Plan

Awards with performance periods ending in the year (audited)

Peter Gates was granted an award over 399,372 shares under the LTIP on 9 April 2018 which were capable of vesting on 9 April 2021. The awards were based 50% on relative TSR targets measured over a three-year period ending on 26 December 2020 and 50% on Earnings per Share targets for the year ended 26 December 2020.

Reflecting the impact of COVID-19 on the business in the 2020 financial year, neither measure was achieved, and the award will lapse in full.

Measure	Threshold (25% vesting)	Maximum (100% vesting)	Actual	Vesting (% of maximum)
Relative TSR (50%)[1]	Median	Upper quartile	Below Median	0%
EPS (50%)	16.5 pence	18.6 pence	8.7 pence	0%

1 The relative TSR peer group comprised Associated British Foods, A.G Barr, Booker Group, Britvic, Coca-Cola HBC, Compass Group, Cranswick, Dairy Crest Group, Devro, Diageo, Domino's Pizza Group, DP Eurasia, EI Group, Fullers, Greencore Group, Greene King, Greggs, Hilton Food Group, JD Wetherspoon, J Sainsbury, Marston's, McColl's Retail, Mitchells & Butlers, Morrisons, Ocado Group, Premier Foods, PureCircle, Restaurant Group, SSP Group, Stock Spirits Group, Tate & Lyle, Tesco, Unilever and Whitbread.

Awards granted in 2020 (audited)

The Remuneration Committee was due to grant LTIP awards to selected senior employees in April 2020 but due to the impact of the pandemic on the business and the Board's focus on more immediate priorities, the Remuneration Committee decided to delay the grant of the awards until later in the financial year.

The following awards, structured as nil-cost options, were made under the LTIP to the now former CFO on 15 September 2020. The Chief Executive Officer does not participate in the LTIP:

	Date of grant	Basis of award (% of salary)	Face value of awards at grant	Number of shares under award	Date of vesting
Peter Gates	15 September 2020	150%	£717,789[1]	1,118,051	15 September 2023

1 Based on the five-day average share price of £0.642 to 15 September 2020. 25% vests at threshold.

The Remuneration Committee recognises that these awards were granted at a lower share price than in previous years and it will determine, at the time of vesting, whether any adjustment is required to the vesting outcome to address any windfall gains received.

Given the significant impact of COVID-19 on Bakkavor and the lack of visibility on the timing of the recovery, the Remuneration Committee determined that these awards will vest in 2023 subject to performance relating to relative total shareholder return targets only. The details of these targets are shown in the table below:

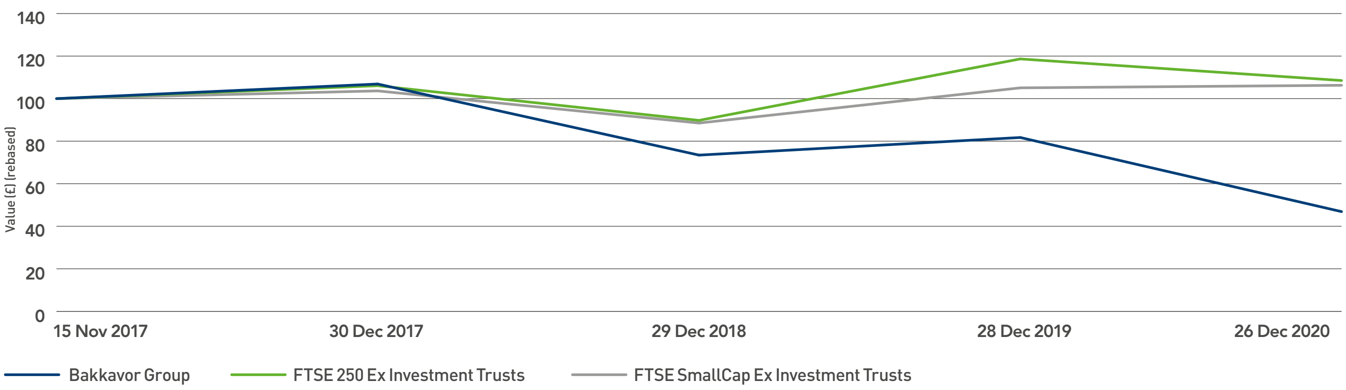
Relative TSR[1]	Portion of award vesting
Below median	0%
Median	25%
Between median and upper quartile	Pro-rata on straight-line basis between 25% and 100%
Upper quartile	100%

1 TSR is measured from over the three-year period commencing from the date of grant against the following companies: Associated British Foods, A.G Barr, Britvic, Coca-Cola HBC AG, Compass Group, Cranswick, Devro, Diageo, Domino's Pizza Group, DP Eurasia, Fuller, Greencore Group, Greggs, Hilton Food Group, JD Wetherspoon, J Sainsbury, Marston's, McColl's Retail, Mitchells & Butlers, Morrisons, Ocado Group, Premier Foods, Restaurant Group, SSP Group, Stock Spirits Group, Tate & Lyle, Tesco, Unilever and Whitbread.

Total shareholder return ("TSR") and CEO single figure history

The chart below shows the Company's TSR performance compared with that of the FTSE 250 Index (excluding investment trusts) and the FTSE SmallCap over the period from the date of the Company's Admission to the London Stock Exchange to 26 December 2020. The FTSE 250 and SmallCap indices are considered by the Board to be the most appropriate broad equity comparator indices for Bakkavor as it has been a member of each in the recent period.

TSR is defined as the return on investment obtained from holding a company's shares over a period. It includes dividends paid, the change in the capital value of the shares and any other payments made to or by shareholders within the period.



Source: Datastream (Thomson Reuters)

CEO single figure

	CEO	CEO single figure of total remuneration £'000	Annual bonus payout as a proportion of maximum	LTIP vesting as a proportion of maximum
2020	Agust Gudmundsson	£694	0%	n/a
2019	Agust Gudmundsson	£987	12.4%	n/a
2018	Agust Gudmundsson	£864	0%	n/a

The CEO does not participate in the LTIP.

Outstanding LTIP awards

Details of all outstanding share awards held by the former Chief Financial Officer:

	Award type	Ex. price	Grant date	Interest at December 2019	Awards granted in year	Awards lapsed in year	Awards vested in year	Interest at December 2020	Date of vesting / exercise period
Peter Gates	Pre-IPO LTIP	76.4p	3 July 2017	1,222,515	–	611,258	611,257	611,257	1 April 2020
	LTIP	£0	9 April 2018	399,372	–	–	–	399,372	9 April 2021
	LTIP	£0	9 April 2019	579,509	–	–	–	579,509	9 April 2022
	LTIP	£0	15 September 2020	–	1,118,051	–	–	1,118,051	15 September 2023
	DABP	£0	14 October 2020	–	48,607	–	–	48,607	14 October 2023

Payments to former Directors and for loss of office (audited)

No payments were made to former Directors of the Company or in relation to loss of office during the year.

Peter Gates retired from the Board on 26 December 2020. Peter received his base salary, benefits and pension to the date of ceasing employment and did not receive any payment in lieu of notice. As a retiree, Peter was treated as a good leaver and his outstanding share awards (as set out in the above table) will vest on their normal vesting dates with LTIP awards subject to performance assessment and a time pro-rata reduction.

External directorships

No Executive Directors currently hold non-executive directorships at any companies outside the Bakkavor Group.

Statement of Directors' shareholdings and share interests (audited)

The share interests of each Director as at 26 December 2020 (together with interests held by connected persons) are set out in the table below. As a direct link between executive remuneration and the interests of shareholders, the Committee has implemented shareholding guidelines for Executive Directors and key senior employees. The guidelines require that Executive Directors build up and maintain an interest in the Ordinary shares of the Company that is 200% of their annual base salary, and retain half of any vested deferred bonus and Long-Term Incentive Plan awards (net of any taxes due) until this guideline is met.

Shareholdings for Directors who have held office during the year ended 26 December 2020 are set out as a percentage of salary or fees in the table below. During the period from 26 December 2020 to the publication of this report, there have been no changes in the Directors' share interests and none of the Directors hold any loans against their shares or otherwise use their shares as collateral.

	Beneficially owned shares 26 December 2020	Vested but unexercised share awards	Unvested share awards – LTIP	Unvested share awards – DABP	Total interests held at 28 December 2020	Shareholding as a % of salary[2]
Executive Directors						
Agust Gudmundsson	**142,103,505**	–	–	–	**142,103,505**	14,839%[1]
Peter Gates	**–**	611,257	2,096,932	**48,607**	**2,756,796**	4.3% [1]
Non-executive Directors						
Simon Burke (Chairman)	**50,000**	–	–	–	**50,000**	n/a
Sue Clark	**–**	–	–	–	**–**	n/a
Patrick L. Cook	**–**	–	–	–	**–**	n/a
Lydur Gudmundsson	**142,103,505**	–	–	–	**142,103,505**	n/a
Denis Hennequin	**–**	–	–	–	**–**	n/a
Todd Krasnow	**–**	–	–	–	**–**	n/a
Jane Lodge	**–**	–	–	–	**–**	n/a
Umran Beba	**–**	–	–	–	**–**	n/a

1 Calculation based on share price of £0.803 as at 26 December 2020.

2 Shares owned outright by the Executive Director or a connected person are included. Shares or share options which are subject to a performance condition are not included. Unvested deferred bonus shares and vested LTIP awards (excluding pre-IPO awards) which remain unexercised are included on a net of tax basis and count towards the in employment guideline.

Percentage change in remuneration

The table below shows the percentage change in salary, benefits and annual bonus earned between the year ended 28 December 2019 and the year ended 26 December 2020 for the Board compared to the average earnings of all of the Group's other UK employees. The Committee chose the Group's UK salaried employees for pay comparison with the Chief Executive Officer as the most meaningful comparator group as the UK Listed Parent Company does not have any employees.

	Salary / Fees	Benefits	Annual Bonus
Agust Gudmundsson	0%	-75%	-100%
Peter Gates	0%	0%	-100%
Simon Burke (Chairman)	0%	see note 1	n/a
Sue Clark	0%	n/a	n/a
Patrick L. Cook	0%	n/a	n/a
Lydur Gudmundsson	0%	-50%	n/a
Denis Hennequin	0%	n/a	n/a
Todd Krasnow	0%	-13%	n/a
Jane Lodge	0%	see note 1	n/a
Umran Beba	0%	n/a	n/a
Company average	0%	n/a	n/a

1 Both Simon Burke and Jane Lodge had no benefits in 2019 and the comparable benefit values for 2020 were £1k for Simon Burke and £3k for Jane Lodge.

Given the makeup of our c.19,000 workforce, the majority of UK employees do not participate in an annual bonus scheme or receive taxable benefits and therefore it is not possible to make any meaningful comparison on the percentage change in annual bonus or benefits.

Relative importance of spend on pay

The following table shows the Company's actual spend on pay for all Group employees relative to dividends:

	2019	2020	% increase
Staff costs	£522.0m	**£514.0m**	(1.5%)
Dividends	£34.8m	**–**	n/a

CEO pay ratio

In line with the reporting regulations, set out below is the ratio of Group CEO pay compared to the pay of UK full-time equivalent employees for the financial year ended 26 December 2020. We expect the pay ratio to vary from year to year, driven largely by the annual bonus outcome for the Group CEO, which will significantly outweigh any other changes in pay at Bakkavor. The pay ratios are calculated using Option B for the CEO and UK employees. The CEO single total figure remuneration of £694k is given in the table above. The Committee is satisfied that the pay ratio is reasonable and consistent with the Company's wider policies on employee pay, reward and progression, see page 126 for further details.

	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
FY ended 26 December 2020	Option B	41:1	34:1	28:1
FY ended 28 December 2019	Option B	56:1	39:1	36:1

Bakkavor has calculated the pay ratio using Option B alongside its gender pay data, as it involved the simplest method of calculation, given our large number of employees. Total remuneration for all UK full-time equivalent employees of the Company on 26 December 2020 has been calculated in accordance with the Option B methodology. The gender pay gap data from April 2020 was used to identify employees at the 25th, 50th and 75th percentiles. Data was analysed for a number of employees around each quartile figure to ensure that there were no anomalies. Remuneration for each of these individuals was then re-calculated for the 2020 financial year, in line with the methodology for calculating the CEO's remuneration. The Committee is satisfied that the resulting figures are reasonable and are appropriately representative for the purposes of the CEO pay ratio calculations. Set out in the table below is the base salary and total pay and benefits for each of the percentiles.

£	25th percentile	Median	75th percentile
Salary	£16,678	£19,961	£23,712
Total pay and benefits	£16,946	£20,584	£24,445

Statement of implementation of Remuneration Policy in 2021

Annual base salary

Base salaries for the Executive Directors, effective 1 January 2021, are set out below:

	Base salary 2020	**Base salary 2021**	**% increase**
Agust Gudmundsson	**£768,750**	**£768,750**	**0%**
Ben Waldron	**–**	**£370,000**	**n/a**
Mike Edwards	**–**	**£481,096**	**n/a**

Mike Edwards' base salary is £481,096 upon his appointment to the Board. His salary reflects his significant role in the Group as UK Chief Operating Officer. Ben Waldron's salary has been set at £370,000 initially to reflect his first Board appointment. It is the Committee's intention to increase Ben's salary to the market rate for the role as he gains more experience and subject to his contribution and performance.

Benefits and pension

Reflecting investors' views in this area, Agust Gudmundsson's pension contribution for 2021 decreased from 15% of salary to 3% of salary with effect from 1 February 2021 to be in line with the workforce rate. Ben Waldron's 2021 pension will also be in line with the general workforce rate of 3% of salary.

Mike Edwards joined Bakkavor in 2001. He became Chief Operating Officer for the UK in 2014 and, reflecting his important role in leading the UK business, joined the Board on 27 December 2020. Mike's pension contribution prior to joining the Board was a Company contribution of 20% (based on his £468,220 base salary prior to joining the Board). The Remuneration Committee is aware of shareholders' expectations regarding pension alignment and considered carefully this matter in Mike's case. Reducing Mike's pension to 3% would have reduced his fixed pay by c.£80k which was not felt appropriate upon his appointment. The Committee considered increasing Mike's base salary but felt that his current salary remains appropriate for the role being undertaken. Therefore, the Committee agreed that Mike's pension contribution should remain at 20% of salary until December 2023, after which time it will be reduced to the workforce rate in place at the time. The Remuneration Committee is aware that the approach being taken is not in line with investor guidance but believes it is a pragmatic solution which (i) ensures Mike's fixed pay is not increased, (ii) achieves workforce pension alignment within a reasonable period of time, and (iii) does not reduce Mike's pay for being promoted to the Board.

A 20% pension contribution for Mike in 2021 will be contingent upon the approval of the 2021 Directors' Remuneration Policy.

Bonus

The 2021 annual bonus maximum, as a percentage of base salary, is as follows:

Agust Gudmundsson	80% of salary
Mike Edwards	125% of salary
Ben Waldron	125% of salary

For 2021, the annual bonus for the Executive Directors will comprise two measures, consistent with the approach taken in 2020.

- Adjusted EBIT for the Group (75%)
- Employee engagement measured through employee turnover (25%)

It is not possible to disclose specific targets in advance, as this would give a clear indication of the Group's business objectives, which are commercially sensitive. However, full details of the targets and performance against them will be disclosed in next year's Annual Report.

Awards for financial measures will be subject to an underlying performance override, enabling them to be scaled back to reflect the Group's underlying performance. Malus and clawback provisions apply.

In line with the Remuneration Policy, one-third of any bonus earned will be deferred for three years, conditional upon continued employment. Deferral for the Chief Executive Officer will be in cash (given his current shareholding), whereas the Chief Financial Officer's and UK Chief Operating Officer's deferral will be in shares.

Long-Term Incentive Plan

The Committee intends to grant awards of nil-cost options under the Long-Term Incentive Plan in April 2021 to the Chief Financial Officer and UK Chief Operating Officer at 150% of salary, in line with the Policy set out in this report.

The Committee considered the fall in the share price over the year and whether an adjustment was needed to the grant levels to reflect this. However, on balance it was felt that the award levels should be unchanged but to avoid any potential windfall gains, the Committee will apply a cap to the value of each LTIP award in pence terms. The details of the cap will be set out in the RNS statement detailing the grant. The awards will be subject to relative TSR (measured against a bespoke group of food and drink companies) and EPS measures, each with equal weighting. The Committee is determining the precise EPS targets and these will also be set out in the RNS at grant.

Awards will be subject to a two-year holding period following the three-year performance period as well as malus and clawback. In addition, before an award vests the Committee must be satisfied that the underlying performance of the Group is satisfactory. The Committee believes that having a performance override is an important feature of the plan, as it mitigates the risk of unwarranted vesting outcomes.

Non-executive Directors' fees for 2021

Fees for the Non-executive Directors and Chairman have increased by 2.75% and are as follows:

	Fee
Chairman	£205,500
Base Non-executive Director fee	£71,925

Notes:

Patrick L. Cook does not receive any fees for his role as Non-executive Director.

Given his unique expertise and insight into the Company's business as a founder of the Bakkavor Group, pursuant to an agreement between Lydur Gudmundsson and Bakkavor Iberica S.L.U., and a service agreement between Bakkavor Iberica S.L.U. and Bakkavor Holdings Limited, Lydur Gudmundsson is employed to provide consulting services to the Group for a fee of €230,000 per annum. Lydur Gudmundsson is also entitled to medical coverage in the UK for the benefit of his family.

No additional fee is payable to any Non-executive Directors for additional responsibilities such as serving on a Committee of the Board. Each Non-executive Director is also entitled to reimbursement of reasonable expenses, including transatlantic travel expenses.

Shareholder voting

The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the Company seeks to understand the reasons for any such vote and will report any actions in response to it. The following table sets out actual voting at the AGM on 12 June 2020 in respect of the Directors' Remuneration Report for the year ended 28 December 2019 and the actual voting at the AGM on 23 May 2018 in respect of the current Directors' Remuneration Policy:

	Remuneration Report	
	Total number of votes	% of votes cast
For	558,386,046	99.59%
Against	2,304,233	0.41%
Total votes cast (excluding withheld votes)	**560,690,279**	**100.0%**
Total votes withheld	624	0.00%
Total votes cast (including withheld votes)	**560,690,903**	**100.00%**

	Remuneration Policy	
	Total number of votes	% of votes cast
For	525,675,523	99.73%
Against	1,428,523	0.27%
Total votes cast (excluding withheld votes)	**527,104,046**	**100%**
Total votes withheld	754,164	0.14%
Total votes cast (including withheld votes)	**527,858,210**	**100%**

On behalf of the Board

Denis Hennequin
Chair, Remuneration Committee
15 March 2021

The Directors present their report, together with the Audited Group Financial Statements, for the year ended 26 December 2020.

Principal activities and business review
The Group produces and markets fresh prepared food in the UK, US and China. The Company employs approximately 19,318 employees worldwide and is headquartered in London, UK.

Directors' Report content
The Strategic Report, the Corporate Governance Report and the Directors' Remuneration Report are all incorporated by reference into this Directors' Report and should be read as part of this report.

Registered office
Bakkavor Group plc is incorporated as a public limited company and is registered in England with the registered number 10986940. Bakkavor Group plc's registered office is Fitzroy Place, 5th Floor, 8 Mortimer Street, London, W1T 3JJ.

Our registrars are Equiniti Limited, located at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

Corporate governance statement
Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules ("DTRs") Rule 7, a requirement exists for a corporate governance statement to be included in this Directors' Report. The corporate governance statement, explaining how the Group complies with the Governance Code, is set out on page 86. A description of the composition and operation of the Board and its Committees is set out on pages 87 to 90.

Other than the areas of non-compliance identified on page 86, the Group has complied throughout the accounting period with the 2018 UK Corporate Governance Code.

Engagement with suppliers, customers and others
In accordance with the Large and Medium-sized Companies and Groups (Accounts and Report) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Company's statement on engagement with, and having due regard to, the interests of employees and key stakeholders is contained within the Section 172 statement in the Strategic Report on pages 20 to 25.

Strategic Report
Section 414A of the Companies Act 2006 ("the Act") requires the Directors to present a Strategic Report in the Annual Report and Financial Statements. This information can be found on pages 1 to 83.

Management report
For the purposes of DTR Rules 4.1.5R (2) and 4.1.8, the Directors' Report and the Strategic Report on pages 1 to 83 comprise the Management Report.

Disclosures
This Directors' Corporate Governance Report fulfils the requirements of the Directors' Report for the purposes of the Act. The Strategic Report can be found on pages 1 to 83, and encompasses our corporate social responsibility report.

In line with the Regulations which implement the European Union Accounting Directive (SI 2015/980), a complete list of the Group's subsidiaries has been included on pages 200 to 201 to comply with section 409 of the Act.

We have chosen, in accordance with the Act, to include certain information in our Strategic Report or Financial Statements that would otherwise be required to be disclosed in the Directors' Report. This is as follows:

	Page
Important events since the financial year end	202
Likely future developments in the business	29
Research and development	141
Use of financial instruments	164
Employee engagement	56
Greenhouse gas emissions	52
Risk management	71
Details of subsidiaries	200

Listing Rule 9.8.4R disclosures
In accordance with Listing Rule 9.8.4R of the UK Financial Conduct Authority's Listing Rules, the table below sets out the location of the following sections/information within the Annual Report & Accounts:

Listing Rule 9.8.4	Required disclosure	Page reference
(1)	Interest capitalised and tax relief	Note 9 to the Financial Statements
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of long-term incentive schemes	Note 33 to the Financial Statements and pages 126 to 129 of Directors' Remuneration Report
(5)	Waiver of emoluments by a Director	Pages 120 to 137 of Directors' Remuneration Report
(6)	Waiver of future emoluments by a Director	Pages 120 to 137 of Directors' Remuneration Report
(7)	Non pre-emptive issues of equity for cash	Not applicable
(8)	Non pre-emptive issues of equity for cash by major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance involving a Director	Page 140 of Directors' Report
(11)	Provision of services by a controlling shareholder	Page 140 of Directors' Report
(12)	Shareholder waivers of dividends	Not applicable
(13)	Shareholder waivers of future dividends	Not applicable
(14)	Agreements with controlling shareholders	Page 140 of Directors' Report

Results
The results for the year ended 26 December 2020 are set out in the Financial Statements on page 153.

Dividend
As a result of the COVID-19 pandemic and its impact on the business during the year, the Board will not be declaring a dividend for the full year 2020.

At the outset of the pandemic, the Board made the prudent decision to suspend the 2019 final dividend as a precautionary measure until the impact of COVID-19 became clearer. The Board is however mindful of the importance of income to shareholders and this payment will remain under review until we have clearer visibility on future trading.

The Group's profit for the financial year, after taxation, amounts to £34.1 million (2019: £36.9 million).

Directors' insurance and indemnities
Bakkavor has made qualifying third-party indemnity provisions (as defined in the Act) for the benefit of its Directors. These provisions were in force throughout the year and remain at the date of approval of this Annual Report. In accordance with the Articles, and to the extent permitted by law, Bakkavor may indemnify its Directors out of its own funds to cover liabilities arising as a result of their office.

Bakkavor holds Directors' and officers' liability insurance cover for any claim brought against Directors or officers for wrongful acts in connection with their positions, but the cover does not extend to claims arising from dishonesty or fraud.

Appointment and retirement of Directors
The rules governing the appointment and replacement of Directors can be found in the Articles, the 2018 Code, the Act and related legislation. Under the terms of reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Board.

At the AGM, all Directors will offer themselves for re-election to the Board. All Directors' biographies are set out on pages 88 to 89.

Service contracts
The Company's policy regarding Directors' service contracts and appointment terms is to take account of market practice and to ensure that notice periods are not excessive.

No Director has a service contract with a notice period in excess of one year.

Directors' share interests
The share interests of the Directors as at 26 December 2020 and as at the date of the publication of this report are:

	26 December 2020		Date of publication	
Name	Number of shares	% of voting rights	Number of shares	% of voting rights
Simon Burke	50,000	0.01%	50,000	0.01%
Agust Gudmundsson	142,103,505	24.52%	142,103,505	24.52%
Lydur Gudmundsson	142,103,505	24.52%	142,103,505	24.52%

Board of Directors
The Directors of the Company during the year are set out below and Directors' biographies are set out on pages 88 to 89 of this report. Subject to company law and the Articles, the Directors may exercise all of the powers of the Company and delegate their power and discretion to committees.

The powers of the Directors are set out in the Schedule of Matters Reserved to the Board, which is available on the Bakkavor website at www.bakkavor.com/investors/governance.

Name	Role	Effective date of departure/appointment
Departures		
Sue Clark	Independent Non-executive Director	27 November 2020
Peter Gates	Chief Financial Officer	27 December 2020
Todd Krasnow	Non-executive Director	19 October 2020
Appointments		
Umran Beba	Independent Non-executive Director	1 September 2020
Jill Caseberry*	Independent Non-executive Director	1 March 2021
Mike Edwards	Chief Operating Officer	27 December 2020
Ben Waldron	Chief Financial Officer	27 December 2020
Other		
Simon Burke	Chairman	20 October 2017
Patrick L. Cook	Non-independent Non-executive Director	12 July 2018
Agust Gudmundsson	Chief Executive Officer	28 September 2017
Lydur Gudmundsson	Non-independent Non-executive Director	20 October 2017
Denis Hennequin	Independent Non-executive Director	20 October 2017
Jane Lodge	Independent Non-executive Officer	3 April 2018

* Appointed on 1 March 2021 and announced on 25 February 2021

Subject to applicable law, the Articles and any directions given by special resolution, the business of the Company will be managed by the Board, which may exercise all powers of the Company.

Articles of Association
The Company's Articles of Association set out the objects and powers of the Company. The Articles of Association detail the rights attaching to shares, the method by which the Company's shares can be purchased or re-issued, the provisions which apply to the holding of and voting at general meetings and the rules relating to the Directors, including their appointment, retirement, re-election, duties and powers. The Company's Articles of Association may be amended by a special resolution passed by the shareholders at an AGM or EGM of the Company. A copy of the Articles of Association can be obtained from the Company's website, www.bakkavor.com

Share capital and capital structure

The Company's issued share capital as at 26 December 2020 comprised a single class of share divided into Ordinary shares of 2 pence each. At the date of publication, the Company's issued share capital comprised 579,425,585 Ordinary shares. Details of the Company's issued share capital are also shown in Note 28 to the Consolidated Financial Statements.

Details of employee share schemes are set out in Note 32 to the Consolidated Financial Statements.

Restrictions attaching to shares

The Company has a single class of share which carries no right to fixed income. Each share is non-redeemable, carries equal voting rights and ranks equally for dividends and capital distributions, whether on a winding up or otherwise.

There are no specific restrictions on the size of a holding nor on the transfer of Ordinary shares, which are both governed by the general provisions of the Articles and prevailing legislation.

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or that may result in restrictions on voting rights.

There are no persons who hold securities carrying special rights with regard to the control of the Company.

Powers for the Company issuing or buying back shares

Under the Articles, the Board has general and unconditional authority for each prescribed period to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company in accordance with section 551 of the Act.

The Company was given authority at the 2020 AGM to make market purchases of up to 10% of its issued share capital as permitted under the Articles. The Company made no purchases of its own Ordinary shares during the year ended 26 December 2020 and up to the date of this report.

This standard authority is renewable annually; the Directors will seek to renew this authority at the 2021 AGM.

A special resolution will be proposed to renew the Directors' authority to repurchase the Company's shares within certain limits and as permitted by the Articles at the 2021 AGM.

Significant agreements and relationship change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts, property lease arrangements and employee share plans. None of these are considered to be significant (except as explained below) in terms of their likely impact on the business of the Group as a whole.

The agreement that governs the Company's Term Loan and Revolving Credit Facilities ("Facilities Agreement") provides that, on a change of control, any lender may on notice cancel its commitments under the Facilities Agreement. In the event of a takeover, the exercise by the lenders under the Facilities Agreement of the right to cancel could have a significant impact on the business of the Group, as the outstanding amounts thereunder would become immediately due and payable.

The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

There are no employee share scheme rights with regard to control of the Company.

Controlling shareholders

The aggregate shareholding in the Company of Carrion Enterprises Limited (the corporate holding structure of Agust Gudmundsson), Umbriel Ventures Limited (the corporate structure of Lydur Gudmundsson) and their concert party group (the "controlling shareholders") is 50.15%. The Company is party to a relationship agreement with Carrion Enterprises Limited, Umbriel Ventures Limited, the trustee(s) of The A.G. Trust (which owns 100% of Carrion Enterprises Limited) and the trustee(s) of The L.G. Trust (which owns 100% of Umbriel Ventures Limited).

Lixaner Co Limited (an entity which is a concert party of Carrion Enterprises Limited and Umbriel Ventures Limited following its acquisition of Shares in the Company on 23 May 2019) executed a Deed of Adherence to the relationship agreement on 15 April 2020 and is duly bound by its terms.

This agreement regulates the relationship between the Company and the controlling shareholders as required by the Listing Rules, including Listing Rule 9.2.2AR(2)(a) and Listing Rule 6.1.4DR. In accordance with the requirements of Listing Rule 9.8.4R(14), the Board confirms that: (i) the Company has complied with the independence provisions set out in the relationship agreement during the period under review; and (ii) so far as the Company is aware, the controlling shareholders complied with the independence provisions set out in the relationship agreement during the period under review.

Major interests in shares

The Group has been notified in accordance with the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rules ("DTRs"), or was otherwise aware, that the following held, or were beneficially interested in, 3% or more of Bakkavor's issued Ordinary shares. There were no other interests in shares notified between 26 December 2020 and 15 March 2021, being the last practicable date.

	26 December 2020		Date of publication of Annual Report	
Name	Number of Ordinary shares	% of voting rights	Number of Ordinary shares	% of voting rights
Carrion Enterprises Limited (corporate holding structure of Agust Gudmundsson)	142,103,505	24.52	142,103,505	24.52
Umbriel Venture Limited (corporate holding structure of Lydur Gudmundsson)	142,103,505	24.52	142,103,505	24.52
BP-PE5 L.L.C. (corporate holding structure of the Baupost Group)	143,832,928	24.82	143,832,928	24.82
Ruffer LLP	29,342,732	5.06	29,342,732	5.06
Aberforth Partners LLP	28,996,413	5.0	28,996,413	5.0

Engagement with shareholders
The Board supports the aims of the 2018 Code and the UK Stewardship Code to promote engagement and interaction between listed companies and their major shareholders.

The Board welcomes the opportunity for investors and shareholders to engage directly with the Chairman and Senior Independent Director, Audit and Risk and Remuneration Committee Chairs and also with the Chief Executive Officer and Chief Financial Officer. An appropriate range of investor relations events following the publication of the full-year and half-year results has been scheduled in 2021.

Annual General Meeting
Bakkavor's AGM provides the Board with the opportunity to communicate with private and institutional investors, with time being set aside at the meeting for shareholders to ask questions.

At the AGM, the Chairman provides a brief summary of the Company's activities during the previous year. All resolutions at the 12 June 2020 AGM were passed. As recommended by the 2018 Code, all resolutions were voted on separately and the final voting results, which included all votes cast for, against and withheld, were released to the London Stock Exchange as soon as practicable after the meeting.

The Board continues to monitor the evolving situation with COVID-19 with respect to the forthcoming AGM on 20 May 2021. At the time of writing, in light of the current UK Government's measures on staying at home, social distancing and specifically the avoidance of gatherings and non-essential use of public transport, the AGM will be a closed meeting and shareholders will be urged not to attend in person. The Board will continue to monitor the UK Government's guidance and if it should change, it will update the AGM arrangements and notify shareholders accordingly. Shareholders will be provided with an opportunity to submit questions in advance of the meeting in order to encourage engagement with the Board.

Full details of the 20 May 2021 AGM arrangements and the resolutions to be proposed at the AGM as well as shareholders' rights with respect to attendance, participation in the meeting and the process for submission of proxy votes in advance of the meeting, will be set out in the Notice of AGM.

Additional information for shareholders can be found on the Bakkavor website at www.bakkavor.com.

Research and development
Developing innovative new products remains core to the business. The Group uses insights gained through analysis of consumer research and data, as well as knowledge of food trends sourced from around the world, to build an understanding of what consumers want. Teams of chefs and product development experts continuously create and test recipes and work collaboratively with the Group's commercial and marketing teams to ensure products taste great, are commercially viable and reinforce the Group's market-leading position. Further information can be found on pages 10 and 11 and Note 2 to the Group Financial Statements.

Employees with disabilities
Applications for employment by prospective employees with disabilities are given full and fair consideration having regard to candidates' aptitudes and abilities. On occasions where existing employees develop a disability, every effort is made to ensure that their employment with the Group continues and any reasonable adjustments are made. Appropriate training is also provided.

It is the policy of the Group that the training, career development and promotion of employees with disabilities should, as far as possible, be the same as that of our other employees. For further information, see the Responsible Recruitment and Employment section on page 59.

Employee engagement
Open, ongoing and constructive communication enables the Company to hear from all levels of the business as well as keep employees informed and updated. Bakkavor runs an Engagement Survey every 18 months to monitor performance on all aspects of employee engagement. In 2020 a number of recommendations from the outcomes of the 2019 survey were implemented, including for example, more frequent Company-wide communication from the Management Board and Senior Executives. The next iteration of the People survey will be run in April 2021.

The Company's Group Employee Forums ("GEF") and Site Employee Forums ("SEF") are one of our core, open channels between employees and management. SEF representatives are elected by their peers and play a vital role in sharing best practices across sites, supporting local causes and charities, providing support and seeking advice as well as celebrating local successes.

Despite the COVID-19 pandemic preventing SEF representatives from gathering in person for Bakkavor's annual Group Employee Forum conference, we held a virtual conference in September 2020 that brought together GEF and SEF representatives with Senior Management including Sue Clark, who was the designated Non-executive Director and employee representative on the Board until she stepped down in autumn 2020. The conference provided an opportunity for COO, Mike Edwards and Chief People Officer, Donna-Maria Lee to provide a business update and answer questions.

Discussions included details around the COVID-19 response and impact as well as new ways of working. GEF and SEF representatives also spoke about the impact that the pandemic has had on their sites and colleagues' lives, sharing challenges, learnings but also positive stories about how colleagues have supported each other and their communities in otherwise difficult times. Discussion points were shared back in Management Board and Group Board meetings and the input shaped the resources provided in the employee wellbeing programme and the Wellbeing Toolkit which offers colleagues emotional, physical and financial support. During the pandemic, the Group has continued to focus on further prioritising the health, safety and wellbeing of all of its colleagues and implemented a number of additional controls and enhanced safety measures.

Colleagues are provided with information on matters of concern to them in their work through regular briefing meetings and internal publications. To inform employees of the economic and financial factors affecting the business, regular updates are posted on the internet and engagement events are hosted with members of the Management Board.

For further information, see pages 56 to 63.

Greenhouse gas emissions, energy consumption and energy efficiency action
Please see the 'Sustainability and innovation in our operations' section on pages 49-55.

Charitable donations

Bakkavor believes in giving back to those communities in which we operate. Our Charity and Political Donations Policy sets out the ways charitable giving may be channelled: through monetary and product donations, supporting our colleagues in their fundraising efforts and advocating skills and volunteering events, where appropriate. We never use charitable donations as a means to gain improper influence and all monies given to charity in Bakkavor's name are subject to due process. Bakkavor does not give financial donations or support to political individuals, representatives, parties or causes in any country in which we operate.

For further information see page 63.

Political donations

No political donations were made during the financial year.

Financial Instruments

Please refer to Note 27 to the Group Financial Statements.

Going concern

The Directors have reviewed the historical trading performance of the Group and the forecasts through to March 2022. The Directors, in their detailed consideration of going concern, have reviewed the Group's future revenue projections and cash requirements, which they believe are based on prudent interpretations of market and past experience.

The Directors have also considered the Group's level of available liquidity under its financing facilities which were renewed on 18 March 2020 for a four-year period. The Directors have carried out a robust assessment of the potential implications from both the current COVID-19 outbreak and the terms of the UK's exit from the European Union at the end of 2020. This has included updated scenario planning on the implications of further waves of COVID-19 and the potential for further lockdown restrictions which may impact consumer demand for the Group's products. The Group has also modelled the potential impact of further disruption on sales volumes and an increase in operating costs as, from the start of 2021, the business now operates under the terms of the trade deal agreed by the UK and the EU at the end of 2020.

Having taken these factors into account, under either scenario, which are considered to be severe but plausible, the Directors consider that adequate headroom is available based on the forecasted cash requirements of the business. At the date of this report, the Group has complied in all respects with the terms of its borrowing agreements, including its financial covenants, and forecasts to continue to do so in the future. Consequently, the Directors consider that the Company and the Group have adequate resources to meet their liabilities as they fall due for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

Please see Principal Risks and Uncertainties on pages 74 to 83 and Note 2 of the Financial Statements for further detail including the potential impact of COVID-19 on the business.

Viability statement

In line with Provision 31 of the 2018 Code, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period to the end of 2023. For further information see page 73 and the subsequent events mentioned below.

Directors' statement as to the disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the Auditors in connection with preparing its report, of which the Auditors are unaware. Each Director has taken all the steps that he or she is obliged to take as a Director in order to make himself or herself aware of any relevant audit information, and to establish that the Company's Auditors are aware of that information. This confirmation is given pursuant to s418 of the Act and should be interpreted in accordance with and subject to these provisions.

Subsequent events

Please refer to Note 35 to the Group Financial Statements.

On 9 March 2021 the Group extended the maturity date of £430 million of its core debt facilities from March 2024 to March 2025.

The Spring Budget 2021 announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The deferred tax assets and liabilities of UK companies within the Group have been calculated at 19% as this rate has been substantively enacted at the Balance Sheet date. Had the 25% rate been substantively enacted on or before 26 December 2020 it would have had the effect of increasing the deferred tax asset by £0.3m and increasing the deferred tax liability by £7.5m.

The Directors' Report was approved by the Board on 15 March 2021.

By order of the Board

A Bannerman

Annabel Tagoe-Bannerman
Group General Counsel & Company Secretary
Bakkavor Group plc
15 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Directors have prepared the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under Company law, Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether, for the Group, international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company Financial Statements, subject to any material departures disclosed and explained in the Financial Statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Group and Company will continue in business

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 .

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Group Board section, confirm that, to the best of their knowledge:

- The Group Financial Statements, which have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and additionally, in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- The Company Financial Statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- The Strategic Report includes a fair review of the development and performance of the business, and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

Agust Gudmundsson
Chief Executive Officer
15 March 2021

Report on the audit of the financial statements

Opinion

In our opinion:

- Bakkavor Group plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the company's affairs as at 26 December 2020 and of the Group's profit and the Group's cash flows for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Accounts (the " Annual Report "), which comprise: the Consolidated and Company Statements of Financial Position as at 26 December 2020; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated and Company Statements of Changes in Equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in Note 2 to the Group financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group.

Other than those disclosed in the Report of the Audit and Risk Committee, we have provided no non-audit services to the Group in the period under audit.

Our audit approach

Overview

Audit scope

- Full scope audit procedures performed over the complete financial information of eight components, and specified procedures over a further seven components
- Central audit procedures performed by the Group audit team which included the audit of the recoverability of goodwill, the audit of the presentation and disclosure of exceptional items, the audit of the Group's current and deferred income taxes, the audit of Group share based payment schemes, the audit of the defined benefit pension scheme and the audit of the Group consolidation
- Audit coverage from full scope and specified procedures over 75% of Group revenue
- Full scope audit procedures performed over the Company financial information

Key audit matters

- Completeness and accuracy of customer deduction accruals (Group)
- Recoverability of goodwill in relation to the US Cash Generating Unit (Group)
- Presentation and disclosure of exceptional items. (Group)
- The impact of COVID-19 (Group and Company)

Materiality

- Overall Group materiality: £3.8 million (2019: £4.1 million) based on 5% of a three-year average of profit before tax on underlying activities.
- Overall Company materiality: £3.6 million (2019: £3.6 million) based on 1% of net assets.
- Performance materiality: £2.9 million (Group) and £2.7 million (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules, Pensions legislation, Tax legislation, Employment regulation, Health and Safety legislation and other legislation specific to the industry in which the Group operates (including Food Safety legislation), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, internal audit and the Group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Consideration of any changes to the control environment as a result of COVID-19;
- Assessment of matters reported on the Group's whistleblowing helpline, and the results of management's investigation of such matters;
- Review of minutes of those charged with governance;
- Review of internal audit reports;
- Review of key correspondence with regulatory authorities;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to calculation of customer deduction accruals and the recoverability assessment for goodwill (see related key audit matters below); and.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations which impact revenue, which could manipulate the financial performance of the business.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Valuation of deferred tax assets relating to the US and the possible impact from an ongoing national minimum wage enquiry by the UK tax authorities, which were key audit matters last year, are no longer included. In relation to US deferred tax asset recognition, the work performed in the prior year indicated no issues with the recognition of US deferred tax assets and the performance of the US CGU has improved in the 52 week period to 26 December 2020 despite the impact of COVID-19. With respect to the potential impact from the national minimum wage enquiry, although the enquiry remains ongoing, management has now calculated and recognised a provision in respect of this matter. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Completeness and accuracy of customer deduction accruals (Group)	At the planning stage of the audit, we assessed the design and implementation of controls over the customer deduction process.
Refer to the accounting policies in Note 2 and the critical estimate in Note 3 of the Consolidated Financial Statements.	
As described in Notes 2 and 3 of the Consolidated Financial Statements, revenue from the sale of goods is measured net of deductions relating to commercial incentive arrangements in the form of volume-related rebates, marketing and promotional funding, discounts or lump sum incentives ("customer deductions"), when it is highly probable that they will not reverse.	We understood and assessed the Group's revenue recognition accounting policies, including the recognition of customer deductions.
The complexity of customer deductions depends on the specifics of each arrangement. Some arrangements relating to specific products or promotions are simple whereas other arrangements may cover multiple manufacturing sites, multiple products or span period ends. These are more complex and can require estimation of the amount of deductions ultimately claimed. Management judgement is required when assessing if unclaimed historical deduction accruals are no longer required.	We performed risk assessment analytics by reviewing the rebate deductions as a percentage of revenue by customer. We also performed gross margin analysis year on year to identify any unusual or unexpected trends.

Key audit matter	How our audit addressed the key audit matter
We performed a detailed risk assessment on each of our in scope components to determine the correct inherent risk level for the two key assertions of completeness and accuracy, and tailored the extent of our audit procedures accordingly. We focused on this area in specific components because of the number and variety of contractual arrangements and the inherent uncertainty in future outcomes. Management estimates the level of claims from customers based on historical experience and the specific terms of individual agreements. Key inputs into these estimates include forecast sales volumes (where agreements are not co-terminus), estimated consumer uptake (in relation to promotional funding) and ongoing negotiations with the Group's customers. The Audit and Risk Committee's discussion of this key audit matter is set out on page 111.	We assessed the completeness and accuracy of amounts recognised in the income statement and accrued at the period end: • We obtained management's schedule of customer deduction accruals which analyses the opening accrual to closing accrual with reference to amounts claimed, amounts accrued in the period and amounts released. We verified the mathematical accuracy of the schedule; • We retrospectively reviewed management's historical accuracy of accruals recorded in the previous year by comparison to the amounts subsequently settled during the current year and challenged management if any amounts had not been adjusted. Immaterial differences were identified and reported to the Audit and Risk Committee; • For a sample of customer deductions recorded in the period, we agreed key inputs and assumptions to the calculation to supporting documentation. This included third party support such as subsequent settlement amounts, or where unsettled, contracts or correspondence with the customer. Where relevant we verified the sales value or volume to which underlying contract terms had been applied. We recalculated the income statement and accrual amounts to test mathematical accuracy. We challenged management on any discrepancies identified which resulted in an immaterial difference being reported to the Audit and Risk Committee; • We selected a sample of prior year accruals settled in the period by agreeing to debit notes or payments made to the customer; • We selected a sample of aged accruals released in the period to verify that they met the Group's accounting policy regarding passage of time, and challenged management on the appropriateness of the ageing of accruals including any change in age categorisation; and • In order to test for completeness we reviewed commercial agreements for undisclosed volume rebates, promotional funding arrangements or marketing support. We performed detailed testing to ensure that expected promotional accruals had been recognised. We compared information obtained at site level with Group level discussions. We performed substantive testing of post year end payments and credit notes issued to ensure none related to unrecognised deduction accruals. We reviewed local management's debit note reconciliation to ensure all related deduction accruals were correctly recognised. We also assessed the adequacy of the disclosure provided in Note 2 and Note 3 of the Consolidated Financial Statements in relation to the relevant accounting standards. We found no material differences as a result of audit procedures performed.
Recoverability of goodwill in relation to the US Cash Generating Unit (Group) Refer to the accounting policies in Note 2, the critical estimate in Note 3 and Note 13 of the Consolidated Financial Statements. Goodwill must be tested for impairment on at least an annual basis. The determination of recoverable amount, being the higher of value in use and fair value less costs of disposal, requires estimations on the part of management in both identifying and then valuing the relevant group's cash-generating units (CGUs).	At the planning stage of the audit, we assessed the design and implementation of controls over the impairment review process. As part of our audit of management's impairment assessment and underlying discounted cashflow model: • We obtained the impairment model prepared by management and tested the technical and arithmetic accuracy to ensure that it had been prepared in line with the guidance provided in IAS 36. Management had not applied mid-year discounting and this was subsequently updated in the final model; • We used internal valuation experts to determine whether management's discount rate was within an acceptable range and concluded that it was appropriate;

Key audit matter	How our audit addressed the key audit matter
The CGU with the lowest level of headroom in the impairment test was the US CGU. At 26 December 2020 the Group recognised goodwill of £45.8 million and other assets of £56.0 million in relation to this CGU. The Group has made material investments in the US business to accelerate growth in line with the long-term strategy to build a strong presence in the US. We focused on this area as management judgement is required to establish the recoverable amount using value in use models. This includes judgement in the selection of assumptions used to estimate forecast future cash flows such as revenue growth rates and profit margins, and in the selection of appropriate discount and long-term growth rates. These items are all subjective and susceptible to management bias and execution risk and could lead to an impairment charge if incorrect. The US CGU forecasts show significant growth which could be impacted by the challenging economic conditions caused by COVID-19, which further increases the level of judgement inherent in the forecasts which underpin the impairment assessment. The Audit and Risk Committee's discussion of this key audit matter is set out on page 111.	• We used internal valuation experts to determine if long-term growth rates used in the impairment model were consistent with external sources of evidence. We challenged management on the low growth rate assumed in the initial model and this was subsequently updated in the final model; • We challenged the basis of the short-term forecasts used in the model. This included, but was not limited to: – agreeing forecasts to Board approved plans; – assessing the revenue growth rates with reference to historical growth in the US business, actual performance of the US CGU in 2020 and 2021 to date and versus key customer growth plans; – verifying forecast margins with reference to historical growth in the US business and actual performance of the US CGU in 2020 and 2021 to date; – reviewing capital forecasts versus Board approved plans; and – reviewing management's historical accuracy of forecasting; We performed sensitivity analysis by reducing cash inflows through constraining both revenue growth and EBITDA margin, and separately sensitised the discount rate and long-term growth rates to understand the impact that possible changes could have. We concluded that no impairment charge is required, and concurred with the disclosures included in the financial statements.
Presentation and disclosure of exceptional items. (Group) Refer to the accounting policies in Note 2, Note 3 and Note 7 of the Consolidated Financial Statements. Consistent with prior years the Group has reported exceptional items separately within the consolidated income statement which are excluded from management's reporting of the underlying results of the Group. We focused on this area because management's judgement is required in order to identify and present items as exceptional. Our specific area of focus was to assess whether the items identified by management as exceptional are in line with the Group's accounting policy (i.e. are material items that are significant in nature or non-recurring, and are important to users in understanding the business) and have been treated consistently. The Audit and Risk Committee's discussion of this key audit matter is set out on page 111.	We assessed the appropriateness of the Group's accounting policy and whether those items disclosed as exceptional are consistent with the accounting policy and the approach taken in previous accounting periods. We assessed the control procedures that relate to the preparation, review and approval of the amounts included in exceptionals. We have examined the items classified as exceptional to understand management's rationale for their separate presentation and assessed the appropriateness of their presentation by reference to the Group's accounting policies and the FRC guidance in this area; • For asset impairments relating to discontinued product lines and obsolescence we picked a sample of items and verified that the equipment had been scrapped, or where this had not yet occurred corroborated that the asset related to a product line that was no longer in production; • For asset impairments recorded in relation to site closures, we verified the book values to accounting records and confirmed that the sites had closed. Where the relevant assets had not yet been disposed of, we sought representations from management to confirm their view that the assets could neither be redeployed nor sold due to a lack of active market; and • For a sample of restructuring costs we agreed amounts recorded to subsequent redundancy payment. We challenged the disclosures for items classified as exceptional with a focus on ensuring there was a clear narrative setting out why they are excluded from underlying performance. We concluded that the treatment of exceptional items was consistent with the policy set out in Note 2 which has been applied consistently between periods. As part of our review of the Annual Report, we also considered the disclosures in respect of exceptional items and reconciliation of adjusted profit measures to the equivalent statutory measures and concluded that these were appropriate.

Key audit matter	How our audit addressed the key audit matter
The impact of COVID-19 (Group and Company) The COVID-19 pandemic has impacted the performance of the Group during FY20, with the severity of the impact varying across the Group's divisions. As a result, the pandemic has brought increased estimation uncertainty to certain areas of the financial statements. In addition, the Group made use of a number of government assistance schemes (see Note 8) including the UK government's Coronavirus Job Retention Scheme ('CJRS'), the administration of which is complex.	In response to the key areas identified as being significantly impacted by COVID-19, we performed the following procedures: In relation to the CJRS income recorded: • Tested a sample of CJRS claims and associated cash receipts; and • For a sample of employees we performed checks on the eligibility of the employee, the calculation of the furlough claim and also confirmed that the amounts claimed had been transferred to the employee. We challenged management on the disclosure of CJRS income within the financial statements and this was subsequently enhanced.
The key areas of the financial statements most impacted by the pandemic are: The Directors have carefully considered the appropriateness of the going concern basis of preparation in the Group's financial statements. In doing so, they prepared a severe but plausible downside cash flow forecast which is explained further within the viability statement on page 73. The downside forecast indicates that under the scenario the Group would be able to continue to operate within its committed facilities throughout the going concern period. The Directors therefore concluded in Note 2 that the going concern basis of preparation was appropriate; and	We evaluated the appropriateness of the severe but plausible downside cash flow forecast used in management's determination of the going concern basis of preparation, which included an assessment of any key assumptions underpinning the net cash position forecast throughout the going concern period. We concluded that modelling a profitability and cash flow position that assumed a continuation of the key factors impacting FY20 trading performance was an appropriately severe but plausible scenario.
At 26 December 2020 the Group recognised goodwill of £45.8 million in relation to the US business. Given the potential impact of the continuing pandemic on the US trading performance, there is a risk that the value of the US CGU could be materially reduced.	Refer to our second Key Audit Matter above for details of how we considered the impact of COVID-19 in our procedures over the recoverability of goodwill.
The Audit and Risk Committee's discussion of this key audit matter is set out on page 110.	Based on the work detailed above and inquiries of management, we consider the Group's response, accounting and disclosures in relation to the COVID-19 pandemic to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group is structured according to manufacturing sites, each of which is a component and which maintains separate accounting records and controls. The Group financial statements is a consolidation of reporting units, comprising the manufacturing sites and centralised functions.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at each reporting component. Three reporting components were determined to be financially significant due to their relative contribution to profit before tax on underlying activities or revenue. Full scope audit procedures were performed over these components. No reporting components were determined to be significant based on their risk profile.

We identified a further five UK components which, in our view, required a full audit of their complete financial information in order to ensure that sufficient appropriate audit evidence was obtained. We also identified certain large or material balances in other components where specified procedures were performed. These included multiple balances within the US component, accounts receivable and cash balances within the Chinese sub-consolidation, accounts payable within the Inbound Logistics component, tangible fixed assets and provisions within two property components, external borrowings and related interest expenses within the finance company and accounts receivable and cash within an additional UK trading component to which specific audit procedures were performed to ensure that we had sufficient audit coverage over the relevant financial statement line items.

The Group consolidation, financial statement disclosures and a number of centralised functions were audited by the Group audit team at the head office. These included the audit of the recoverability of goodwill, the audit of the presentation and disclosure of exceptional items, the audit of the Group's current and deferred income taxes, the audit of Group share based payment schemes, the audit of the defined benefit pension scheme and the audit of the Group consolidation.

We also performed Group level analytical procedures on all of the remaining out of scope reporting units to identify whether any further audit evidence was needed. This resulted in no additional substantive testing.

This audit work resulted in coverage over 75% of Group revenues.

The Company was also subject to a full scope audit by the Group audit team.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£3.8 million (2019: £4.1 million).	£3.6 million (2019: £3.6 million).
How we determined it	5% of a three-year average of profit before tax on underlying activities	1% of net assets
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, profit before tax on underlying activities is a key measure used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark. A three-year average is used due to fluctuations in profit before tax on underlying activities, which do not represent changes in the overall size of the business.	We believe that net assets is an appropriate benchmark for a non-trading holding company.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.5 million and £2.5 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £2.9 million for the Group financial statements and £2.7 million for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £0.2 million (Group audit) (2019: £0.2 million) and £0.2 million (Company audit) (2019: £0.2 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's paper that supports the Board's assessment and conclusions with respect to the disclosures provided around going concern and viability;
- We discussed with management the assumptions applied in the going concern review so we could understand and challenge the rationale for those assumptions, using our knowledge of the business, the sector and wider commentary available from key customers;
- We reviewed monthly trading results to January 2021, and weekly trading results thereafter for 2021 year to date, and compared to management's original budget and revised forecasts, and considered the impact of these actual results on the future forecast period;
- We reviewed management's severe but plausible downside sensitivity scenario. We assessed the availability of liquid resources under the base case and downside scenario modelled by management, and the associated covenant tests applied. We reviewed management's identified mitigating actions to confirm they are within management's control, albeit we note that no significant mitigations are required; and
- We assessed additional downside sensitivities and considered the impact on covenants and liquidity headroom.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and the Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and the Directors' Report for the period ended 26 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and the Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Governance section, is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report & Accounts that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 23 May 2019 to audit the financial statements for the 52-week period ended 28 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the 52-week periods ended 28 December 2019 to 26 December 2020.

Arif Ahmad

Arif Ahmad (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
15 March 2021

CONSOLIDATED INCOME STATEMENT
52 WEEKS ENDED 26 DECEMBER 2020

		52 weeks ended 26 December 2020			52 weeks ended 28 December 2019		
£ million	Note(s)	Underlying activities	Exceptional items[1]	Total	Underlying activities	Exceptional items[1]	Total
Continuing operations							
Revenue	4,5	**1,793.5**	**–**	**1,793.5**	1,885.9	–	1,885.9
Cost of sales		**(1,279.4)**	**–**	**(1,279.4)**	(1,375.0)	(1.6)	(1,376.6)
Gross profit		**514.1**	**–**	**514.1**	510.9	(1.6)	509.3
Distribution costs		**(70.5)**	**–**	**(70.5)**	(77.1)	–	(77.1)
Other administrative costs		**(360.1)**	**(21.6)**	**(381.7)**	(344.6)	(18.7)	(363.3)
Share of results of associates after tax	17	**0.1**	**–**	**0.1**	0.5	–	0.5
Operating profit/(loss)		**83.6**	**(21.6)**	**62.0**	89.7	(20.3)	69.4
Finance costs	9	**(19.3)**	**(1.7)**	**(21.0)**	(18.7)	–	(18.7)
Other gains and (losses)	10	**3.2**	**–**	**3.2**	(6.9)	–	(6.9)
Profit/(loss) before tax		**67.5**	**(23.3)**	**44.2**	64.1	(20.3)	43.8
Tax (charge)/credit	11	**(14.5)**	**4.4**	**(10.1)**	(10.9)	4.0	(6.9)
Profit/(loss) for the period attributable to equity holder of the Parent Company	6	**53.0**	**(18.9)**	**34.1**	53.2	(16.3)	36.9
Earnings per share							
Basic	12			**5.9p**			6.4p
Diluted	12			**5.8p**			6.3p

1 The Group presents its income statement with three columns. The Directors consider that the underlying activities results better represent the ongoing operations and key metrics of the Group. Details of exceptional items can be found in Note 7 and include material items that are non-recurring, significant in nature and are important to users in understanding the business, including restructuring costs, disruption costs, accelerated amortisation of financing fees and impairment of assets. In addition, the Group uses further alternative performance measures which can be found in Note 37.

The Notes to the accounts form an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
52 WEEKS ENDED 26 DECEMBER 2020

£ million	Note	52 weeks ended 26 December 2020	52 weeks ended 28 December 2019
Profit for the period		**34.1**	36.9
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on defined benefit pension schemes	33	**0.4**	8.3
Tax relating to components of other comprehensive income/(expense)	11	**(0.1)**	(1.4)
		0.3	6.9
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(2.6)**	(6.8)
Loss on cash flow hedges		**(1.1)**	–
Hedging gains reclassified to profit or loss		**0.2**	–
Tax relating to components of other comprehensive income/(expense)		**0.2**	–
		(3.3)	(6.8)
Total other comprehensive (expense)/income		**(3.0)**	0.1
Total comprehensive income		**31.1**	37.0

The Notes to the accounts form an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 26 DECEMBER 2020

£ million	Note	26 December 2020	28 December 2019 As restated[1]
Non-current assets			
Goodwill	13	**649.6**	651.2
Other intangible assets	14	**2.2**	2.7
Property, plant and equipment	15	**535.3**	553.7
Interests in associates and other investments	17	**12.2**	12.6
Deferred tax asset	23	**13.0**	11.2
Retirement benefit asset	33	**11.2**	9.7
		1,223.5	1,241.1
Current assets			
Inventories	18	**63.8**	64.4
Trade and other receivables	19	**136.4**	131.7
Cash and cash equivalents	20	**24.8**	25.9
Current tax asset		**0.1**	–
Derivative financial instruments	22	**0.6**	–
		225.7	222.0
Total assets		**1,449.2**	1,463.1
Current liabilities			
Trade and other payables	25	**(367.6)**	(390.4)
Current tax liabilities		**–**	(3.9)
Borrowings	21	**(23.2)**	(36.7)
Lease liabilities	24	**(11.1)**	(11.8)
Provisions	26	**(11.0)**	(5.9)
Derivative financial instruments	22	**(0.9)**	(3.3)
		(413.8)	(452.0)
Non-current liabilities			
Trade and other payables	25	**–**	(0.6)
Borrowings	21	**(331.4)**	(340.5)
Lease liabilities	24	**(70.9)**	(69.3)
Provisions	26	**(14.4)**	(14.4)
Derivative financial instruments	22	**(0.9)**	(0.2)
Deferred tax liabilities	23	**(19.7)**	(20.4)
		(437.3)	(445.4)
Total liabilities		**(851.1)**	(897.4)
Net assets		**598.1**	565.7
Equity			
Share capital	28	**11.6**	11.6
Merger reserve	28	**(130.9)**	(130.9)
Hedging reserve	28	**(0.7)**	–
Translation reserve	28	**24.8**	27.2
Retained earnings		**693.3**	657.8
Total equity		**598.1**	565.7

1 For details of the restatement and a reconciliation to previously stated amounts please refer to Note 2.

The Financial Statements of Bakkavor Group plc and the accompanying notes, which form an integral part of the Consolidated Financial Statements, were approved by the Board of Directors on 15 March 2021. They were signed on behalf of the Board of Directors by:

Agust Gudmundsson
Chief Executive Officer
15 March 2021

Ben Waldron
Chief Financial Officer
15 March 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
52 WEEKS ENDED 26 DECEMBER 2020

£ million	Share capital	Merger reserve	Hedging reserve	Translation reserve	Retained earnings	Total equity
Balance at 30 December 2018 (as reported)	11.6	(130.9)	–	33.8	654.9	**569.4**
Restatement[1]	–	–	–	–	(8.1)	**(8.1)**
Balance at 30 December 2018 (restated)[1]	11.6	(130.9)	–	33.8	646.8	**561.3**
Profit for the period	–	–	–	–	36.9	**36.9**
Other comprehensive (expense)/income for the period	–	–	–	(6.8)	6.9	**0.1**
Total comprehensive (expense)/income for the period	–	–	–	(6.8)	43.8	**37.0**
Dividends paid (Note 28)	–	–	–	–	(34.8)	**(34.8)**
Credit for share-based payments (Note 32)	–	–	–	–	1.9	**1.9**
Deferred tax on share schemes	–	–	–	0.2	0.1	**0.3**
Balance at 28 December 2019 (restated)[1]	11.6	(130.9)	–	27.2	657.8	**565.7**
Profit for the period	–	–	–	–	34.1	**34.1**
Other comprehensive (expense)/income for the period	–	–	(0.7)	(2.6)	0.3	**(3.0)**
Total comprehensive (expense)/income for the period	–	–	(0.7)	(2.6)	34.4	**31.1**
Credit for share-based payments (Note 32)	–	–	–	–	1.2	**1.2**
Deferred tax on share schemes	–	–	–	0.2	(0.1)	**0.1**
Balance at 26 December 2020	**11.6**	**(130.9)**	**(0.7)**	**24.8**	**693.3**	**598.1**

1 For details of the restatement and a reconciliation to previously stated amounts please refer to Note 2.

The Notes to the accounts form an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
52 WEEKS ENDED 26 DECEMBER 2020

£ million	Note	52 weeks ended 26 December 2020	52 weeks ended 28 December 2019
Net cash generated from operating activities	30	**88.5**	114.0
Investing activities:			
Dividends received from associates		**0.1**	0.2
Purchases of property, plant and equipment		**(56.4)**	(98.9)
Proceeds on disposal of property, plant and equipment		**0.1**	1.1
Acquisition of subsidiary	29	**–**	(16.8)
Net cash used in investing activities		**(56.2)**	(114.4)
Financing activities:			
Dividends paid	28	**–**	(34.8)
Increase in borrowings		**334.1**	62.2
Repayment of borrowings		**(355.9)**	–
Payment of lease liabilities		**(11.4)**	(12.9)
Net cash (used in)/generated from financing activities		**(33.2)**	14.5
Net (decrease)/increase in cash and cash equivalents		**(0.9)**	14.1
Cash and cash equivalents at beginning of period		**25.9**	12.4
Effect of foreign exchange rate changes		**(0.2)**	(0.6)
Cash and cash equivalents at end of period		**24.8**	25.9

The Notes to the accounts form an integral part of the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
52 WEEKS ENDED 26 DECEMBER 2020

1. General information

Bakkavor Group plc is a public company, limited by shares, incorporated and domiciled in England, United Kingdom (Company number: 10986940, registered office: Fitzroy Place 5th Floor, 8 Mortimer Street, London, England, W1T 3JJ). The Company's Ordinary shares are traded on the London Stock Exchange.

The principal activities of the Company and its subsidiaries (the "Group") comprise the preparation and marketing of fresh prepared food and the marketing and distribution of fresh produce. These activities are undertaken in the UK, US and China and products are primarily sold through high-street supermarkets.

In the current period, the Group has adopted 'IFRIC 23 – Uncertainty over Income Tax', which had no material impact on the Financial Statements.

The Group has also early adopted Amendments to IFRS 9 and IFRS 7 – Interest Rate Benchmark Reform – Phase 1. In accordance with the transition provisions, the Group has adopted the amendments to IFRS 9 and IFRS 7 retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date. Details of the interest rate swaps designated in fair value hedging relationships which are potentially impacted by IBOR reform are shown in Note 22 and Note 27. The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by inter-bank offered rate ("IBOR") reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the income statement. The reliefs will cease to apply when the uncertainty arising from interest rate benchmark reform is no longer present. No changes were required to any of the amounts recognised in the current or prior period as a result of these amendments. The Group is currently assessing the wider implications of IBOR reform.

IFRS 16 which became effective for periods commencing on or after 1 January 2019 was early adopted by the Group in the prior period.

At the date of authorisation of these Financial Statements, the following Standards and Interpretations relevant to the Group which have not been applied in these Financial Statements were in issue but not yet effective:

IFRS 17	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IAS 8	Definition of material
Amendments to IFRS 3	Definition of a business Reference to the Conceptual Framework
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IAS 16	Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 16	COVID-19 Related Rent Concessions
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The Directors anticipate that the adoption of these Standards and Interpretations will have no material impact on the Financial Statements of the Group.

2. Significant accounting policies

Basis of accounting

The Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Where the fiscal year 2020 is quoted in these Financial Statements this relates to the 52-week period ended 26 December 2020. The fiscal year 2019 relates to the 52-week period ended 28 December 2019. The fiscal year 2018 relates to the 52-week period ended 29 December 2018. The Group Financial Statements comprise the Financial Statements of the parent undertaking and its subsidiary undertakings, together with the Group's share of the results of associated undertakings comprising a 52 or 53-week period ending on the Saturday nearest to 31 December.

These Financial Statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the foreign currency policy set out below.

2. Significant accounting policies (continued)

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of financial instruments and retirement benefit plan assets (which are stated at fair value).

The principal accounting policies adopted are set out below and have been applied consistently except that the Group now applies hedge accounting for certain derivatives as set out below.

Restatement

During 2020 the Group identified that its deferred tax liability was materially understated as deferred tax had not been provided for as required under IAS 12 for the difference between the accounting and tax base values for the goodwill recognised on the acquisition of its US businesses. The deferred tax liability amounted to £7.9 million as at the end of 2019 (2018: £8.1 million) and therefore the financial statements for that year have been restated to reflect the cumulative adjustments required since the relevant businesses were acquired. In addition, the Group previously presented the deferred tax assets on US losses and deferred tax liabilities on US accelerated capital allowances on a gross basis. A right of offset exists between these items and, as such, they should be presented net; as a result the financial statements have been restated. The amount of offset as at the end of 2019 was £8.1 million (2018: £6.0 million). The restatement does not impact basic or diluted earnings per share for 2019 and has no cash impact on the business. The adjustments to the relevant financial statement line items are as follows:

£ million	30 December 2018	(Decrease)/ increase	**30 December 2018 (Restated)**	28 December 2019	(Decrease)/ increase	**28 December 2019 (Restated)**
Deferred tax asset	19.6	(14.1)	**5.5**	27.2	(16.0)	**11.2**
Deferred tax liability	(24.3)	6.0	**(18.3)**	(28.5)	8.1	**(20.4)**
Net assets	569.4	(8.1)	**561.3**	573.6	(7.9)	**565.7**
Translation reserve	33.8	–	**33.8**	27.0	0.2	**27.2**
Retained earnings	654.9	(8.1)	**646.8**	665.9	(8.1)	**657.8**
Total equity	569.4	(8.1)	**561.3**	573.6	(7.9)	**565.7**

Going concern

The Directors have reviewed the historical trading performance of the Group and the forecasts through to March 2022.

The Directors, in their detailed consideration of going concern, have reviewed the Group's future revenue projections and cash requirements, which they believe are based on prudent interpretations of market data and past experience. The Directors have also considered the Group's level of available liquidity under its financing facilities which were renewed on 18 March 2020 for a four-year period. The Directors have carried out a robust assessment of the potential implications from both the current COVID-19 outbreak and the terms of the UK's exit from the European Union at the end of 2020. This has included updated scenario planning on the implications of further waves of COVID-19 and the potential for further lockdown restrictions which may impact consumer demand for the Group's products. The Group has also modelled the potential impact of further disruption on sales volumes and an increase in operating costs as, from the start of 2021, the business now operates under the terms of the trade deal agreed by the UK and the EU at the end of 2020. Having taken these factors into account, under either scenario, which are considered to be severe but plausible, the Directors consider that adequate headroom is available based on the forecasted cash requirements of the business. At the date of this report, the Group has complied in all respects with the terms of its borrowing agreements, including its financial covenants, and forecasts to continue to do so in the future.

Consequently, the Directors consider that the Company and the Group have adequate resources to meet their liabilities as they fall due for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

Subsidiaries

Subsidiary undertakings are included in the Group Financial Statements from the date on which control is achieved and cease to be consolidated from the date on which control is transferred out of the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether or not it controls an investee when facts and circumstances indicate that there are changes to one or more of the elements of control.

When the Group has less than a majority of the voting rights of an investee, it considers all relevant facts and circumstances in assessing whether or not it has power over the investee to direct the relevant activities of the investee unilaterally.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders are measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Group.

Business combinations
Business acquisitions from third parties are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on business combinations is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after the reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

When the consideration in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. The subsequent accounting for changes in fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 or IAS 37, as appropriate.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the income statement.

Goodwill
Goodwill is initially recognised and measured as set out above in 'Business combinations'.

Goodwill is assumed to have an indefinite life as the acquired business is expected to trade for the foreseeable future and therefore goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units ("CGUs') or groups of CGUs expected to benefit from the synergies of the combination. CGUs or groups of CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill on the acquisition of an associate is described in 'Investments in associates' below.

Investments in associates
An associate is an entity over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these Financial Statements using the equity method of accounting. Investments in associates are initially recognised in the statement of financial position at cost and adjusted thereafter by the Group's share of the profit or loss and other comprehensive income of the associate, less any impairment in the value of individual investments.

On acquisition of the investment, goodwill is the excess of cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities, which is included within the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 'Impairment of Assets'.

Where a Group company transacts with an associate of the Group, profits and losses are only recognised in the Financial Statements to the extent of interests in the associate that are not related to the Group.

2. Significant accounting policies (continued)

Revenue recognition

The Group sells fresh prepared foods and fresh produce, and revenue is recognised as the performance obligation to deliver goods to customers is satisfied and is recorded based on the amount of consideration expected to be received in exchange for satisfying the performance obligation. Revenue on the sale of goods is recognised when control of the goods has passed to the buyer upon delivery to the customer and represents the value of sales to customers net of customer deductions and discounts, VAT and other sales-related taxes. Many of the Group's revenue contracts include an element of variable consideration, such as customer deductions for rebate arrangements or other incentives to customers. The arrangements can take the form of volume rebates, marketing fund contributions or promotional fund contributions. The Group recognises revenue net of customer deductions and discounts in the period in which the arrangement applies only when it is highly probable a significant reversal in the cumulative amount of revenue will not occur. Volume based rebates are calculated on the Group's estimate of rebates expected to be paid to customers using the 'most likely amount' in line with IFRS 15 requirements, whereas fixed rebates are accounted for as a reduction in revenue over the life of the contract. When the Group has satisfied its performance obligations, the customer will make payment in line with agreed payment terms. The Group does not expect to have any contracts where the period between transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction price for the time value of money. For goods returned, the Group will recognise an obligation and reduce revenue accordingly at the time of notification.

Customer deductions

Consistent with standard industry practice, the Group has arrangements with its customers providing volume-related rebates, marketing and promotional funding contributions, discounts or lump sum incentives. These costs are recognised as a reduction to revenue, as they are considered to be an adjustment to the selling price for the Group's products. Sometimes the payment of this support is subject to the Group's customers performing specified actions or satisfying certain performance conditions associated with the purchase of products from the Group. These include achieving agreed purchase volume targets and providing promotional marketing materials/activities. Whilst there is no standard definition, these amounts payable to customers are generally termed as 'customer deductions'.

The Group recognises these costs as a deduction from revenue based upon the terms of the relevant arrangement in place. Amounts payable relating to customer deduction arrangements are recognised within accruals except in cases where the Group has a legal right of set-off and intends to offset against amounts due from that customer.

Leases

From the start of 2019 the Group adopted IFRS 16 Leases and transitioned to this standard by applying the modified retrospective asset equals liability approach for lease commitments in place at that time.

IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 30 December 2018.

Under IFRS 16, all leases (except as noted below), are accounted as follows:

- Recognise the right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments. Future lease payments are discounted at the Group's weighted average incremental borrowing rate;
- Use the lease term specified in the contract. Where there are termination options in the contract it is assumed that these will not be exercised and when there are extension options the Group assumes that these will be exercised; and
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities, whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets and any impairment is provided for by writing down the asset value.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis over the lease term as permitted by IFRS 16 paragraph 6. This expense is presented within other expenses in the consolidated income statement.

In the statement of cash flows, the Group as a lessee will classify:

- Cash payments for the principal portion of the lease liability within financing activities;
- Cash payments for the interest portion of the lease liability, applying the requirements in IAS 7 Statement of Cash Flows for interest paid; and
- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities.

Foreign currency

The individual Financial Statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each Group company are expressed in Pounds Sterling, being the functional currency of the Company and the presentation currency for the Consolidated Financial Statements.

In preparing the Financial Statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the annual average rate, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the Group's translation reserve.

On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to the income statement. However, a partial disposal of a foreign operation where the Group does not lose control results in the proportionate share of accumulated exchange differences being re-attributed to non-controlling interests and is not recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Research and development

Research and development costs comprise all directly attributable costs necessary to create and produce new and updated products. Expenditure on research and development, where development costs do not meet the recognition criteria of IAS 38, is recognised as an expense in the period in which it is incurred.

Exceptional items

Exceptional items are those that, in management's judgement, should be disclosed by virtue of their nature or amount. Exceptional items will typically include material items that are significant in nature or non-recurring and are important to users in understanding the business, including restructuring costs, disruption costs, pre-commissioning costs for new manufacturing facilities, impairment of assets, disposals of subsidiaries and associates, one-off finance costs relating to redemptions and other refinancing activities and fair value adjustments.

Operating profit

Operating profit is stated after charging exceptional items, impairment of assets, profit/loss on the disposal of subsidiaries and associates and share of results of associates, but before investment revenue, finance costs and other gains and losses.

Retirement benefit obligations

Defined contribution pension plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity, which then invests the contributions to buy annuities for the pension liabilities as they become due based on the value of the fund, and hence the Group has no legal or constructive obligations to pay further contributions. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as employee service is received. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Defined benefit pension plans

A defined benefit plan is a pension plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on factors such as age, years of service and compensation.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each statement of financial position date. Remeasurement, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), are recognised outside of the income statement and presented in the statement of comprehensive income.

2. Significant accounting policies (continued)

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

Past service costs are recognised in the income statement on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises restructuring-related costs or termination benefits.

The Group recognises the first two components of defined benefit costs in the income statement.

The retirement benefit recognised in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

Share-based payments

An expense is recognised for goods or services acquired in a share-based transaction when the goods are obtained or the service received. The credit is booked as either a liability or in equity, depending on the type of share-based payment.

Equity-settled share-based payment transactions are transactions where Group shares are issued as consideration for goods or services. They are measured in the income statement at the fair value of the equity instrument granted at the date of grant with the corresponding amount booked to equity. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The fair value calculation should reflect market-based performance conditions. The total expense will be reduced by estimates of options that will not vest (due to leavers or not meeting non-market-based performance criteria). Estimates of non-vesting are to be recalculated at each measurement date. For grants of equity instruments with market conditions, the entity shall recognise the goods and services from a counterparty who satisfies other vesting conditions, regardless of whether that market condition is satisfied.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Tax returns are prepared to adhere to tax rules and regulations and with all transactions being fully disclosed to the tax authorities. However, the complex nature of tax sometimes means that the legislation is open to interpretation. In such cases, judgement is required to quantify the tax liability to be reflected in the Financial Statements. If there is a reasonable possibility that tax authorities may take a different view from the position taken in the filed returns then this will be reflected in the Financial Statements in the form of a tax provision. In such cases, this provision will represent the full amount of any potential liability until the matter is agreed with the tax authorities.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Where current and deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

All property, plant and equipment is stated in the statement of financial position at cost less any subsequent accumulated depreciation and impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings – maximum period of 50 years Plant and machinery – 1 to 20 years Fixtures and equipment – 3 to 5 years

Depreciation is charged to Other administrative costs in the income statement.

Assets purchased through a lease agreement are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Right-of-use assets are depreciated over the term of the relevant lease.

Reviews of the estimated remaining useful lives and residual values of individual productive assets are performed annually, taking account of commercial and technological obsolescence as well as normal wear and tear. All items of property, plant and equipment are reviewed for impairment when there are indications that the carrying value may not be recoverable.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Capitalised borrowing costs

Borrowing costs incurred in financing the construction of qualifying assets such as property, plant and equipment are capitalised up to the date at which the relevant asset is substantially complete. Borrowing costs are calculated using the Group's weighted average cost of borrowing during the period of capitalisation. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Other intangible assets

Intangible assets, none of which are internally generated, have finite useful lives over which the assets are amortised on a straight-line basis. The amortisation charge for customer relationships and customer contracts is recognised as an expense over 10 years, and is charged to Other administrative costs in the income statement.

Impairment

The useful economic lives of intangible assets are determined based on a review of a combination of factors, including the asset ownership rights and the nature of the overall product life cycle.

Intangible assets and property, plant and equipment are tested for impairment when an event that might affect asset values has occurred. Examples of such triggering events include: significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses, or a significant reduction in cash flows.

An impairment loss is recognised, in the income statement, to the extent that the carrying amount cannot be recovered either by selling the asset or by the discounted future earnings from operating the assets in accordance with IAS 36 'Impairment of Assets'.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2. Significant accounting policies (continued)

Financial assets

Classification

From 30 December 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- Those to be measured at amortised cost.

For assets measured at fair value, gains and losses are recorded either in profit or loss or in OCI.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement depends on the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Impairment losses are presented as a separate line item in the income statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the income statement.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Any fair value movement is recognised in the income statement and presented net within other gains and (losses) in the period in which it arises.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. The Group classifies its trade receivable balances dependent on its objectives with respect to the collection of contractual cash flows. The Group operates non-recourse debtor factoring arrangements with four of its significant customers. Receivables generated from goods sold to these customers are subsequently measured at fair value through the income statement, as the objective of management is to sell the receivables (Held to sell business model). All other trade receivables are held with the objective of collecting the contractual cash flows, and so these are measured subsequently at amortised cost using the effective interest method (Held to collect business model).

Other receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial assets and are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected loss rates are based on the payment profiles of sales before 26 December 2020 or 28 December 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on trade receivables and contract assets are presented in other administrative costs within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Financial liabilities

Financial liabilities held by the Group are classified as other financial liabilities at amortised cost and derivatives at FVPL.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Effective interest method

Finance costs are recognised on an effective interest basis for debt instruments other than those financial liabilities designated as at FVPL. The effective interest method is a method of both calculating the amortised cost of a debt instrument and allocating finance costs over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Fair value measurement

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset, and substantially all the risks and rewards of ownership of the asset, to another entity. Financial liabilities are derecognised when and only when the Group's obligations are discharged, cancelled or expire.

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Notes 22 and 27. The Group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. Changes in the fair value of derivative financial instruments are recognised in the income statement as they arise.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group designates interest rate swap derivatives as hedging instruments in respect of interest rate risk in cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in the hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

2. Significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Present obligations arising from onerous contacts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Where a lease contract is onerous, the onerous provision is calculated as the costs of meeting the obligations under the contract excluding lease rentals that are included as part of the lease liability.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the amount of the obligation cannot be measured reliably. A contingent liability is disclosed in the Notes to the Financial Statements and is not recognised when the possibility of an outflow is more than remote. When an outflow becomes probable, it is recognised as a provision.

3. Critical accounting judgements and key sources of estimation uncertainty

The following are areas of particular significance to the Group's Financial Statements and include the application of judgement, which is fundamental to the compilation of a set of Financial Statements:

Critical judgements in applying the Group's accounting policies

Presentation of exceptional items

The Group's financial performance is analysed in two ways: underlying performance (which does not include exceptional items) and exceptional items that are material and not expected to reoccur. Judgement is required as to whether items should be presented as exceptional or underlying. Exceptional items will typically include material items that are significant in nature or non-recurring and are important to users in understanding the business. Where disclosed, items have been considered by management to meet this definition. For further details please see Note 7.

Key sources of estimation uncertainty

Pensions

The Group maintains a defined benefit pension plan for which it has recorded a pension asset/liability. The pension asset/liability is based on an actuarial valuation that requires a number of assumptions including discount rate, inflation rate, mortality rates and actual return on plan assets that may necessitate material adjustments to this asset/liability in the future. The assumptions used by the Group are the best estimates based on historical trends and the composition of the workforce. Details of the principal actuarial assumptions used in calculating the recognised asset/liability for the defined benefit plan, and the sensitivity of reported amounts to changes in those assumptions, are given in Note 33.

Impairment of goodwill

The recoverable amount of CGUs or groups of CGUs are determined based on the higher of net realisable value and value in use calculations, which require the use of estimates. The key estimates that can impact the value in use calculations are changes to the growth rates applied to derive a five-year forecast, or a movement in the discount rate applied to the future cash flows. These are key estimates as they are subjective in nature, significant assumptions are required and any changes to assumptions may lead to impairment charges being recognised. This critical estimate only applies to the US CGU. The Group has considered the impact of the assumptions used in the US CGU calculation and has conducted sensitivity analysis on the impairment test of the US CGU carrying value. See Note 13 for further details.

Customer deductions

Management is required to make estimates in determining the amount and timing of recognition of customer deductions due in respect of sales to its customers. In determining the amount of customer deductions due for volume-related allowances in any period, management estimates whether customers will meet the purchase target volumes by the end of the arrangement, based on historical and forecast performance, and recognises this cost as a deduction from revenue over the period of the relevant arrangement. Where there are ongoing negotiations with customers over the level of deduction, the Group makes its best estimate of the outcome based on a range of factors, including the latest negotiation position, past history and economic factors such as price inflation or deflation. Accrued balances are reassessed quarterly to confirm they continue to meet the requirements for recognition on an ongoing basis. As there is some judgement involved in the estimation of accruals, the Group has conducted a sensitivity analysis and a movement equivalent to 0.5% of revenue would result in a credit or debit to the Consolidated Income Statement of £9.0 million (2019: £9.4 million).

4. Segmental information

The chief operating decision-maker ("CODM") has been defined as the Management Board headed by the Chief Executive Officer. They review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the segments based on these reports.

As at the statement of financial position date, the Group is organised as follows:

- UK: The preparation and marketing of fresh prepared foods and fresh produce for distribution in the UK.
- US: The preparation and marketing of fresh prepared foods and fresh produce in the US.
- China: The preparation and marketing of fresh prepared foods and fresh produce in China

The Group manages the performance of its businesses through the use of 'Adjusted operating profit', as defined in Note 37.

Measures of total assets are provided to the Management Board; however, cash and cash equivalents, short-term deposits and some other central assets are not allocated to individual segments. Measures of segment liabilities are not provided to the Management Board.

During the year the Group made the decision to consider the US and China business as two separate operating segments, where they had previously been considered a single operating segment. The Group's management accounts, which show the information on which the CODM bases strategic decisions, now highlight the disaggregated figures for all the key lines of information. Given the now differing economic situations of the two international businesses, key decisions on allocating resources, such as capital expenditure, are now made on a UK/US/China basis.

The following table provides an analysis of the Group's segmental information for the period to 26 December 2020:

£ million	UK	US	China	Un-allocated	Total
Revenue	**1,566.6**	**146.5**	**80.4**	**–**	**1,793.5**
Adjusted EBITDA (Note 37)	**145.3**	**8.0**	**(1.1)**	**–**	**152.2**
Depreciation	**(53.0)**	**(6.8)**	**(6.3)**	**–**	**(66.1)**
Amortisation	**(0.1)**	**(0.4)**	**–**	**–**	**(0.5)**
Share scheme charges	**(1.2)**	**–**	**–**	**–**	**(1.2)**
Loss on disposal of property, plant and equipment	**(0.3)**	**(0.2)**	**(0.4)**	**–**	**(0.9)**
Share of results of associates	**–**	**–**	**0.1**	**–**	**0.1**
Adjusted operating profit/(loss) (Note 37)	**90.7**	**0.6**	**(7.7)**	**–**	**83.6**
Exceptional items – Impairment (Note 7)	**(16.7)**	**–**	**–**	**–**	**(16.7)**
Exceptional items – Other (Note 7)	**(4.9)**	**–**	**–**	**–**	**(4.9)**
Operating profit	**69.1**	**0.6**	**(7.7)**	**–**	**62.0**
Finance costs					**(21.0)**
Other gains and (losses)					**3.2**
Profit before tax					**44.2**
Tax					**(10.1)**
Profit for the period					**34.1**
Other segment information:					
Capital additions	**58.8**	**3.0**	**6.6**	**–**	**68.4**
Interests in associates	**–**	**–**	**12.1**	**–**	**12.1**
Total assets	**1,204.0**	**136.9**	**82.9**	**25.4**	**1,449.2**
Non-current assets	**1,023.6**	**109.8**	**65.9**	**–**	**1,199.3**

All of the Group's revenue is derived from the sale of goods in 2020. There were no inter-segment revenues. The un-allocated assets of £25.4 million relate to cash and cash equivalents and derivative financial instruments which cannot be readily allocated because of the Group cash-pooling arrangements that are in place to provide funds to businesses across the Group. Non-current assets exclude the deferred tax asset and the retirement benefit asset.

4. Segmental information (continued)

The following table provides an analysis of the Group's segmental information for the period to 28 December 2019:

£ million	UK	US	China	Un-allocated	Total
Revenue	1,652.5	130.6	102.8	–	1,885.9
Adjusted EBITDA as previously reported (Note 37)	147.1	2.0	4.4	–	153.5
Restatement (Note 37)	10.2	(10.9)	(1.9)	–	(2.6)
Adjusted EBITDA restated (Note 37)	157.3	(8.9)	2.5	–	150.9
Depreciation	(48.8)	(5.9)	(5.0)	–	(59.7)
Amortisation	(0.1)	(0.4)	–	–	(0.5)
Share scheme charges	(1.9)	–	–	–	(1.9)
Profit/(loss) on disposal of property, plant and equipment	0.6	–	(0.2)	–	0.4
Share of results of associates	–	–	0.5	–	0.5
Adjusted operating profit/(loss) (Note 37)	107.1	(15.2)	(2.2)	–	89.7
Exceptional items – Impairment (Note 7)	(6.0)	(2.8)	–	–	(8.8)
Exceptional items – Other (Note 7)	(11.5)				(11.5)
Operating profit	89.6	(18.0)	(2.2)	–	69.4
Finance costs					(18.7)
Other gains and (losses)					(6.9)
Profit before tax					43.8
Tax					(6.9)
Profit for the period					36.9
Other segment information:					
Capital additions	77.2	7.8	14.7	–	99.7
Interests in associates	–	–	12.5	–	12.5
Total assets	1,213.2	141.4	82.6	25.9	1,463.1
Non-current assets	1,038.2	117.8	64.2	–	1,220.2

All of the Group's revenue is derived from the sale of goods in 2019. There were no inter-segment revenues. The un-allocated assets of £25.9 million relate to cash and cash equivalents which cannot be readily allocated because of the Group cash-pooling arrangements that are in place to provide funds to businesses across the Group. Non-current assets exclude the deferred tax asset and the retirement benefit asset.

Major customers

In 2020, the Group's four largest customers accounted for 75.2% (2019: 76.0%) of total revenue from continuing operations. The Group does not enter into long-term contracts with its retail customers.

Each of these four customers accounts for a significant amount of the Group's revenue and are all in the UK segment. The percentage of Group revenue from these customers is as follows:

	2020	2019
Customer A	**35.7%**	32.3%
Customer B	**20.0%**	22.7%
Customer C	**11.1%**	10.9%
Customer D	**8.4%**	10.1%

5. Revenue

The Group derives all revenue from the sale of goods in the following geographic locations:

£ million	2020	2019
Continuing operations		
UK	**1,566.6**	1,652.5
US	**146.5**	130.6
China	**80.4**	102.8
	1,793.5	1,885.9

Upon completion of delivery (the performance obligation), the terms of the order allow 30 to 75 days for payment, dependent on the customer contract. The Group has in place trade receivable factoring arrangements. These are non-recourse arrangements which were applicable to 69.4% (2019: 68.4%) of the Group's total sales. These arrangements allow the Group to choose to factor the receivable from day 4 after the completion of the contract.

6. Operating profit

Operating profit for the period has been arrived at after charging/(crediting):

£ million	2020	2019
Depreciation of property, plant and equipment:		
• Owned	**53.8**	46.4
• Leased	**12.3**	13.3
Research and development costs	**7.0**	7.3
Cost of inventory recognised as an expense	**809.5**	877.3
Write-down of inventories recognised as an expense/(credit)	**4.1**	(0.4)
Amortisation of intangible assets	**0.5**	0.5
Exceptional items (Note 7)	**21.6**	20.3
Loss/(profit) on disposal of property, plant and equipment	**0.9**	(0.4)
Share scheme charges (Note 32)	**1.2**	1.9
Foreign exchange gains/(losses) (Note 10)	**0.2**	(0.4)
Staff costs (Note 8)	**514.0**	522.0

The analysis of the Auditors' remuneration is as follows:

£ million	2020	2019
The audit of the Company's Consolidated Financial Statements	**0.1**	0.1
The audit of the Company's subsidiaries pursuant to legislation	**0.5**	0.5
Total audit fees	**0.6**	0.6
Taxation compliance services	**–**	–
Other transaction services	**–**	0.2
Total non-audit fees	**–**	0.2

7. Exceptional items

The Group's financial performance is analysed in two ways: underlying performance (which does not include exceptional items) and exceptional items that are material and not expected to reoccur. The Directors consider that the underlying performance results better represent the ongoing operations and key metrics of the Group.

Exceptional items includes material items that are non-recurring or significant in nature and are important to users in understanding the business, including restructuring costs, disruption costs, impairment of assets and one-off finance costs relating to refinancing activities:

£ million	2020	2019
Disruption costs	**–**	6.6
Restructuring costs, impairment and onerous contract provision	**21.6**	13.7
Operating profit	**21.6**	20.3
Finance costs	**1.7**	–
Loss before tax	**23.3**	20.3
Tax on exceptional items	**(4.4)**	(4.0)
Loss after tax	**18.9**	16.3

7. Exceptional items (continued)

2020

The Group incurred £23.3 million of costs presented as exceptional items in 2020, and an after tax charge of £18.9 million. The closure of two salads factories in Alresford and Spalding led to cash restructuring charges of £4.9 million, with a further £8.2 million impairment charge in respect of their tangible fixed assets. Following a review of assets, the Group also incurred a further impairment charge of £8.5 million in the UK business for assets that are now either redundant or related to products that have been discontinued in the year. In addition, the Group incurred £1.7 million of accelerated amortisation of refinancing fees following the Group's refinancing of its core debt facilities on 18 March 2020.

2019

The Group incurred £20.3 million of net costs, £16.3 million after tax, presented as exceptional items in 2019 of which £6.6 million related to disruption costs; £2.8 million as our factory in California was repurposed for ready meal manufacturing and changes to the hummus production process; and £3.8 million in the UK, as the business prepared for the launch of significant new products later in Q3 2019. In addition, the Group incurred £13.7 million of restructuring and impairment costs in the UK. Of this, £7.7 million related to the closure of a meals business in Lincolnshire, comprising cash closure costs of £4.2 million and plant and equipment asset impairments of £3.5 million. A further charge of £4.3 million was recognised for the closure of the Group's non-core UK fast casual restaurant business. The remaining £1.7 million was primarily for redundancy costs following changes to our commercial and marketing structure.

8. Staff costs

The average monthly number of employees (including Executive Directors) during the period was:

	2020 Number	2019 Number
Production	**15,938**	16,759
Management and administration	**2,488**	2,424
Sales and distribution	**892**	922
	19,318	20,105

Their aggregate remuneration comprised:

£ million	2020	2019
Wages and salaries	**446.3**	456.9
Social security and other costs	**55.0**	53.1
Other pension costs (Note 33)	**12.7**	12.0
	514.0	522.0

During the year the Group furloughed a number of its employees across its UK sites for varying periods of time, under the UK Government's Coronavirus Job Retention Scheme. Amounts received by the Group constitute a government grant and, as of 26 December 2020, all conditions of the scheme have been met. As such, the Group has recognised £12.8 million as a reduction to staff costs, in respect of this grant.

Details of the emoluments paid to Directors are included on page 131 of the Directors' Remuneration Report and in Note 34.

9. Finance costs

£ million	2020	2019
Interest on borrowings	**18.2**	16.6
Interest on lease liabilities	**2.7**	3.0
Unwinding of discount on provisions (Note 26)	**0.1**	0.2
Total interest expense	**21.0**	19.8
Less: amounts included in the cost of qualifying assets	**–**	(1.1)
	21.0	18.7

There were no borrowing costs included in the cost of qualifying assets during the year. Borrowing costs included in the cost of qualifying assets during the prior year arose within the general borrowing pool and were calculated by applying a capitalisation rate of 3.0% to expenditure on such assets.

Amounts included in the cost of qualifying assets have been capitalised under IAS 23 and are therefore subject to deferred tax; the deferred tax charge to income was £0.1 million (2019: £0.1 million).

Interest on borrowings for 2020 includes £1.7 million of exceptional costs (2019: £nil) in respect of the accelerated amortisation of previous financing fees following the Group's refinancing of its debt facilities on 18 March 2020.

10. Other gains and (losses)

£ million	2020	2019
Foreign exchange (losses)/gains	**(0.2)**	0.4
Change in the fair value of derivative financial instruments	**3.4**	(7.3)
	3.2	(6.9)

11. Tax

£ million	2020	2019
Current tax:		
Current period	**12.1**	12.5
Prior period adjustment	**0.5**	(0.2)
Total current tax charge	**12.6**	12.3
Deferred tax:		
Deferred tax relating to the origination and reversal of temporary differences in the period	**(5.2)**	(5.5)
Deferred tax relating to changes in tax rates	**1.5**	(0.3)
Prior period adjustment	**(0.4)**	0.7
Benefit arising from previously unrecognised temporary differences of a prior period	**–**	(0.8)
Unrecognised tax loss originating in the current period	**1.6**	0.5
Total deferred tax credit (Note 23)	**(2.5)**	(5.4)
Tax charge for the period	**10.1**	6.9

UK corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group tax charge for the period was £10.1 million (2019: £6.9 million). The £10.1 million charge represents an effective tax rate of 22.9% (2019: 15.8%) on profit before tax of £44.2 million (2019: £43.8 million). Most of the Group's profits were earned in the UK, where the statutory tax rate was 19% for 2020 (2019: 19%).

The main reason for the higher effective rate was because of unrecognised deferred tax assets in respect of losses in overseas subsidiaries and also because of brought forward deferred tax liabilities being restated at 19% instead of 17%. The temporary differences had previously been expected to reverse at the then expected future UK statutory rate of 17%. However, the planned reduction to 17% was not implemented so that the UK rate will remain at 19% for the foreseeable future.

A deferred tax asset has been recognised in respect of tax losses in the US. This asset amounts to £17.7 million (2019: £15.9 million). Such tax losses are an asset because they can be used to offset future taxable profits and thereby reduce future tax payments. Such tax losses arise mainly because of high levels of capital expenditure incurred in recent years. This relates to the construction of new and upgraded production facilities in the US, the costs of which are largely tax deductible in the year in which they are incurred.

Tax losses in the US can be carried forward without time limit. This means that if the actual profits turn out to be less than predicted then the losses could still be used but over a period longer than seven years. The use of the tax losses in the US against future US profits has been identified by the Group as a key source of estimation uncertainty. The Group performed its assessment of the use of the tax losses at 28 December 2019 and, based on expected profits and the fact that tax losses can be carried forward without time limit, concluded that the losses could be recognised in full as deferred tax assets.

Overseas tax rates which are different from the UK rate do not have a material impact on the tax charge and it is expected that this will continue to be the case in future.

Excluding exceptional items and other adjusting items the effective tax rate was 21.7% (2019: 16.8%) (see Note 37).

11. Tax (continued)

The charge for the period can be reconciled to the profit per the consolidated income statement as follows:

	2020 £ million	2020 %	2019 £ million	2019 %
Profit before tax:	**44.2**	**100.0**	43.8	100.0
Tax charge at the UK corporation tax rate of 19% (2019: 19%)	**8.4**	**19.0**	8.3	19.0
Non-taxable income	**–**	**–**	(0.5)	(1.1)
Prior period adjustment	**0.1**	**0.2**	0.5	1.1
Tax effect of losses carried forward not recognised	**1.6**	**3.9**	0.5	1.1
Unprovided deferred tax assets now recognised	**–**	**–**	(0.8)	(1.8)
Overseas taxes at different rates	**(1.5)**	**(3.5)**	(0.8)	(1.8)
Deferred tax change in rate	**1.5**	**3.5**	(0.3)	(0.7)
Tax charge and effective tax rate for the period	**10.1**	**22.9**	6.9	15.8

In 2020, the tax risk provision was £1 million (2019: £nil) because it is considered unlikely that the tax authorities will take a different approach to any material calculations of tax liability.

There is a routine tax enquiry in the UK concerning the structure used to fund overseas investment. UK tax legislation allows for a lower than usual rate of tax on interest earned on certain loans used to finance overseas subsidiaries. This legislation has been challenged by the European Commission ("EC") as contravening EU law on state aid. The UK has initiated legal proceedings to annul the EC ruling and it is believed that such action will probably succeed in overturning the decision. For this reason, no provision has been made for any extra tax that may be due on that interest. If the EC decision is upheld then extra tax of approximately £0.3 million would be payable in the UK.

As stated in prior years, we believe that Bakkavor will be unaffected by tax legislation aimed at combatting international tax avoidance. Such legislation has arisen as a result of measures introduced by the OECD known as the "BEPS" project (Base Erosion / Profit Shifting). Although Bakkavor is a multinational company, it does not engage in any of the activities targeted by that legislation.

In addition to the amount charged to the consolidated income statement, a £0.1 million charge (2019: £1.4 million charge) relating to tax on the defined benefit pension scheme actuarial surplus has been recognised directly in other comprehensive income. Also, a deferred tax charge of £0.1 million (2019: £0.1 million credit) has been recognised in equity in relation to share schemes under IFRS 2.

12. Earnings per share

The calculation of earnings per Ordinary share is based on earnings after tax and the weighted average number of Ordinary shares in issue during the period.

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary shares.

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

£ million	2020	2019
Profit attributable to equity shareholders of the Company	**34.1**	36.9

Number of shares

'000	2020	2019
Weighted average number of Ordinary shares	**579,426**	579,426
Effect of potentially dilutive Ordinary shares	**4,193**	3,922
Weighted average number of Ordinary shares including dilution	**583,619**	583,348

	2020	2019
Basic earnings per share	**5.9p**	6.4p
Diluted earnings per share	**5.8p**	6.3p

The Group calculates Adjusted basic earnings per Ordinary share and details of this can be found in Note 37, Alternative performance measures.

13. Goodwill

£ million	
Cost	
At 30 December 2018	702.9
Acquired on acquisition of subsidiary	2.5
Exchange differences	(2.2)
At 28 December 2019	703.2
Exchange differences	(1.1)
At 26 December 2020	**702.1**
Accumulated impairment losses	
At 30 December 2018	(52.7)
Exchange differences	0.7
At 28 December 2019	(52.0)
Exchange differences	(0.5)
At 26 December 2020	**(52.5)**
Carrying amount	
At 26 December 2020	**649.6**
At 28 December 2019	651.2

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs or group of CGUs that are expected to benefit from that business combination. The carrying value of goodwill has been allocated to CGU groupings as follows:

£ million	**26 December 2020**	28 December 2019
UK	**603.8**	604.0
US	**45.8**	47.2
China	**–**	–
	649.6	651.2

The recoverable amounts of the CGUs or groups of CGUs are determined based on value in use calculations.

There was no impairment recognised during the period (2019: £nil).

The key assumptions used in the impairment reviews for the CGUs that held goodwill at 26 December 2020 were as follows:

- Discount rates: Management uses pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The present value of the future cash flows is calculated using a pre-tax discount rate of 7.9% (2019: 8.0%) for the UK and 8.6% for the US (2019: 8.1%).
- Growth rates: The revenue growth rates are based on management growth forecasts based on industry experience. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The Group has prepared cash flow forecasts derived from the most recent financial budget approved by management for the next three years, as determined by the business units, and extrapolated cash flows for the following two years based on an estimated revenue growth rate ranging from 2% to 3% whilst maintaining margins at the 2023 budget levels, to provide a five-year forecast. Cash flows are then extrapolated using a perpetuity growth rate of 2.0% (2019: 1.5%) for the UK and 2.3% for the US (2019: 1.6%).

The headroom for each CGU based on the impairment review is as follows:

£ million	UK	US
Headroom of impairment test based on management assumptions	617.1	81.2

The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. The assumptions used, and the impact of sensitivities on these assumptions for the US CGU, which has lower levels of headroom, are shown below, none of which indicate an impairment is likely:

- The pre-tax discount rate for the US CGU is 8.6%. If the pre-tax discount rate for this CGU were to be increased by 0.5% from 8.6% to 9.1% then the headroom would be reduced to £65.4 million. An increase to the pre-tax discount rate from 8.6% to 13.0% would result in no headroom.
- The perpetuity growth rate included in the US CGU future cash flows is 2.3%. If the perpetuity growth rate was to decrease to 1.3% it would still leave headroom of £58.9 million.
- A key sensitivity for the Group is Adjusted EBITDA, whether through the loss of revenue or from lower operating margins. If Adjusted EBITDA over the five-year forecast period were to be reduced by 10% in the US CGU then this would result in the headroom being reduced to £54.2 million.

14. Other intangible assets

£ million	Customer relationships
Cost	
At 30 December 2018	89.0
Acquired on acquisition of subsidiary	0.2
Exchange differences	(0.1)
At 28 December 2019	89.1
Exchange differences	(0.2)
At 26 December 2020	**88.9**
Accumulated amortisation and impairment	
At 30 December 2018	(86.0)
Charge for the period	(0.5)
Exchange differences	0.1
At 28 December 2019	(86.4)
Charge for the period	(0.5)
Exchange differences	0.2
At 26 December 2020	**(86.7)**
Carrying amount	
At 26 December 2020	**2.2**
At 28 December 2019	2.7

15. Property, plant and equipment

£ million	Land and buildings	Plant and machinery	Fixtures and equipment	Total
Cost				
At 30 December 2018	275.3	465.4	83.7	824.4
Recognised on application of IFRS 16	76.0	4.2	–	80.2
Additions	23.6	62.0	14.1	99.7
Acquisition of subsidiary	10.3	7.3	–	17.6
Disposals	(2.8)	(7.3)	(5.5)	(15.6)
Exchange differences	(2.7)	(2.8)	(0.5)	(6.0)
At 28 December 2019	379.7	528.8	91.8	1,000.3
Reclassification	(2.1)	2.1	–	–
Additions	14.6	41.7	12.0	68.3
Disposals	(2.1)	(12.5)	(3.7)	(18.3)
Exchange differences	(1.0)	(0.3)	0.1	(1.2)
At 26 December 2020	**389.1**	**559.8**	**100.2**	**1,049.1**
Accumulated depreciation and impairment				
At 30 December 2018	(117.4)	(226.0)	(54.1)	(397.5)
Charge for the period	(17.2)	(33.4)	(9.1)	(59.7)
Impairment	(2.4)	(3.2)	(0.4)	(6.0)
Disposals	2.4	7.1	5.5	15.0
Exchange differences	0.5	0.8	0.3	1.6
At 28 December 2019	(134.1)	(254.7)	(57.8)	(446.6)
Charge for the period	(18.8)	(35.5)	(11.8)	(66.1)
Impairment	(3.9)	(15.0)	(0.2)	(19.1)
Disposals	2.0	11.5	3.6	17.1
Exchange differences	0.5	0.4	–	0.9
At 26 December 2020	**(154.3)**	**(293.3)**	**(66.2)**	**(513.8)**
Carrying amount				
At 26 December 2020	**234.8**	**266.5**	**34.0**	**535.3**
At 28 December 2019	245.6	274.1	34.0	553.7

The Group has split the net book value of property, plant and equipment relating to leases between amounts previously recognised as finance leases under IAS 17 and amounts recognised as right-of-use assets under IFRS 16. This allows management to review performance excluding IFRS 16, as set out in Note 37, Alternative performance measures.

The carrying value of the Group's plant and machinery includes an amount of £3.4 million (2019: £4.0 million) in respect of assets held under leases previously recognised as finance leases before the introduction of IFRS 16.

The carrying value of the Group's land and buildings and plant and machinery includes an amount of £71.7 million (2019: £73.4 million) in respect of assets held under IFRS 16 Leases. Further details of these leases are disclosed in Note 24.

The carrying value of the Group's plant and machinery includes an amount of £21.6 million (2019: £0.8 million) in respect of assets held as security under the Asset Finance Facility. Further details of this facility are disclosed in Note 21.

At 26 December 2020, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1.9 million (2019: £8.8 million).

The carrying value of the Group's property, plant and equipment includes an amount of £nil (2019: £9.6 million) in respect of assets under the course of construction for the Group's development projects. In addition, there is a total of £21.4 million (2019: £19.3 million) of other assets that are under the course of construction. Assets under the course of construction are not depreciated until they are brought into use.

During 2020, the Group has impaired £1.6 million (2019: £2.4 million) of land and buildings, £15.0 million (2019: £3.2 million) of plant and machinery and £0.2 million (2019: £0.4 million) of fixtures and equipment. These impairments are included within Other administrative costs as exceptional items (Note 7). The impairments were all in the UK sector.

£1.6 million (2019: £nil) impairment of land and buildings, £15.0 million (2019: £3.2 million) impairment of plant and machinery and £0.2 million (2019: £0.4 million) impairment of fixtures and fittings arose from site closures and a review of assets no longer in use, due to products which have been discontinued in the year. This resulted in redundant, non-moveable, specialist assets which have been assessed as having £nil value in use and are not saleable due to their specialist nature. The impairments were determined by comparing the carrying values of the assets with their recoverable amount being the higher of the asset's fair value less costs of disposal and its value in use.

£2.3 million (2019: £2.4 million) impairment of land and buildings arose from fully writing down the right-of-use assets held by a Group business which has ceased trading.

16. Subsidiaries

The Group consists of a Parent Company, Bakkavor Group plc, incorporated in the UK, and a number of subsidiaries and associates held directly and indirectly by Bakkavor Group plc. Note 5 to the Company's separate Financial Statements provides details of the interests in subsidiaries.

17. Interests in associates and other investments

Details of the associated undertakings of the Group at 26 December 2020 were as follows:

			Proportion of Ordinary shares		
	Place of registration and operation	Principal activity	**2020**	2019	Method of accounting
Name of associate					
La Rose Noire Limited	Hong Kong	Producer of bakery and pastry products	**45%**	45%	Equity
Patisserie et Chocolat Limited	Hong Kong	Producer of bakery and pastry products	**45%**	45%	Equity

The following tables summarise the financial information of the Group's material associate, La Rose Noire Limited, as included in its own financial statements:

Associate's income statement

£ million	**2020**	2019
Revenue	**9.1**	17.6
(Loss)/profit before taxation	**(0.2)**	0.8
Taxation	**–**	(0.1)
(Loss)/profit after taxation	**(0.2)**	0.7
Group's share of (loss)/profit after taxation (45%)	**(0.1)**	0.3

Associate's statement of financial position

£ million	**26 December 2020**	28 December 2019
Non-current assets	**1.2**	1.7
Current assets	**6.1**	5.5
Current liabilities	**(1.1)**	(1.4)
Net assets	**6.2**	5.8
Group's share of net assets (45%)	**2.8**	2.6
Goodwill on acquisition	**8.9**	9.7
Carrying amount of associate at end of period	**11.7**	12.3

17. Interests in associates and other investments (continued)

Carrying amount of associate

£ million	26 December 2020	28 December 2019
At beginning of period	12.3	12.5
Share of (loss)/profit after taxation of associate	(0.1)	0.3
Exchange differences	(0.4)	(0.3)
Dividends received	(0.1)	(0.2)
At end of period	11.7	12.3

The following table summarises the carrying amount of the Group's immaterial associate, Patisserie et Chocolat Limited:

£ million	26 December 2020	28 December 2019
Associates that are not individually material		
At beginning of period	0.2	–
Share of profit after tax	0.2	0.2
At end of period	0.4	0.2

Other investments amount to £0.1 million at 26 December 2020 (28 December 2019: £0.1 million).

18. Inventories

£ million	26 December 2020	28 December 2019
Raw materials and packaging	54.3	55.5
Work-in-progress	2.3	2.2
Finished goods	7.2	6.7
	63.8	64.4

There is no material difference between the book value and replacement cost of inventories.

19. Trade and other receivables

£ million	26 December 2020	28 December 2019
Amounts receivable from trade customers	115.2	107.3
Expected credit loss	(1.6)	(1.6)
Net amounts receivable from trade customers	113.6	105.7
Other receivables	14.9	15.4
Prepayments	7.9	10.6
	136.4	131.7

During the period, the Group has continued to operate trade receivable factoring arrangements. These are non-recourse arrangements and therefore amounts are de-recognised from trade receivables. At 26 December 2020 £106 million was drawn under factoring facilities (2019: £134 million) representing cash collected before it was contractually due from the customer.

As at 26 December 2020, the Group's amounts receivable from trade customers includes £56.6 million (2019: £49.4 million), which could be factored under the non-recourse trade receivable factoring arrangement.

The average credit period taken on sales of goods is 19 days (2019: 19 days). An expected credit loss allowance has been made for estimated irrecoverable amounts from the sale of goods of £1.6 million (2019: £1.6 million). Expected credit loss allowances against receivables are made on a specific basis based on objective evidence and previous default experience as well as with reference to assumptions about the risk of default and expected future loss rates. Receivables are therefore deemed past due but not impaired when the contractual obligation to pay has been exceeded, but as yet no objective evidence or previous default experience indicates this debt will be irrecoverable, while assumptions about the risk of default remain unchanged.

The Directors consider that the carrying amount of trade and other receivables from customers approximates to their fair value due to their short-term nature.

The Other receivables amount mainly relates to non-specific amounts, the largest of which is recoverable VAT.

The following table is an ageing analysis of net trade receivables from customers:

£ million	26 December 2020	28 December 2019
Not past due	**104.4**	93.6
Past due by 1 – 30 days	**7.2**	10.3
Past due by 31 – 60 days	**1.1**	1.2
Past due by 61 – 90 days	**0.5**	0.6
Past due by more than 90 days	**0.4**	–
	113.6	105.7

There was no impact from trade receivables renegotiated in 2020 that would have otherwise been past due or impaired (2019: no impact).

The four major customers of the Group, representing 75.2% (2019: 76.0%) of the Group's revenue from continuing operations, hold favourable credit ratings. On this basis, the Group does not see any need to charge interest, seek collateral or credit enhancements to secure any of its trade receivables due to their short-term nature. The Group does not consider that it is exposed to any significant credit risk and therefore the carrying amount of trade receivables represents the expected recoverable amount and there is no further credit risk exposure.

The following table is an analysis of the movement of the expected credit loss for the Group's trade receivables:

£ million	26 December 2020	28 December 2019
Balance at beginning of the period	**(1.6)**	(2.0)
Allowances recognised against receivables	**(0.9)**	(0.8)
Amounts written off as uncollectible during the period	**0.3**	0.8
Amounts recovered during the period	**0.4**	0.4
Allowance reversed	**0.2**	–
Balance at end of the period	**(1.6)**	(1.6)

20. Cash and cash equivalents

£ million	26 December 2020	28 December 2019
Cash and cash equivalents	**24.8**	25.9

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

The carrying amount of these assets approximates their fair value.

21. Borrowings

The interest rates and currency profile of the Group's borrowings at 26 December 2020 were as follows:

£ million	Currency	Facility amount £ million	Amount drawn down at year end £ million	Interest rate	Non-utilisation fee	Maturity date
Term Loan B	GBP	37.5	37.5	Libor plus a margin of 4.25%	N/A	Jun 2024
Term Loan	GBP	20.0	20.0	Libor plus a margin of 1.90%	N/A	Nov 2021
Term Loan	GBP	225.0	225.0	Libor plus a margin of 2.50%	N/A	Mar 2024
Revolving Credit Facility ("RCF")	GBP	230.0	50.0	Libor plus a margin of 2.50%	0.875%	Mar 2024
Asset Finance Facility	GBP	25.0	24.0[1]	Fixed interest rate	N/A	Aug 2027
Total		**537.5**	**356.5**			

1 Asset Finance Facility amount drawn down of £24.0 million is the outstanding liability at 26 December 2020.

Excluding the Asset Finance Facility, the above borrowings are subject to covenant agreements including the Group maintaining a minimum interest cover of 4.0x and not exceeding an adjusted leverage of 3.0x.

On 18 March 2020, the Group completed a refinancing of its core debt facilities amounting to £410 million through a new term loan and Revolving Credit Facility totalling £455 million. The refinancing resulted in the addition of new lenders to the Group. The new facilities are due to mature in March 2024, with an option to extend the tenure by a further two years subject to lender approval.

The Group's total banking facilities amount to £512.5 million (2019: £492.5 million) comprising (i) £282.5 million in term loans (2019: £267.5 million term loan), split £37.5 million maturing in June 2024, £20.0 million maturing in November 2021 and £225.0 million maturing in March 2024 and (ii) £230.0 million Revolving Credit Facilities ("RCF") (2019: £225.0 million RCF), which includes an overdraft and money market facility of £20.0 million (2019: £16.5 million) and further ancillary facilities of £13.3 million (2019: £6.3 million). The bank facilities are unsecured.

21. Borrowings (continued)

The Asset Finance Facility is a £25.0 million facility which could be drawn against up to August 2020, of which the Group drew down £24.9 million. No further draw down can be made against this facility. The facility has been drawn in tranches, with each tranche being repaid on a quarterly basis over a period of seven years, and the weighted average interest rate for the facility at the 26 December 2020 is 2.41% (2019: 2.74%). The interest rate is fixed at the prevailing rate on commencement of the loan tranche.

£ million	26 December 2020	28 December 2019
Bank loans	**354.6**	377.2
	354.6	377.2
Borrowings repayable as follows:		
On demand or within one year	**23.2**	36.7
In the second year	**1.2**	303.1
In the third to fifth years inclusive	**318.5**	37.0
Over five years	**11.7**	0.4
	354.6	377.2
Analysed as:		
Amount due for settlement within 12 months (shown within current liabilities)	**23.2**	36.7
Amount due for settlement after 12 months	**331.4**	340.5
	354.6	377.2

As at 26 December 2020 and 28 December 2019, all of the Group's borrowings were denominated in Sterling.

	26 December 2020 %	28 December 2019 %
The weighted average interest rates paid were as follows:		
Bank loans and overdrafts	**2.68**	3.16

Apart from the Asset Finance Facility, interest on the Group's term loan and other borrowings are at floating rates, thus exposing the Group to cash flow interest rate risk. This risk is mitigated using interest rate swaps as set out in Note 27.

The fair value of the Group's borrowings is as follows:

£ million	26 December 2020	28 December 2019
Fair value of the Group's borrowings	356.6	378.4

Net debt is the net of cash and cash equivalents, prepaid fees to be amortised over the term of outstanding borrowings, outstanding borrowings, interest accrued on borrowings and lease liabilities and is as follows:

£ million	26 December 2020	28 December 2019
Analysis of net debt		
Cash and cash equivalents	**24.8**	25.9
Borrowings	**(22.3)**	(35.1)
Interest accrual	**(2.3)**	(1.6)
Unamortised fees	**1.4**	–
Lease liabilities	**(11.1)**	(11.8)
Debt due within one year	**(34.3)**	(48.5)
Borrowings	**(334.3)**	(343.3)
Unamortised fees	**2.9**	2.8
Lease liabilities	**(70.9)**	(69.3)
Debt due after one year	**(402.3)**	(409.8)
Group net debt	**(411.8)**	(432.4)

22. Derivative financial instruments

£ million	26 December 2020	28 December 2019
Foreign currency contracts – held at fair value through profit and loss	**0.6**	–
Included in current assets	**0.6**	–
Foreign currency contracts – held at fair value through profit and loss	**(0.9)**	(3.3)
Included in current liabilities	**(0.9)**	(3.3)
Foreign currency contracts – held at fair value through profit and loss	**–**	(0.2)
Interest rate contracts – designated in a hedging relationship	**(0.9)**	–
Included in non-current liabilities	**(0.9)**	(0.2)
Total	**(1.2)**	(3.5)

Derivative financial instruments are subject to enforceable master netting agreements, however are not set off on the balance sheet. Under the terms of these arrangements, only where certain credit events occur (such as default), will the net position owing/receivable to a single counterparty in the same currency be taken as owing and all the relevant arrangements terminated.

Further details of derivative financial instruments are provided in Note 27.

23. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

£ million	Accelerated tax depreciation	IAS 23 capitalised interest	Fair value gains	Intangibles	Provisions	Retirement benefit obligations	Share scheme	Overseas tax losses and accrued interest	US goodwill	Total
At 30 December 2018	(23.5)	(0.3)	(0.4)	(0.1)	1.0	0.1	0.4	18.1	–	(4.7)
Adjustment to opening reserves (Note 2)	–	–	–	–	–	–	–	–	(8.1)	(8.1)
Credit to income	(3.1)	(0.1)	1.1	–	(0.6)	(0.3)	0.3	8.1	–	5.4
Exchange differences	0.2	–	–	–	–	–	–	(0.9)	0.2	(0.5)
Charge to equity	–	–	–	–	–	(1.4)	0.1	–	–	(1.3)
At 28 December 2019 (as restated)	**(26.4)**	**(0.4)**	**0.7**	**(0.1)**	**0.4**	**(1.6)**	**0.8**	**25.3**	**(7.9)**	**(9.2)**
Credit to income	1.1	(0.1)	(0.7)	–	0.1	(0.4)	(0.5)	2.3	(0.9)	0.9
Exchange differences	–	–	0.2	–	–	–	–	1.3	0.3	1.8
Charge to equity	–	–	–	–	–	(0.1)	(0.1)	–	–	(0.2)
At 26 December 2020	**(25.3)**	**(0.5)**	**0.2**	**(0.1)**	**0.5**	**(2.1)**	**0.2**	**28.9**	**(8.5)**	**(6.7)**

For details relating to the restatement of deferred tax see Note 2.

Certain deferred tax assets and liabilities have been offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

£ million	26 December 2020	28 December 2019 As restated
Deferred tax asset	**13.0**	11.2
Deferred tax liabilities	**(19.7)**	(20.4)
	(6.7)	(9.2)

At the statement of financial position date, the Group had unrecognised tax losses of £13.9 million (2019: £8.5 million) available for offset against future taxable profits. All £13.9 million will expire after five years if unused. Deferred tax assets are only recognised on the losses carried forward to the extent that it is probable that the losses will be utilised.

None of the temporary differences are expected to reverse in the next 12 months.

The Group is not aware of any temporary differences associated with undistributed earnings of subsidiaries due to the availability of tax credits against such liabilities. The Group is in a position to control the timing of the reversal of any such temporary differences should they arise.

Temporary differences arising in connection with interests in associates are insignificant.

24. Leases

The Group leases assets including land and buildings and plant and machinery that are held within property, plant and equipment. Information about leases for which the Group is a lessee is presented below.

Analysis of property, plant and equipment relating to leases

The Group has split the net book value of property, plant and equipment relating to leases between amounts previously recognised as finance leases under IAS 17 and amounts recognised as right-of-use assets under IFRS 16. This allows management to review performance excluding IFRS 16, as set out in Note 37, Alternative performance measures.

£ million	26 December 2020	28 December 2019
Net book value of leased property, plant and equipment excluding right-of-use assets	**3.4**	4.0
Net book value of right-of-use assets	**71.7**	73.4
	75.1	77.4

Net book value of right-of-use assets

£ million	Land and buildings	Plant and machinery	Total
Balance at 30 December 2018	76.0	4.2	80.2
Additions	1.0	0.9	1.9
Acquisition of subsidiary	6.0	0.3	6.3
Depreciation charge	(9.7)	(2.6)	(12.3)
Impairment for the period	(2.4)	–	(2.4)
Exchange differences	(0.3)	–	(0.3)
At 28 December 2019	70.6	2.8	73.4
Additions	10.2	2.0	12.2
Depreciation charge	(9.7)	(1.7)	(11.4)
Impairment for the period	(2.3)	–	(2.3)
Exchange differences	(0.2)	–	(0.2)
At 26 December 2020	**68.6**	**3.1**	**71.7**

Lease liabilities

	Present value of minimum lease payments	
£ million	26 December 2020	28 December 2019
Amounts payable under leases:		
Within one year	**11.1**	11.8
In the second to fifth years inclusive	**27.9**	27.6
Over five years	**43.0**	41.7
Present value of lease obligations	**82.0**	81.1
Analysed as:		
Amount due for settlement within 12 months	**11.1**	11.8
Amount due for settlement after 12 months	**70.9**	69.3
	82.0	81.1

The weighted average lease term outstanding is 15.4 years (2019: 15.5 years). For 2020, the weighted average incremental borrowing rate was 3.41% (2019: 3.47%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's lease obligations are secured by the lessors' rights over the leased assets.

Amounts recognised in the consolidated income statement

£ million	2020	2019
Interest on lease liabilities	**2.7**	3.0
Expenses relating to low-value leases	**2.4**	1.2
Expenses relating to short-term leases	**0.7**	0.6
	5.8	4.8

Amounts recognised in the statement of cash flows

£ million	2020	2019
Total cash outflow for leases	**11.4**	12.9

25. Trade and other payables

£ million	26 December 2020	28 December 2019
Trade payables	**227.9**	244.4
Other taxation	**1.9**	2.4
Other payables	**20.9**	23.9
Accruals and deferred income	**116.9**	120.3
	367.6	391.0
Less: amounts due after one year		
Accruals and deferred income	**–**	(0.6)
	–	(0.6)
Trade and other payables due within one year	**367.6**	390.4

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 59 days (2019: 58 days). No interest is incurred against trade payables.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

During 2019, the Group set up an arrangement to provide financing for the Group's suppliers. This is a voluntary programme that potentially gives suppliers earlier access to cash. At 26 December 2020, trade payables amounting to £27.9 million (2019: £18.7 million) were subject to these arrangements. These balances are classified as trade payables, and the related payments as cash flows from operating activities, since the original obligation to the supplier remains and has not been replaced with a new obligation to the bank.

Other payables include the Group's liabilities in respect of payroll taxes.

26. Provisions

£ million	Onerous contracts	Dilapidation provisions	Legal and other provisions	Restructuring provisions	Total
At 30 December 2018	2.4	15.9	–	–	18.3
Reversed by IFRS 16	(1.3)	–	–	–	(1.3)
Reclassified from accruals	–	–	1.8	–	1.8
Utilisation of provision	(0.9)	(0.1)	(0.2)	–	(1.2)
Additional provision in the year	1.7	–	1.1	0.8	3.6
Release of provision	–	(0.1)	(1.0)	–	(1.1)
Unwinding of discount	–	0.2	–	–	0.2
At 28 December 2019	1.9	15.9	1.7	0.8	20.3
Included in current liabilities	0.6	3.2	1.7	0.4	5.9
Included in non-current liabilities	1.3	12.7	–	0.4	14.4
At 28 December 2019	1.9	15.9	1.7	0.8	20.3
Utilisation of provision	(0.5)	(1.4)	(0.2)	(4.4)	(6.5)
Additional provision in the year	0.7	3.5	5.1	4.8	14.1
Release of provision	(0.9)	(1.5)	(0.2)	–	(2.6)
Unwinding of discount	–	0.1	–	–	0.1
At 26 December 2020	**1.2**	**16.6**	**6.4**	**1.2**	**25.4**
Included in current liabilities	**0.1**	**3.6**	**6.4**	**0.9**	**11.0**
Included in non-current liabilities	**1.1**	**13.0**	**–**	**0.3**	**14.4**

26. Provisions (continued)

Onerous contracts provisions brought forward from the end of 2018 relate to the Group's leased vacant properties. During the year an additional onerous contract provision of £0.7 million was made in respect of one of the Group's vacant properties. The onerous contract has been calculated as the discounted total expected costs for occupying the property (including service charges but excluding lease rentals and rates) through to the break clause. The provisions will be utilised over the term of the individual leases to which they relate. These leases expire within 10 to 19 years.

Dilapidation provisions relate to estimated obligations under various property leases to ensure that, at the end of the leases, the buildings are in the condition agreed with the landlords. The provisions will be utilised at the end of the individual lease terms to which they relate, which range from 1 to 30 years.

The legal and other provisions, which are expected to be settled within 12 months and have increased by £5.1 million in the year, are assessed by utilising Group experience, legal and professional advice and other commercial factors to reasonably estimate present obligations across the Group. These obligations are varied and depend on future events which are by their nature uncertain. The Group has taken this uncertainty into account and considers the provision to be reasonable in the circumstances. The Group is also subject to a National Living Wage enquiry, which has been ongoing since July 2017. The Directors have assessed and provided for the potential liability that may arise from the enquiry and this is included in legal and other provisions above.

Restructuring provisions at the end of 2019 relate to the closure costs in respect of the Group's non-core UK fast casual restaurant business. An additional provision of £4.8 million has been recognised in relation to site closures in the year and represents the total expected costs for the closure of these businesses. The majority of these provisions have been utilised within the year.

27. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of borrowings, as disclosed in Note 21, cash and cash equivalents and equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings.

The Group manages its capital by collating timely and reliable information to produce various internal reports such as capital expenditure and weekly net debt reports, which enable the Board of Directors to assess the Group's capital, and manage that capital effectively and in line with the Group's objectives. The gearing of the Group is constantly monitored and managed to ensure that the ratio between debt and equity is at an acceptable level of less than 50%. This enables the Group to operate as a going concern and maximise stakeholders' return.

Gearing ratio

The gearing ratio at the period end was as follows:

£ million	26 December 2020	28 December 2019 As restated
Debt (excluding IFRS 16 lease liabilities)	**356.2**	379.5
Cash and cash equivalents	**(24.8)**	(25.9)
Net debt	**331.4**	353.6
Equity	**598.1**	565.7
Net debt to net debt plus equity	**35.7%**	38.5%

Debt is defined as long and short-term borrowings, as disclosed in Note 21 and lease liabilities payable in Note 24 (excluding IFRS 16 lease liabilities of £80.4 million at 26 December 2020 (£78.8 million at 28 December 2019)).

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

Categories of financial instruments

£ million	26 December 2020	28 December 2019
Financial assets		
Fair value through profit and loss:		
Trade receivables	**56.6**	49.4
Derivative financial instruments	**0.6**	–
Measured at amortised cost:		
Trade receivables	**57.0**	56.3
Other receivables	**14.9**	15.4
Cash and cash equivalents	**24.8**	25.9
	153.9	147.0

£ million	26 December 2020	28 December 2019
Financial liabilities		
Fair value through profit and loss:		
Derivative financial instruments	**1.8**	3.5
Other financial liabilities at amortised cost:		
Trade payables	**227.9**	244.4
Other payables	**20.9**	23.9
Accruals	**115.7**	118.9
Borrowings	**354.6**	377.2
Lease liabilities	**82.0**	81.1
	802.9	849.0

The fair value of financial assets approximates to their carrying value due to the short-term nature of the receivables. Fair values for the derivative financial instruments and other payables have been determined as level 2 under IFRS 7 Financial Instruments: Disclosures. Quoted prices are not available for the derivative financial instruments and so valuation models are used to estimate fair value. The models calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves and currency rates.

The fair value of other financial liabilities at amortised cost approximates to their carrying value. The trade and other payables approximate to their fair value due to the short-term nature of the payables. The lease liabilities fair value approximates to the carrying value based on discounted future cash flows.

There have been no changes to fair values as a result of a change in credit risk of the Group or the Group's customers.

Financial risk management

The Group is exposed to a number of financial risks such as access to and cost of funding, interest rate exposure, currency exposure and working capital management. The Group seeks to minimise and mitigate against these risks where possible, and does this by constantly monitoring and using a range of measures including derivative financial instruments. Use of financial instruments is governed by Group policies which are approved by the Board. The treasury function does not operate as a profit centre, makes no speculative transactions and only enters into or trades financial instruments to manage specific exposures.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- Interest rate swaps to mitigate the risk of rising interest rates; and
- Forward foreign exchange contracts to hedge the exchange rate risk arising on purchases in foreign currencies.

Market risk exposures are supplemented by sensitivity analysis. There has been no change in the Group's exposure to market risks or the manner in which it manages and measures the risk.

27. Financial instruments (continued)

Foreign currency risk management

Foreign currency risk management occurs at a transactional level on purchases in foreign currencies and at a translational level in relation to the translation of overseas operations. All transactional risks, cash flow forecasts and related hedges are reviewed by the Group Hedging Committee and Group Treasury, at least quarterly, to monitor foreign exchange rates and confirm the appropriateness of the Group's hedged cover.

The Group's main foreign exchange risk is to the Euro and US dollar.

During the 52-week period to 26 December 2020, the Euro strengthened against Sterling by 5.1%, with the closing rate at €1.1113 compared with €1.1714 at the prior period end. The average rate for the 52-week period to 26 December 2020 was €1.1256 (2019: €1.1414), a 1.4% strengthening of the Euro versus the prior period.

In the same period, the US dollar weakened against Sterling by 3.4%, with the closing rate at $1.3534 compared with $1.3090 at the prior period end. The average rate for the 52-week period to 26 December 2020 was $1.2831 (2019: $1.2776), a 0.4% weakening of the US dollar versus the prior period.

The net foreign exchange impact on profit from transactions is a loss of £0.2 million (2019: gain of £0.4 million).

Foreign currency sensitivity analysis

A sensitivity analysis has been performed on the financial assets and liabilities to a sensitivity of 10% increase/decrease in the exchange rates. A 10% increase/decrease has been used as it represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit/equity where Sterling strengthens 10% against the relevant currency.

	Profit or (loss) 10% strengthening in currency		Profit or (loss) 10% weakening in currency	
£ million	**26 December 2020**	28 December 2019	**26 December 2020**	28 December 2019
Euro	**2.4**	(5.2)	**(2.9)**	6.4
USD	**(0.9)**	(1.2)	**1.1**	1.5
HKD	**(0.1)**	(0.2)	**0.2**	0.2
RMB	**(0.7)**	(0.7)	**0.8**	0.9

Foreign exchange contracts

It is the policy of the Group to enter into foreign exchange contracts to cover specific foreign currency payments and receipts. The Group also enters into foreign exchange contracts to manage the risk associated with anticipated purchase transactions and minimise the exposure generated.

The following table details Sterling foreign currency contracts outstanding as at 26 December 2020:

	Foreign currency (million)		Average exchange rate		Contract value (£ million)		Fair value (£ million)	
Outstanding contracts	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Net Euros:								
3 months or less	**28.7**	30.5	**1.11**	1.11	**25.7**	27.3	**0.1**	(1.3)
3 to 6 months	**27.6**	27.7	**1.13**	1.11	**24.7**	24.5	**0.1**	(0.8)
6 to 12 months	**28.5**	27.7	**1.11**	1.12	**25.7**	24.6	**0.1**	(0.8)
Over 12 months	**14.0**	9.3	**1.10**	1.12	**12.6**	8.2	**0.0**	(0.2)
Net US dollars:								
3 months or less	**6.5**	5.1	**1.30**	1.26	**5.0**	4.0	**(0.2)**	(0.1)
3 to 6 months	**5.0**	6.6	**1.31**	1.27	**3.8**	5.1	**(0.1)**	(0.1)
6 to 12 months	**7.5**	9.2	**1.33**	1.27	**5.7**	7.2	**(0.2)**	(0.2)
Over 12 months	**1.5**	2.0	**1.34**	1.30	**1.2**	1.5	**(0.0)**	–
Net Chinese Renminbi:								
3 months or less	**–**	3.0	**–**	9.14	**–**	0.3	**–**	–
3 to 6 months	**–**	–	**–**	–	**–**	–	**–**	–
6 to 12 months	**–**	–	**–**	–	**–**	–	**–**	–
Over 12 months	**–**	–	**–**	–	**–**	–	**–**	–
					104.4	102.7	**(0.2)**	(3.5)

Interest rate risk management
The Group is exposed to interest rate risk on borrowings. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of derivative financial instruments such as interest rate swaps and caps to minimise the risk associated with variable interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring the most cost-effective hedging strategies are applied. Use of interest rate derivatives is governed by Group policies which are approved by the Board.

Interest rate sensitivity analysis
Interest rate sensitivity analysis has been performed on the financial assets and liabilities to illustrate the impact on Group profits and equity if interest rates increased/decreased. This analysis assumes the liabilities outstanding at the period end were outstanding for the whole period. A 100 basis points increase or decrease has been used, as these are management's assessment of reasonably possible changes in interest rates.

£ million	(Loss)/profit 26 December 2020	(Loss)/profit 28 December 2019
Effects of 100 basis points increase in interest rate	**(1.8)**	(3.8)
Effects of 100 basis points decrease in interest rate	**0.1**	3.8

It is assumed that all other variables remain the same when preparing the interest rate sensitivity analysis.

Interest rate swap contracts
Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year. The £150 million of the floating debt is designated with quarterly interest payment dates and is offset by an interest rate swap with the same critical terms, with a designated hedge ratio of 1:1. Sources of hedge ineffectiveness are a reduction or modification in the hedged item or a material change in the credit risk of swap counterparties.

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates.

The following tables detail various information regarding interest rate swap contracts outstanding at the end of the reporting period and their related hedged items.

	Average contracted fixed interest rate		Notional principal value		Carrying amount of the hedging instrument liabilities		Change in fair value used for calculating hedge ineffectiveness	
Hedging instruments	**2020 %**	2019 %	**2020 £ million**	2019 £ million	**2020 £ million**	2019 £ million	**2020 £ million**	2019 £ million
Interest rate swaps	**0.4**	–	**150.0**	–	**(0.9)**	–	**(0.9)**	–

	Nominal amount of the hedged item (liabilities)		Change in value used for calculating hedge ineffectiveness		Balance in cash flow hedge reserve for continuing hedges		Balance in cash flow hedge reserve arising from hedging relationships for which hedge accounting is no longer applied	
Hedged items	**2020 £ million**	2019 £ million	**2020 £ million**	2019 £ million	**2020 £ million**	2019 £ million	**2020 £ million**	2019 £ million
Variable rate borrowings	**(150.0)**	–	**0.9**	–	**(0.9)**	–	**–**	–

The following table details the effectiveness of the hedging relationship and the amounts reclassified from hedging reserve to income statement:

	Current period hedging losses recognised in OCI		Amount of hedge ineffectiveness recognised in profit or loss		Line item in the income statement in which hedge ineffectiveness is included	Amount reclassified to income statement: Due to hedged future cash flows being no longer expected to occur		Amount reclassified to income statement: Line item in income statement in which reclassification adjustment is included
Hedged items	**2020 £ million**	2019 £ million	**2020 £ million**	2019 £ million		**2020 £ million**	2019 £ million	
Variable rate borrowings	**(0.9)**	–	**–**	–	Other gains and losses	**–**	–	Finance costs

When interest amounts are paid or received on its interest rate swap contracts, the Group recognises the expenses or income in the income statement. During 2020 the net amount paid and recognised as expenses in finance costs was £0.2 million (2019: £nil). After payment or receipt the hedge is revalued and movements are recognised as a movement in the hedging reserve.

27. Financial instruments (continued)

Credit risk management

Credit risk refers to the risk of financial loss to the Group if a counterparty defaults on its contractual obligations of the financial assets measured at amortised cost held in the statement of financial position.

The Group's main credit risk is attributable to its trade receivables. The Group's top four customers, all leading UK retailers, continue to represent more than 75% (2019: 76%) of the Group's revenue from continuing operations. These customers have favourable credit ratings and consequently reduce the credit risk for the Group's overall trade receivables.

Processes are in place to manage receivables and overdue debt and to ensure that appropriate action is taken to resolve issues on a timely basis. Credit control operating procedures are in place to review all new customers. Existing customers are reviewed as management become aware of changes of circumstances for specific customers. The amounts presented in the statement of financial position are net of appropriate allowance for doubtful trade receivables, specific customer risk and assessment of the current economic environment. The carrying amount of financial assets recorded in the Financial Statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with good credit ratings assigned by international credit rating agencies. Group policy dictates that Group deposits are shared between banks to spread the risk. Currently, Group deposits are shared between banks that are counterparties in the Group's committed bank facilities. The Group's current bank facilities comprise a £282.5 million term loan (2019: £267.5 million) and a £230.0 million RCF facility (2019: £225.0 million), through a bank syndicate. Coöperatieve Rabobank U.A. is the syndicate agent of this facility and it manages the syndicate and participation with other counterparties.

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region of origin was:

£ million	26 December 2020	28 December 2019
UK	**105.9**	99.4
US	**8.9**	7.8
China	**13.7**	13.9
	128.5	121.1

The expected credit losses on trade receivables are calculated locally by financial teams. These allowances are based on assumptions about the risk of default (when it is reasonably probable that no future economic benefit will arise from the financial asset) and expected loss rates. The Group uses judgement in making these assumptions with regards to customer credit ratings, credit risk characteristics and the days past due based on the Group's history and existing market conditions. Generally, the expected credit loss becomes 100% of the trade receivable once it is past due by 91 days; as at 26 December 2020 there were £1.7 million (2019: £1.4 million) of trade receivables past due by 91 days. This figure has been included in the expected credit loss of £1.6 million (2019: £1.6 million). The Group will generally write-off any trade receivables relating to customers that are in administration.

Commodity risk management

The Group acquires substantial quantities of raw materials for its operations. The Group is therefore exposed to commodity price and supply risks for these raw materials. The Group takes action to reduce overall material costs and exposure to price fluctuations by sourcing raw materials from suppliers all over the world, thereby decreasing geographic risk. It also frequently tenders to benchmark market prices. In general, requirements are managed using contracts for periods of between three to twelve months forward. The Group also manages any local currency exposure in line with agreed contracts. As at 26 December 2020, the Group had purchase commitments for the next 12 months to guarantee supply and price of raw materials of £136.4 million (2019: £126.6 million).

Liquidity risk management

Liquidity risk refers to the risk that the Group may not be able to fund the day-to-day running of the Group. The Group manages liquidity risk by monitoring actual and forecast cash flows to ensure that adequate liquidity is available to meet the maturity profiles of financial liabilities. The Group also monitors the drawdown of borrowings against the available banking facilities and reviews the level of reserves. Liquidity risk management ensures sufficient funding is available for the Group's day-to-day needs. The Group maintains reasonable headroom of unused committed bank facilities in a range of maturities at least 12 months beyond the period end. As at 26 December 2020, the Group has undrawn borrowing facilities, including cash, available totalling £204.1 million (2019: £162.7 million). Please see Note 21 for further information regarding the Group's borrowings.

Maturity profile of financial liabilities

The following table illustrates the Group's undiscounted contractual maturity for its undiscounted financial liabilities when they fall due.

£ million	26 December 2020	28 December 2019
Non-derivatives due within one year:		
Trade payables	**227.9**	244.4
Other payables	**20.9**	23.9
Accruals	**115.7**	118.9
Borrowings	**34.3**	49.6
Lease liabilities	**13.6**	14.2
Total non-derivatives due within one year	**412.4**	451.0
Non-derivatives due in the second to fifth years inclusive:		
Borrowings	**344.2**	354.3
Lease liabilities	**35.0**	34.1
Total non-derivatives due in the second to fifth years	**379.2**	388.4
Non-derivatives due after five years:		
Borrowings	**12.1**	0.4
Lease liabilities	**57.5**	57.0
Total non-derivatives due after five years	**69.6**	57.4

The weighted average interest rates for the Group's borrowings are found in Note 21 and in Note 24 for lease liabilities.

The following table illustrates the Group's contractual maturity for derivative financial instruments when they fall due.

£ million	26 December 2020	28 December 2019
Derivative financial liabilities		
Due within one year	**0.9**	3.3
Due in the second to fifth years inclusive	**0.9**	0.2
Sub total	**1.8**	3.5

Items of income, expense, gains or losses

The following table provides an analysis of the Group's investment revenue, finance costs and changes in fair values by category of financial instrument:

£ million	2020	2019
Finance costs		
On financial liabilities held at amortised cost	**(21.0)**	(18.7)
Changes in fair values recognised in Other gains and (losses)		
On financial liabilities held at fair value through profit and loss	**3.4**	(7.3)

28. Share capital and reserves

Share capital

£ million	26 December 2020	28 December 2019
Issued and fully paid:		
579,425,585 (2019: 579,425,585) Ordinary shares of £0.02 each	**11.6**	11.6

All Ordinary shares of £0.02 each are non-redeemable, and carry equal voting rights and rank for dividends and capital distributions, whether on a winding up or otherwise.

On 29 May 2019 a final dividend of 4 pence per share for the period ended 29 December 2018 was paid and amounted to £23,177,023.

On 11 October 2019 the Company paid an interim dividend for the period ended 28 December 2019 of 2 pence per share amounting to £11,588,512. The final dividend for the period ended 28 December of 4 pence per share was suspended in April 2020.

28. Share capital and reserves (continued)

Merger reserve

The merger reserve was created as a result of the acquisition of Bakkavor Holdings Limited and represents the difference between the carrying values of the net assets of Bakkavor Holdings Limited and the value of the share capital and share premium arising on the share for share exchange that resulted in Bakkavor Group plc acquiring Bakkavor Holdings Limited.

In 2007, a corporate reorganisation was completed to establish Bakkavor Holdings Limited as an intermediate holding company of the Group. This was accounted for using the principles of merger accounting.

In 2017, the merger reserve was debited by £185.8 million as a result of the acquisition of Bakkavor Holdings Limited and the elimination of the historical capital reserve which related to the previous group structure.

Hedging reserve

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items (basis adjustment).

Translation reserve

The translation reserve represents foreign exchange rate differences arising on the consolidation of the Group's foreign operations. The assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in the translation reserve.

29. Acquisitions

2020

There have been no acquisitions in the period.

2019

On 12 June 2019, the Group completed the acquisition of 100% of the issued share capital of Blueberry Foods from Samworth Brothers Limited for a total consideration of £16.8 million. The consideration comprised £3.0 million in cash and assumed borrowings of £13.8 million that were repaid immediately. Acquisition-related costs (included in Other administrative expenses) amounted to £0.7 million.

30. Notes to the statement of cash flows

£ million	2020	2019
Operating profit	**62.0**	69.4
Adjustments for:		
Share of results of associates after tax	**(0.1)**	(0.5)
Depreciation of property, plant and equipment	**66.1**	59.7
Amortisation of intangible assets	**0.5**	0.5
Loss/(profit) on disposal of property, plant and equipment	**0.9**	(0.4)
Impairment of assets	**19.1**	6.0
Share scheme charges	**1.2**	1.9
Net retirement benefits charge less contributions	**(1.1)**	(1.9)
Operating cash flows before movements in working capital	**148.6**	134.7
Decrease/(increase) in inventories	**0.7**	(0.6)
(Increase)/decrease in receivables	**(5.1)**	15.5
Decrease in payables	**(22.6)**	(6.9)
Increase in provisions	**4.9**	3.4
Cash generated by operations	**126.5**	146.1
Income taxes paid	**(16.5)**	(14.0)
Interest paid	**(21.5)**	(18.1)
Net cash generated from operating activities	**88.5**	114.0

Analysis of changes in net debt

£ million	29 December 2019	Cash flow	Lease additions	Exchange movements	Other non-cash movements	**26 December 2020**
Borrowings	(377.2)	21.8	–	–	0.8	(354.6)
Lease liabilities	(81.1)	11.4	(12.6)	0.3	-	(82.0)
Total liabilities from financing activities	(458.3)	33.2	(12.6)	0.3	0.8	(436.6)
Cash and cash equivalents	25.9	(0.9)	–	(0.2)	–	24.8
Net debt*	(432.4)	32.3	(12.6)	0.1	0.8	(411.8)

* Includes accrued interest at 26 December 2020 of £2.3 million (2019: £1.6 million) and prepaid bank fees of £4.3 million (2019: £2.8 million). The movement in these balances in the period of £0.8 million is shown in the table above as 'Other non-cash movements' in Borrowings.

31. Contingent liabilities and commitments

The Group may from time to time, and in the normal course of business, be subject to claims from customers and counterparties. The Group regularly reviews all of these claims to determine any possible financial loss to the Group. No provision was considered necessary in the Consolidated Financial Statements. In addition, there are a number of legal claims or potential claims against the Group; please see Note 26 for further details about legal provisions.

The Group has the following amounts of letters of credit issued:

£ million	**26 December 2020**	28 December 2019
Letters of credit	**1.3**	2.5

As at 26 December 2020, the Group had purchase commitments for the next 12 months to guarantee supply and price of raw materials of £136.4 million (2019: £126.6 million).

32. Share-based payments

The Company has a share option scheme for selected employees of the Group. Options granted under the scheme are exercisable at a discount to the estimated price of the Company's shares on the date of grant. Options expire if they remain unexercised after a period of 10 years from the date of grant. Options may be forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year were as follows:

	Number of share options		Weighted average exercise price	
	26 December 2020	28 December 2019	**26 December 2020**	28 December 2019
Outstanding at the beginning of the period	**15,236,588**	11,724,097	**£0.40**	£0.52
Granted during the period	**7,598,464**	3,992,846	**–**	–
Forfeited during the period	**(1,842,936)**	(480,355)	**–**	£0.07
Lapsed during the period	**(3,976,113)**	–	**£0.76**	–
Outstanding at the end of the period	**17,016,003**	15,236,588	**£0.18**	£0.40
Exercisable at the end of the period	**3,976,114**	–	**£0.67**	–

The options outstanding at 26 December 2020 had a weighted average exercise price of £0.18 (2019: £0.40), and a weighted average remaining contractual life of 8.3 years (2019: 8.2 years).

Range of exercise prices for the share options:

	Number of share options		Weighted average exercise price	
	26 December 2020	28 December 2019	**26 December 2020**	28 December 2019
£nil	**12,039,889**	6,284,361	**–**	–
£0.01 – £1.00	**4,976,114**	8,952,227	**£0.61**	£0.68
Outstanding at the end of the period	**17,016,003**	15,236,588	**£0.18**	£0.40
Exercisable at the end of the period	**3,976,114**	–	**£0.67**	–

In 2020, options were granted on 15 September 2020, 14 October 2020 and 30 October 2020. The options had the following performance conditions for vesting:

- 628,480 vest provided that the individual is an employee in October 2023.
- Provided that the first condition is met, 25% of the remaining options vest provided the Group's TSR national rank versus a bespoke peer group of 29 companies three years after the date of grant is at the median level. This increases up to 100% of the remaining options based on a sliding scale if the Group's TSR rank three years after the date of grant is at the upper quartile level.

32. Share-based payments (continued)

In 2019, 3,992,846 options were granted on 9 April 2019. The options had the following performance conditions for vesting:

- 314,156 vest provided that the individual is an employee in April 2022.
- Provided that the first condition is met, 12.5% of the remaining options vest provided the Group's TSR national rank versus a bespoke peer group of 34 companies at 25 December 2021 is at the median level. This increases up to 50% of the remaining options based on a sliding scale if the Group's TSR rank at 25 December 2021 is at the upper quartile level.
- Provided that the first condition is met, 12.5% of the remaining options vest provided the Group's Adjusted EPS for the 2021 financial year is 16.5 pence, with up to a further 50% of the remaining options vesting on a sliding scale if the Group's Adjusted EPS is between 16.5 pence and 18.6 pence for that year.

In 2018, 2,842,686 options were granted on 9 April 2018. The options had the following performance conditions for vesting:

- 216,976 vest provided that the individual is an employee in April 2021.
- Provided that the first condition is met, 12.5% of the remaining options vest provided the Group's TSR national rank versus a bespoke peer group of 34 companies at 26 December 2020 is at the median level. This increases up to 50% of the remaining options based on a sliding scale if the Group's TSR rank at 26 December 2020 is at the upper quartile level.
- Provided that the first condition is met, 12.5% of the remaining options vest provided the Group's Adjusted EPS for the 2020 financial year is 16.5 pence, with up to a further 50% of the remaining options vesting on a sliding scale if the Group's Adjusted EPS is between 16.5 pence and 18.6 pence for that year.

In 2017, options were granted on 3 July 2017 and 20 October 2017. The options granted on 3 July 2017 have two performance conditions for vesting:

- 50% vest provided that the individual is an employee in April 2020 and a liquidity event, i.e. a public listing or company sale, has occurred by that date.
- Provided that the first condition is met, a further 25% vest if Group Adjusted EBITDA for the 2019 financial year is £175.0 million, with up to a further 25% vesting on a sliding scale if Group Adjusted EBITDA is between £175.0 million and £190.0 million for that year.

The options granted on 20 October 2017 have no performance conditions other than the employee needs to be employed by the business at the vesting date.

The aggregate of the estimated fair values of the options granted as at 2020 is £14.1 million (2019: £21.3 million).

Date of grant	Number of options originally granted	Contractual life remaining (years)	Share price at date of grant	Expected volatility	Expected life remaining (years)	Risk-free rate	Expected dividend yield	Fair value per option
3 July 2017	8,178,785	6.5	£1.44	38.2%	–	0.87%	2.75%	£0.65
20 October 2017	600,000	6.8	£1.44	37.5%	–	0.47%	2.75%	£1.34
20 October 2017	400,000	6.8	£1.44	37.7%	1.3	0.56%	2.75%	£1.26
9 April 2018	1,312,855	7.3	£1.78	24.5%	0.3	0.91%	0.00%	£0.94
9 April 2018	1,312,855	7.3	£1.78	23.5%	0.3	1.17%	0.00%	£1.78
9 April 2018	216,976	7.3	£1.78	N/A	0.3	N/A	0.00%	£1.78
9 April 2019	1,839,345	8.3	£1.33	31.0%	1.3	0.69%	0.00%	£0.59
9 April 2019	1,839,345	8.3	£1.33	31.0%	1.3	0.69%	0.00%	£1.33
9 April 2019	314,156	8.3	£1.33	31.0%	1.3	0.69%	0.00%	£1.33
15 September 2020	1,118,051	9.7	£0.68	35.7%	2.7	(0.10%)	0.00%	£0.42
14 October 2020	5,497,110	9.8	£0.65	35.7%	2.8	(0.09%)	0.00%	£0.40
14 October 2020	451,069	9.8	£0.65	35.7%	2.8	(0.09%)	0.00%	£0.64
30 October 2020	354,823	9.8	£0.59	35.7%	2.8	(0.07%)	0.00%	£0.34
30 October 2020	177,411	9.8	£0.59	35.7%	2.8	(0.07%)	0.00%	£0.58

The Group has used the Monte Carlo model to value its share awards. The exercise price used in the model for share options granted in 2020 is £nil (2019: £nil). The fair value of awards, which have a TSR performance condition, takes account of the likelihood of meeting these targets.

The expected volatility is a measure of the amount by which a share price is expected to fluctuate during the period. It is typically calculated based on statistical analysis of daily share prices over the length of the award period. Bakkavor Group plc listed in November 2017 and as such historical information is not available. Instead, the expected volatility has been based on the average volatility of a peer group of companies, which are of a similar size and operate in a similar market to Bakkavor Group plc.

The Group recognised total expenses of £1.2 million (2019: £1.9 million) related to equity-settled share-based payment transactions in the period.

33. Retirement benefit schemes

The Group operates a number of pension schemes in the UK and overseas. These schemes are either trust or contract-based and have been set up in accordance with appropriate legislation. The assets of each of the pension schemes are held separately from the assets of the Company.

In the UK, the two main schemes are a defined contribution scheme, which is open to all UK employees joining the Group (full or part-time), and the Bakkavor Pension Scheme, which is a funded defined benefit scheme that provides benefits on a final salary basis and was closed to future accrual in March 2011.

UK pensions are regulated by the Pensions Regulator whose statutory objectives and regulatory powers are described on its website www.thepensionsregulator.gov.uk. Although the Company bears the financial cost of the plan, the trustee directors are responsible for the overall management and governance of the scheme, including compliance with all applicable legislation and regulations. The trustee directors are required by law to act in the interests of all relevant beneficiaries and to set certain policies; to manage the day to day administration of the benefits; and to set the plan's investment strategy following consultation with the parent company.

Pension costs charged in arriving at profit on ordinary activities before taxation were:

£ million	2020	2019
UK defined contribution scheme net charge	**11.2**	11.1
UK defined benefit scheme net charge	**1.5**	0.9
Total charge	**12.7**	12.0

Defined contribution schemes

The total cost charged to income of £11.2 million (2019: £11.1 million) represents contributions payable to these schemes by the Group at rates advised by the Group to all employees, subject to the minimum requirements set out in legislation. Included in accruals was £2.0 million at the period end for the defined contribution schemes gross contributions (2019: £2.3 million).

Defined benefit schemes

An actuarial valuation of Scheme assets and the present value of the defined benefit obligation for funding purposes was carried out as at 31 March 2019. The results from this valuation were updated for IAS 19 Employee Benefits purposes to 26 December 2020 by a qualified independent actuary with Willis Towers Watson. The projected unit cost method was used to value the liabilities.

The major assumptions used in this IAS 19 valuation were:

	26 December 2020	28 December 2019
Future pension increases (majority of liabilities)	2.85%	2.85%
Discount rate applied to Scheme liabilities	1.40%	1.80%
Inflation assumption (CPI)	2.25%	2.10%

The 2020 mortality table is based on scheme-specific postcode-fitted SAPS 3 tables with a 107% multiplier for male members and a 110% multiplier for female members. Future improvements are in line with the CMI core 2018 improvements model with an initial addition to improvements of 0.5% p.a. and a 1.25% p.a. long-term trend from 2013 onwards, giving life expectancies as follows:

	Males' expected future lifetime 2020	Males' expected future lifetime 2019	Females' expected future lifetime 2020	Females' expected future lifetime 2019
Member aged 45	41.1	41.0	43.7	43.6
Member aged 65	21.7	21.6	23.8	23.7

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Approximate impact on scheme liabilities
Discount rate	Increase/decrease by 1.0%	Decrease £67.0 million/increase £50.6 million
Rate of inflation	Increase/decrease by 0.5%	Increase £22.0 million/decrease £21.0 million
Life expectancy	Members assumed to be one year younger than their actual age	Increase £11.1 million

Amounts recognised in income in respect of these defined benefit schemes are as follows:

£ million	2020	2019
Past service cost	**0.6**	–
Net interest on net defined benefit asset/liability	**(0.2)**	–
Administration costs incurred during the period	**1.1**	0.9
Total charge	**1.5**	0.9

33. Retirement benefit schemes (continued)

All of the charges for each period presented have been included in total administrative expenses. The actuarial gain of £0.4 million (2019: £8.3 million gain) has been reported in other comprehensive income.

The actual return on Scheme assets was an increase of £31.3 million (2019: £40.6 million increase).

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

£ million	26 December 2020	28 December 2019
Fair value of Scheme assets	**294.7**	274.1
Present value of defined benefit obligations	**(283.5)**	(264.4)
Scheme surplus	**11.2**	9.7
Related deferred taxation liability (Note 23)	**(2.1)**	(1.6)
	9.1	8.1

The assumptions used are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The Scheme surplus in 2020 is recognised in accordance with IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction, as the Scheme's terms and conditions allow the Group to have an unconditional right to a refund of contributions when economic benefits are available.

Movements in the present value of defined benefit obligations ("DBO") were as follows:

£ million	26 December 2020	28 December 2019
Opening balance	**(264.4)**	(241.9)
Interest cost on the DBO	**(4.6)**	(6.3)
Benefits paid from Scheme assets	**12.2**	9.8
Actuarial loss – experience	**–**	(1.5)
Actuarial gain – demographic assumptions	**–**	8.0
Actuarial loss – financial assumptions	**(26.1)**	(32.5)
Past service cost – plan amendments	**(0.6)**	–
Closing balance	**(283.5)**	(264.4)

Movements in the fair value of Scheme assets were as follows:

£ million	26 December 2020	28 December 2019
Opening balance	**274.1**	241.4
Interest income on Scheme assets	**4.8**	6.3
Return on Scheme assets greater/(less) than discount rate	**26.5**	34.3
Contributions from the sponsoring companies	**2.6**	2.8
Benefits paid from Scheme assets	**(12.2)**	(9.8)
Administrative costs paid	**(1.1)**	(0.9)
Closing balance	**294.7**	274.1

The analysis of the Scheme assets at the statement of financial position date was as follows:

	Fair value of assets	
£ million	26 December 2020	28 December 2019
Structured UK equity	**16.0**	4.9
Overseas equity	**28.5**	50.4
High yield bonds	**17.5**	17.7
Corporate bonds	**22.1**	5.2
Government bonds	**157.2**	150.4
Cash	**15.3**	15.1
Other	**38.1**	30.4
	294.7	274.1

The fair values of the majority of the equity and bonds have been determined as level 2 instruments under IFRS 7 Financial Instruments: Disclosures, except for most of the Index-linked government bonds, which have quoted prices in active markets and are classed as level 1.

Structured UK equity provides exposure to UK equities, but is a derivative based solution and not a direct investment in equities. A proportion of the Index-linked government bonds are held as collateral against the Structured UK equity product.

The Scheme assets also include swaps to hedge liability inflation and interest rate risks. The swap value has been included in the value of the gilt securities used as collateral for the swaps. Corporate bonds and cash are also used as collateral for the swaps in place.

The Scheme invests in four multi-asset funds, which invest in a wide range of assets including alternative asset classes. In the summary above, the multi-asset funds have been split into the relevant constituent asset classes.

The Bakkavor Pension Scheme operates under trust law and is managed and administered by the Trustees on behalf of the members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The Scheme is subject to Scheme-specific funding requirements, as outlined in UK legislation. The most recent scheme specific funding valuation was as at 31 March 2019.

The Group and the Trustee work closely in matters concerning the Bakkavor Pension Scheme. Regular meetings and correspondence on matters concerning the Scheme are shared in an open manner between both parties.

The Bakkavor Pension Scheme's current investment strategy adopts a policy of investing broadly 60% in growth-seeking assets and 40% in liability matching assets, although the proportions can vary significantly in order to allow for advanced liability hedging techniques, opportunistic allocation of assets and the 'structured equity' component of the strategy increases the notional allocation to return-seeking assets to 95%. A large proportion of both interest and inflation risk is hedged. This strategy is intended to reduce the risk of significant changes to the funding level by hedging key risks, while retaining a proportion of return seeking assets to minimise long-term costs by maximising return within an acceptable level of risk. The Scheme's assets are held separately from those of the Group.

The weighted average duration of the Bakkavor Pension Scheme is approximately 20 years.

A minor change in the underlying bond information used to derive the discount rate was needed during the year due to a change in the classification system used for corporate bonds. It is estimated that this change added around 10 basis points to the discount rate.

Employer contributions, except for deficit reduction contributions, ceased in March 2011 when the Scheme closed to future accrual. Employee contributions also ceased at this date.

Following the closure of the Scheme to future accrual in March 2011, the Group and the Trustee agreed that members who were active members of the Scheme at the date of closure would remain entitled to access early retirement on preferential terms as long as they remained in employment within the Group. The value of members accessing these preferential terms is not included in the defined benefit obligation as this benefit is not funded for in advance. If members choose to access this benefit an employer contribution is made to the Scheme to reflect the increase in expected future pension costs. In 2020, an augmentation of £125,000 was made in respect of this benefit (2019: £12,000).

The current deficit reduction contributions were agreed between the Group and the Trustee as part of the 2019 triennial valuation. The deficit contributions will be paid over a recovery period ending on 31 March 2024. The recovery contributions are paid monthly and the agreed rates are £2.5 million per annum. £2.5 million was paid in the period to 26 December 2020 (2019: £2.8 million).

The actual amount of employer contributions expected to be paid to the Scheme during 2021 is £2.5 million.

34. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries and associates are disclosed in the Company's separate Financial Statements.

Trading transactions

During the period, Group companies did not enter into any transactions with related parties who are not members of the Group.

Share transactions

See Note 36 for details of share transactions by two of the Company's Directors, Agust Gudmundsson and Lydur Gudmundsson.

Remuneration of key management personnel

The remuneration of the Directors and Senior Management, who are the key management personnel of the Company, is set out below for each of the categories specified in IAS 24 Related Party Disclosures.

£ million	2020 Directors	2020 Senior Management	2020 Total	2019 Directors	2019 Senior Management	2019 Total
Short-term employee benefits	**1.9**	**2.2**	**4.1**	2.4	2.4	4.8
Post-employment benefits[1]	**–**	**–**	**–**	–	–	–
Share-based payments[2]	**0.1**	**0.5**	**0.6**	0.2	1.0	1.2
	2.0	**2.7**	**4.7**	2.6	3.4	6.0

1 The Directors' post-employment benefits show contributions made to pension schemes. The pension entitlements disclosed in the Directors' Remuneration Report on page 131 included cash contributions paid in lieu of pension contributions.

2 This is the income statement charge for the year which represents the fair value of the share-based payments to the Directors and Senior Management. Details of the share-based payments are set out in Note 32.

34. Related party transactions (continued)

The highest paid Director received aggregate remuneration (including pension entitlements) of £0.7 million (2019: £1.0 million).

For the period ended 26 December 2020, one Director (2019: one Director) received share options. No Directors (2019: no Directors) exercised share options during the period.

35. Events after the statement of financial position date

On 9 March 2021 the Group extended the maturity date of £430 million of its core debt facilities from March 2024 to March 2025.

The Spring Budget 2021 announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The deferred tax assets and liabilities of UK companies within the Group have been calculated at 19% as this rate has been substantively enacted at the Balance Sheet date. Had the 25% rate been substantively enacted on or before 26 December 2020 it would have had the effect of increasing the deferred tax asset by £0.3m and increasing the deferred tax liability by £7.5m.

36. Controlling party

These Financial Statements are the largest consolidated Group Financial Statements in which the Company has been included.

Two of the Company's Directors, Agust Gudmundsson and Lydur Gudmundsson, hold shares in the Company through their beneficial ownership of Carrion Enterprises Limited and Umbriel Ventures Limited. On 23 May 2019, Carrion Enterprises Limited and Umbriel Ventures Limited each sold 3,229,625 Ordinary shares to Lixaner Co Limited, a company owned and controlled by Sigurdur Valtysson, who runs the family office for Agust and Lydur Gudmundsson. Following the transaction, Lixaner Co Limited holds 6,459,250 Ordinary shares (representing 1.11% of the issued share capital of the Company), and Carrion Enterprises Limited and Umbriel Ventures Limited each hold 142,103,505 Ordinary shares (representing 24.52% of the issued share capital of the Company).

Given the close relationship between the parties, Sigurdur Valtysson is to be considered as acting in concert with Agust and Lydur Gudmundsson for the purposes of the definition in the Takeover Code, and the parties are controlling shareholders of the Company. The aggregate shareholding in the Company of Carrion Enterprises Limited and Umbriel Ventures Limited and their concert party group following the sale of shares to Lixaner Co Limited remained unchanged at 290,666,260 Ordinary shares (representing 50.16% of the issued share capital of the Company).

37. Alternative performance measures

The Group uses various non-IFRS financial measures to evaluate growth trends, assess operational performance and monitor cash performance. The Directors consider that these measures enable investors to understand the ongoing operations of the business. They are used by management to monitor financial performance as it is considered to aid comparability of the financial performance of the Group from year to year.

Change in alternative performance measures

Some of the Group's key metrics have been restated for the 52 weeks ended 28 December 2019, to include start-up losses for new sites and the impact of IFRS 16, which were both excluded in 2019. The changes have been made to simplify the reporting of alternative performance measures and improve comparability of year on year metrics. This has impacted Adjusted EBITDA, Adjusted operating profit, Adjusted profit before tax, free cash flow and Adjusted earnings and hence Adjusted basic and diluted earnings per share. The following table provides details of the changes:

£ million	Adjusted EBITDA	Adjusted operating profit	Adjusted profit before tax	Adjusted earnings	Free cash flow
As previously reported	153.5	105.2	89.1	73.5	51.1
Start-up losses for new sites	(15.5)	(15.5)	(15.5)	(15.5)	(15.5)
IFRS 16 impact	12.9	–	(2.2)	(2.2)	11.3
Tax on the above items	–	–	–	3.6	–
As restated	150.9	89.7	71.4	59.4	46.9

Like-for-like ("LFL") revenue

The Group defines LFL revenue as revenue from continuing operations adjusted for the revenue generated from businesses closed or sold in the current and prior year, revenue generated from businesses acquired in the current and prior period and the effect of foreign currency movements. The Directors believe LFL revenue is a key metric of the Group's revenue growth trend, as it allows for a more meaningful comparison of trends from period to period.

The following table provides the information used to calculate LFL revenue for the Group.

£ million	2020	2019	Change %
Statutory revenue	**1,793.5**	1,885.9	(4.9%)
Revenue from acquisitions	**(54.0)**	(31.0)	
Revenue from closed and sold businesses	**(18.4)**	(44.3)	
Effect of currency movements	**0.8**	–	
Like-for-like revenue	**1,721.9**	1,810.6	(4.9%)

The following table provides the information used to calculate LFL revenue for the UK segment.

£ million	2020	2019	Change %
Statutory revenue	1,566.6	1,652.5	(5.2%)
Revenue from acquisitions	(54.0)	(31.0)	
Revenue from closed and sold businesses	(18.4)	(44.3)	
Like-for-like revenue	1,494.2	1,577.2	(5.3%)

The following table provides the information used to calculate LFL revenue for the US segment.

£ million	2020	2019	Change %
Statutory revenue	146.5	130.6	12.2%
Effect of currency movements	0.6	–	
Like-for-like revenue	147.1	130.6	12.7%

The following table provides the information used to calculate LFL revenue for the China segment.

£ million	2020	2019	Change %
Statutory revenue	80.4	102.8	(21.8%)
Effect of currency movements	0.2	–	
Like-for-like revenue	80.6	102.8	(21.6%)

Adjusted EBITDA and adjusted operating profit

The Group manages the performance of its businesses through the use of 'Adjusted EBITDA' and 'Adjusted operating profit', as these measures exclude the impact of items that hinder comparison of profitability year-on-year. EBITDA is generally defined as operating profit/(loss) before depreciation and amortisation. In calculating Adjusted EBITDA and Adjusted operating profit, we exclude restructuring costs, asset impairments, and those additional charges or credits that are considered significant or one-off in nature. In addition, for Adjusted EBITDA we exclude the share of results of associates after tax and share scheme charges, as this is a non-cash amount. Adjusted operating profit margin is used as an additional profit measure that assesses profitability relative to the revenues generated by the relevant segment; it is calculated by dividing the Adjusted operating profit by the statutory revenue for the relevant segment. The Group calculates Adjusted EBITDA on a pre-IFRS 16 basis for the purposes of determining covenants under its financing agreements.

The following table sets out a reconciliation from the Group's operating profit to Adjusted EBITDA.

£ million	2020	2019 As restated
Operating profit	62.0	69.4
Depreciation	66.1	59.7
Amortisation	0.5	0.5
EBITDA	128.6	129.6
Exceptional items (Note 7)	21.6	20.3
Share scheme charges	1.2	1.9
Loss/(profit) on disposal of property, plant and equipment	0.9	(0.4)
Share of results of associates after tax	(0.1)	(0.5)
Adjusted EBITDA post IFRS 16	152.2	150.9
Less IFRS 16 impact	(13.0)	(12.9)
Adjusted EBITDA pre IFRS 16[1]	139.2	138.0
Covenant adjustments	6.6	18.1
Adjusted EBITDA (pre IFRS 16 and including covenant adjustments)	145.8	156.1

1 Excludes the impact of IFRS 16 as the Group's bank facility agreement definition of Adjusted EBITDA excludes the impact of this standard.

Adjusted EBITDA and Adjusting operating profit by segment is reconciled to operating profit in Note 4.

The following table provides a reconciliation from operating profit to Adjusted operating profit.

£ million	2020	2019
Operating profit	62.0	69.4
Exceptional items (Note 7)	21.6	20.3
Adjusted operating profit	83.6	89.7
Adjusted operating profit margin	4.7%	4.8%

37. Alternative performance measures (continued)

Operational net debt and leverage

Operational net debt excludes the impact of non-cash items on the Group's net debt. The Directors use this measure as it reflects actual net borrowings at the relevant reporting date and is most comparable with the Group's free cash flow and aligns with the definition of net debt in the Group's bank facility agreements which exclude the impact of IFRS 16. The following table sets out the reconciliation from the Group's net debt to the Group's operational net debt.

£ million	26 December 2020	28 December 2019
Group net debt (Note 21)	**(411.8)**	(432.4)
Unamortised fees	**(4.3)**	(2.8)
Interest accrual	**2.3**	1.6
Lease liabilities recognised under IFRS 16	**80.4**	78.8
Group operational net debt	**(333.4)**	(354.8)
Adjusted EBITDA (pre IFRS 16 and including covenant adjustments)	**145.8**	156.1
Leverage (Operational net debt/Adjusted EBITDA pre IFRS 16 and including covenant adjustments)	**2.3**	2.3

Free cash flow

The Group defines free cash flow as the amount of cash generated by the Group after meeting all of its obligations for interest, tax and pensions, and after purchases of property, plant and equipment (excluding development projects), but before payments of refinancing fees and other exceptional or significant non-recurring cash flows. Free cash flow has benefitted from non-recourse factoring of receivables as set out in Note 19 and the extension of payment terms for certain suppliers as described in Note 25. The Directors view free cash flow as a key liquidity measure, and the purpose of presenting free cash flow is to indicate the underlying cash available to pay dividends, repay debt or make further investments in the Group. The following table provides a reconciliation from net cash generated from operating activities to free cash flow.

£ million	2020	2019 As restated
Net cash generated from operating activities	**88.5**	114.0
Dividends received from associates	**0.1**	0.2
Purchases of property, plant and equipment	**(56.4)**	(98.9)
Purchases of property, plant and equipment relating to development projects	**–**	17.5
Proceeds on disposal of property, plant and equipment	**0.1**	1.1
Cash impact of exceptional items	**3.6**	13.0
Refinancing fees	**4.2**	–
Free cash flow	**40.1**	46.9

Adjusted earnings per share

The Group calculates Adjusted basic earnings per Ordinary share by dividing Adjusted earnings by the weighted average number of Ordinary shares in issue during the year. Adjusted earnings is calculated as profit attributable to equity holders of the Company adjusted to exclude exceptional items as presented in the consolidated income statement and the change in value of derivative financial instruments. The Directors use this measure as it tracks the underlying profitability of the Group and enables comparison with the Group's peer companies. The following table reconciles profit attributable to equity shareholders of the Company to Adjusted earnings.

£ million	2020	2019 As adjusted
Profit attributable to equity shareholders of the Company	**34.1**	36.9
Exceptional items (Note 7)	**21.6**	20.3
Accelerated finance costs	**1.7**	–
Change in fair value of derivative financial instruments	**(3.4)**	7.3
Tax on the above items	**(3.8)**	(5.1)
Adjusted earnings used for the adjusted earnings per share calculation	**50.2**	59.4
Add back: Tax on adjusted profit before tax	**13.9**	12.0
Adjusted profit before tax	**64.1**	71.4
Effective tax rate on underlying activities (Tax on Adjusted profit before tax/Adjusted profit before tax)	**21.7%**	16.8%

Number of shares

'000	2020	2019
Weighted average number of Ordinary shares	**579,426**	579,426
Effect of dilutive Ordinary shares	**4,193**	3,922
Weighted average number of diluted Ordinary shares	**583,619**	583,348

	2020	2019
Adjusted basic earnings per share	**8.7p**	10.3p
Adjusted diluted earnings per share	**8.6p**	10.2p

Return on Invested Capital ("ROIC")

The Group defines ROIC as Adjusted operating profit after tax divided by the average invested capital for the year. Adjusted operating profit after tax is defined as operating profit from excluding the impact of exceptional items, impairment of assets and profit on disposal of subsidiaries less tax at the Group's effective tax rate. Invested capital is defined as total assets less total liabilities excluding net debt at the period end, pension assets and liabilities (net of deferred tax) and fair values for derivatives not designated in a hedging relationship. The Group utilises ROIC to measure how effectively it uses invested capital. Average invested capital is the simple average of invested capital at the beginning of the period and the end of the period.

The Directors believe that ROIC is a useful indicator of the amount returned as a percentage of shareholders' invested capital. The Directors believe that ROIC can help analysts, investors and stakeholders to evaluate the Group's profitability and the efficiency with which its invested capital is employed.

The following table sets out the calculations of adjusted operating profit after tax and invested capital used in the calculation of ROIC.

£ million	2020	2019 As restated
Operating profit	**62.0**	69.4
Exceptional items (Note 7)	**21.6**	20.3
Adjusted operating profit	**83.6**	89.7
Taxation at the underlying effective rate	**(18.1)**	(15.1)
Adjusted operating profit after tax	**65.5**	74.6
Invested capital		
Total assets	**1,449.2**	1,463.1
Total liabilities	**(851.1)**	(897.4)
Net debt at period end	**411.8**	432.4
Derivatives not designated as hedges	**0.3**	3.5
Retirement benefit scheme surplus	**(11.2)**	(9.7)
Deferred tax liability on retirement benefit scheme	**2.1**	1.6
Invested capital	**1,001.1**	993.5
Average invested capital for ROIC calculation	**997.3**	933.9
ROIC (%)	**6.6%**	8.0%

ROIC excluding development projects

The Group's development projects were completed during 2019 and all sites are now fully operational. Therefore ROIC excluding development projects is no longer a relevant returns metric for the business.

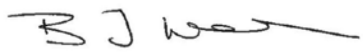
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 26 DECEMBER 2020

£ million	Notes	26 December 2020	28 December 2019
Non-current assets			
Investment in subsidiaries	4	**309.5**	309.5
Current assets			
Amounts due from other Group companies	6	**48.9**	47.2
Deferred tax assets		**0.2**	0.8
		49.1	48.0
Net assets		**358.6**	357.5
Equity			
Share capital	7	**11.6**	11.6
Merger reserve	7	**23.8**	23.8
Retained earnings		**323.2**	322.1
Total equity		**358.6**	357.5

In accordance with the exemptions allowed by Section 408 of Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income. The profit for the period was £nil (2019: £1.3 million profit).

The Financial Statements of Bakkavor Group plc, company number 10986940, and the accompanying Notes, which form an integral part of the Company Financial Statements, were approved by the Board of Directors on 15 March 2021. They were signed on behalf of the Board of Directors by:

Agust Gudmundsson
Chief Executive Officer
15 March 2021



Ben Waldron
Chief Financial Officer
15 March 2021

COMPANY STATEMENT OF CHANGES IN EQUITY
52 WEEKS ENDED 26 DECEMBER 2020

£ million	Share capital	Merger reserve	Retained earnings	Total equity
Balance at 30 December 2018	11.6	23.8	353.6	**389.0**
Dividends paid (Note 7)	–	–	(34.8)	**(34.8)**
Credit for share-based payments	–	–	1.9	**1.9**
Deferred tax on share schemes	–	–	0.1	**0.1**
Profit for the period	–	–	1.3	**1.3**
At 28 December 2019	11.6	23.8	322.1	**357.5**
Credit for share-based payments	–	–	1.2	**1.2**
Deferred tax on share schemes	–	–	(0.1)	**(0.1)**
Profit for the period	–	–	–	**–**
At 26 December 2020	**11.6**	**23.8**	**323.2**	**358.6**

NOTES TO THE COMPANY FINANCIAL STATEMENTS
52 WEEKS ENDED 26 DECEMBER 2020

1. General information
Bakkavor Group plc is a public company, limited by shares, incorporated and domiciled in England, United Kingdom (Company number: 10986940, registered office: Fitzroy Place 5th Floor, 8 Mortimer Street, London, England, W1T 3JJ). The Company's Ordinary shares are traded on the London Stock Exchange.

The principal activities of the Company and its subsidiaries are described within Note 1 of the Consolidated Financial Statements.

2. Significant accounting policies
The Company Financial Statements have been prepared in accordance with the Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006 as applicable to companies using FRS 101 and under the historical cost convention.

The Company Financial Statements are prepared on the going concern basis as set out in Note 2 to the Consolidated Financial Statements.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirement of IFRS 7 Financial Instruments: Disclosures';
- The requirements of paragraphs 91-99 of IFRS 12 Fair Value Measurement;
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  Paragraph 79(a) (iv) of IAS 1; and
  Paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- The requirement of IAS 7 Statement of Cash Flows;
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- The requirements of paragraphs 134(d) – 134(f) and 135(c) – 135(e) of IAS 36 Impairment of Assets; and
- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment.

The preparation of Financial Statements in conformity with FRS 101 did not require the use of any critical accounting estimates or any significant areas of judgement.

The principal accounting policies adopted have been applied consistently and are the same as those set out in Note 2 to the Consolidated Financial Statements except as set out below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Amounts due from other Group companies are initially recognised at fair value and subsequently carried at amortised cost net of allowance for expected credit losses. An allowance is made when there is objective evidence that the Company will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. The Company's amounts due from other Group companies at 26 December 2020 amounted to £48.9 million (2019: £47.2 million). None of these balances include an allowance for expected credit losses and all amounts are expected to be recoverable in full.

3. Employees', Directors' and Auditors' remuneration
Fees payable to the Company's Auditors in respect of the audit of the Company's Financial Statements for the periods ended 26 December 2020 and 28 December 2019 have been borne by fellow Group company Bakkavor Foods Limited. The Company has no employees and payments to Directors for the periods ended 26 December 2020 and 28 December 2019 have been borne by fellow Group company Bakkavor Foods Limited. Details of Directors' remuneration is disclosed within Note 34 of Consolidated Financial Statements.

4. Investments in subsidiaries

£ million	Investment in Group companies
Balance at 28 December 2019 and 26 December 2020	**309.5**

5. Subsidiaries

As at 26 December 2020, Bakkavor Group plc held investments in the share capital of the following companies:

Name	Place of registration and operation	Principal activity	% of voting shares
Directly held investments:			
Bakkavor Holdings Limited[1]	UK	Holding company	100%
Indirectly held investments:			
Bakkavor Finance (2) Limited[1]	UK	Holding company	100%
Bakkavor (London) Limited[1]	UK	Holding company	100%
Bakkavor Finance Limited[2]	UK	Customer invoicing and financing of receivables	100%
Bakkavor Finance ehf[3]	Iceland	Holding company	100%
Bakkavor Limited[1]	UK	Holding company	100%
Bakkavor USA Inc[4]	USA	Holding company	100%
Bakkavor USA Limited[1]	UK	Holding company	100%
Bakkavor Foods USA Inc[4]	USA	Manufacture of custom and private label savoury and bakery products	100%
Bakkavor China Limited[1]	UK	Holding company	100%
Creative Food Group Limited[5]	Hong Kong	Production and manufacture of salad products	100%
Bakkavor Hong Kong Limited[5]	Hong Kong	Preparation and marketing of fresh prepared foods	100%
Bakkavor China Holdings Limited[5]	Hong Kong	Holding company	100%
Wuhan Bakkavor Food Company Limited[6]	China	Production and manufacture of salad products	100%
Wuhan Bakkavor Agricultural Product Processing Company Limited[21]	China	Production and manufacture of salad products	100%
Jiangsu Creative Agriculture Produce Development Company Limited[7]	China	Production and manufacture of salad products	100%
Shaanxi Bakkavor Food Company Limited[8]	China	Production and manufacture of salad products	100%
Shanghai Creative Food Company Limited[9]	China	Production and manufacture of salad products	100%
Beijing Bakkavor Food Company Limited[10]	China	Production and manufacture of salad products	100%
Guangzhou Bakkavor Food Company Limited[11]	China	Production and manufacture of salad products	100%
Bakkavor (Shanghai) Management Company Limited[12]	China	Holding company	100%
Shaanxi Bakkavor Agriculture Processing Company Limited[13]	China	Production and manufacture of salad products	100%
Fujian Bakkavor Food Company Limited[14]	China	Production and manufacture of salad products	100%
Bakkavor (Taicang) Baking Company Limited[15]	China	Production and manufacture of bakery products	100%
Chengdu Bakkavor Foods Company Limited[16]	China	Production and manufacture of salad products	100%
Bakkavor Foods Limited[1]	UK	Preparation and marketing of fresh prepared foods	100%
Bakkavor Desserts Leicester Limited[1]	UK	Production and manufacture of dessert products	100%
Bakkavor Estates Limited[2]	UK	Property management	100%
Bakkavor Pension Trustees Limited[1]*	UK	Pension trustee holding company	100%
Bakkavor European Marketing BV[17]	Netherlands	Holding company	100%
NV Bakkavor Belgium BV[18]	Belgium	Non-trading	100%
BV Restaurant Group Limited[1]	UK	Production and distribution of fresh prepared foods	100%
Bakkavor Iberica S.L.U.[19]	Spain	Distribution	100%
Bakkavor Central Finance Limited[2]	UK	Customer invoicing and financing of receivables	100%
Bakkavor Dormant Holdings Limited[1]	UK	Holding company	100%
Dormant companies			
Bakkavor Finance (1) Limited[1]	UK	Dormant non-trading company	100%
Bakkavor Finance (3) Limited[1]	UK	Dormant non-trading company	100%
Bakkavor Acquisitions (2008) Limited[1]	UK	Dormant non-trading company	100%
Bakkavor Invest Limited[1]	UK	Dormant non-trading company	100%
Bakkavor (Acquisitions) Limited[1]	UK	Dormant non-trading company	100%
Bakkavor Asia Limited[1]	UK	Dormant non-trading company	100%
Bakkavor Overseas Holdings Limited[1]*	UK	Dormant non-trading company	100%
BV Foodservice Limited[1]	UK	Dormant non-trading company	100%
Haydens Bakery Limited[1]	UK	Dormant non-trading company	100%
Bakkavor Fresh Cook Limited[1]	UK	Dormant non-trading company	100%
English Village Salads Limited[1]	UK	Dormant non-trading company	100%
Notsallow 256 Limited[1]*	UK	Dormant non-trading company	100%

Name	Place of registration and operation	Principal activity	% of voting shares
Kent Salads Limited[1]*	UK	Dormant non-trading company	100%
Laurens Patisseries Limited[1]*	UK	Dormant non-trading company	100%
Hitchen Foods Limited[1]*	UK	Dormant non-trading company	100%
Bakkavor Brothers Limited[1]*	UK	Dormant non-trading company	100%
Cucina Sano Limited[1]*	UK	Dormant non-trading company	100%
Butterdean Products Limited[1]*	UK	Dormant non-trading company	100%
Exotic Farm Prepared Limited[1]*	UK	Dormant non-trading company	100%
Exotic Farm Produce Limited[1]*	UK	Dormant non-trading company	100%
Associate companies			
La Rose Noire Limited[20]	Hong Kong	Operation of bakery and food and beverage outlets	45%
Patisserie et Chocolat Limited[20]	Hong Kong	Operation of bakery and food and beverage outlets	45%

1 The registered address of all these companies is Fitzroy Place, 5th Floor, 8 Mortimer Street, London, England, W1T 3JJ.
2 The registered address of these companies is West Marsh Road, Spalding, Lincolnshire, England, PE11 2BB.
3 The registered address of this company is Thorvaldsensstræti 6, 6th floor, 101 Reykjavík, Iceland.
4 The registered address of these companies is 18201 Central Avenue, Carson, California, 90746 USA.
5 The registered address of these companies is Units 1902-1912, 19/F., Eight Commercial Tower, No 8 Sun Yip Street, Chai Wan, Hong Kong.
6 The registered address of this company is Mujiajing ZhangDuHu Farm, Xinzhou District, Wuhan, China.
7 The registered address of this company is Agricultural Development Area, Changle Town, Haimen City, Jiangsu Province, China.
8 The registered address of this company is Qinghua Keji Garden, Middle of Shiji Road, Xianyang City, Shanxi Province, China.
9 The registered address of this company is No. 279 Jiaqian Road, Nanxiang Developing Area, Jiading District, Shanghai, China.
10 The registered address of this company is South Xitai Road, Da Sun Gezhuang Town, Shunyi District, Beijing, China.
11 The registered address of this company is No. 55 Banyutang Road, High Tech Development Area, Guangzhou, China.
12 The registered address of this company is Room 01, 3A Floor, Number 16 Lane 1977, Jinshajiang Road, Putuo District, Shanghai, China.
13 The registered address of this company is No.424, Building 4, Chongwen tower scenic area (phase I), Jinghe new town, Xixian new district, Shaanxi province
14 The registered address of this company is Jiulong Industry Park of Hua An Economic Development Zone, China.
15 The registered address of this company is Taicang City, No 29 Qingdao East Road, China.
16 The registered address of this company is Rong Tai Road, Cross-Straits Science & Technology Industry Development Park, Wenjiang District, Chengdu, China.
17 The registered address of this company is Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands.
18 The registered address of this company is Lammerdries-Zuid 16F, 2250 Olen, Belgium.
19 The registered address of this company is Calle Cartagena 57, 1º D Torre Pacheco, Murcia CP 30700, Spain.
20 The registered address of these companies is 2/F Corporation Square 8 Lam Lok Street, Kowloon Bay, Kowloon, Hong Kong. La Rose Noire and Patisserie et Chocolat Limited are associate companies of the Bakkavor Group, owned by Bakkavor China Limited.
21 The registered address of this company is Room 706, 7th floor, No. 1 Entrepreneurship service center, Hanshi No. 1 road, Honggang village, Wuhan yangluo economic development zone
* These companies are UK dormant companies who file dormant accounts which are exempt from audit by virtue of s479A of Companies Act 2006

6. Financial instruments

Foreign currency risk

The Company is not exposed to any significant foreign currency risk as principally all its balances are in Pounds Sterling.

Interest rate risk management

The Company has an intercompany loan receivable that has a fixed rate of interest. There are no further interest-bearing balances and therefore the Company is not exposed to any interest rate risk.

Categories of financial instruments

£ million	26 December 2020	28 December 2019
Financial assets		
Measured at amortised cost:		
Amounts due from other Group companies	**48.9**	47.2

7. Share capital and reserves

Share capital

£ million	26 December 2020	28 December 2019
Issued and fully paid:		
579,425,585 (2019: 579,425,585) Ordinary shares of £0.02 each	**11.6**	11.6

All Ordinary shares of £0.02 each are non-redeemable, and carry equal voting rights and rank for dividends and capital distributions, whether on a winding up or otherwise.

On 29 May 2019 a final dividend of 4 pence per share for the period ended 29 December 2018 was paid and amounted to £23,177,023.

On 11 October 2019 the Company paid an interim dividend for the period ended 28 December 2019 of 2 pence per share amounting to £11,588,512. The final dividend for the period ended 28 December of 4 pence per share was suspended in April 2020.

Merger reserve

The merger reserve was created as a result of the acquisition of Bakkavor Holdings Limited and represents the difference between the carrying values of the net assets of Bakkavor Holdings Limited and the value of the share capital and share premium arising on the share for share exchange that resulted in Bakkavor Group plc acquiring Bakkavor Holdings Limited.

8. Related party transactions

During the period, the Company entered into the following transactions with related parties:

£ million	26 December 2020	28 December 2019
Amounts due from other Group companies	**48.9**	47.2

Amounts due from other Group companies relate to corporate loans of £48.4 million (2019: £47.2 million) due from Bakkavor Finance (2) Limited and £0.5 million (2019: £nil) due from Bakkavor Foods Limited.

These amounts are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for expected credit losses in respect of the amounts owed by related parties.

Amounts are denominated in Sterling. All related party receivables are held at amortised cost.

Amounts due from Bakkavor Finance (2) Limited do not carry interest (2019: charged at 3.4% per anum) on the outstanding corporate loan balances.

9. Events after the statement of financial position date

There have been no significant events after the statement of financial position date to report.

10. Controlling party

Two of the Company's Directors, Agust Gudmundsson and Lydur Gudmundsson, hold shares in the Company through their beneficial ownership of Carrion Enterprises Limited and Umbriel Ventures Limited. On 23 May 2019, Carrion Enterprises Limited and Umbriel Ventures Limited each sold 3,229,625 Ordinary shares to Lixaner Co Limited, a company owned and controlled by Sigurdur Valtysson, who runs the family office for Agust and Lydur Gudmundsson. Following the transaction, Lixaner Co Limited holds 6,459,250 Ordinary shares (representing 1.11% of the issued share capital of the Company), and Carrion Enterprises Limited and Umbriel Ventures Limited each hold 142,103,505 Ordinary shares (representing 24.52% of the issued share capital of the Company).

Given the close relationship between the parties, Sigurdur Valtysson is to be considered as acting in concert with Agust and Lydur Gudmundsson for the purposes of the definition in the Takeover Code, and the parties are controlling shareholders of the Company. The aggregate shareholding in the company of Carrion Enterprises Limited and Umbriel Ventures Limited and their concert party group following the sale of shares to Lixaner Co Limited remained unchanged at 290,666,260 Ordinary shares (representing 50.16% of the issued share capital of the Company). These Financial Statements are the largest consolidated Group Financial Statements in which the Company has been included.

ADVISERS AND REGISTERED OFFICE

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Annabel Tagoe-Bannerman

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