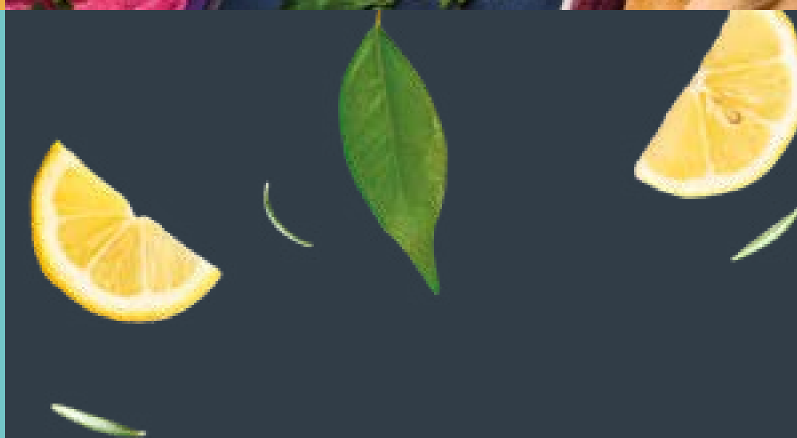
Adapting SUCCESSFULLY TO CHANGE

BAKKAVOR



Bakkavor Group plc
Annual Report
& Accounts 2022

CONTENTS

Disclaimer – forward-looking statements

This report includes forward-looking statements. By their nature, forward-looking statements involve risk, uncertainty and other factors, which may cause the actual results and developments of the Group to differ materially from any results and developments expressed or implied by such forward-looking statements. You should not place undue reliance on any forward-looking statements. These forward-looking statements are made as of the date of this Annual Report and Accounts. The Group is under no obligation to publicly update or review these forward-looking statements other than as required by law.

A refined focus to deliver returns through a *clear strategy*

Our strategy remains focused on driving returns from our market-leading position in the UK, accelerating profitable growth internationally, driving operational excellence and being a trusted partner for all of our stakeholders.

pg 22

Robust financial performance and in a position of *financial strength*

Group like-for-like revenue up 10.6% to over £2bn and Group adjusted operating profit in line with market expectations. Maintenance of a strong balance sheet and good cash generation mean we are well-placed to support future growth.

pg 72

A targeted approach under Trusted Partner to ensure *sustainability progress*

Delivered reduction in Group carbon emissions and UK food waste, along with enhancing our governance of ESG. Updated assessment of our material ESG issues has shaped our focus for the future.

pg 40

Investment in our people and embedding our *new values*

A positive impact from our pay and engagement activities, with new values helping shape our culture and behaviours, so we can all be 'Proud to be Bakkavor'.

pg 32

Financial *highlights*

£2,139.2m
Group reported revenue
(2021: £1,871.6m)

£2,069.0m
Group like-for-like revenue
(2021: £1,871.6m)

£37.8m
Operating profit
(2021: £102.0m)

£89.4m
Adjusted operating profit
(2021: £102.0m)

2.2p
Basic EPS
(2021: 9.8p)

9.5p
Adjusted EPS
(2021: 10.4p)

New CEO appointed, Board committee *responsibilities rebalanced*

Welcomed Mike Edwards as new CEO, and rebalanced Board committee responsibilities to best use the talent and experience of our Directors, along with a new ESG Committee.

pg 113

Leading manufacturer of Fresh Prepared Food

Our *vision*:

To lead the way in bringing great-tasting, Fresh Prepared Food ("FPF") to people across our markets.

Our *purpose*:

To delight our customers and consumers through the fresh, convenient and innovative food that we proudly create every day.

Our *culture*:

To empower and support all our stakeholders by living our values.

- **Respect and trust each other**
- **Keep the customer at the heart of what we do**
- **Get it right, keep it right**
- **Be proud of what we do**

Our *strategy*:

To deliver profitable and sustainable growth.

- UK: Drive returns by leveraging our UK number one market position
- INTERNATIONAL: Accelerate profitable growth in the US and China
- EXCELLENCE: Deliver superior performance through operational excellence
- TRUST: Be a trusted partner for our people, customers, suppliers and communities

Our *business overview*:

Our deep understanding of consumers' changing needs enables us to create innovative products for our customers around the world.

45
total sites

>1,300
total suppliers

>18,500
total colleagues

c.2,900
total products

£2,139.2m
Group reported revenue

#1
Bakkavor position in UK FPF market

Our *UK division*:

Leading supplier to grocery retailers with category breadth and unrivalled scale.

c.1,500
products across meals, pizza and bread, salads and desserts

28
sites: 22 factories, 1 head office, 4 distribution centres, 1 growing unit

£1,783.1m
reported revenue

83%
of Group reported revenue

£92.7m
adjusted operating profit

£54.6m[1]
operating profit

READ MORE on pg 36.

Our *US division*:

National provider of fresh meals to grocery retailers and direct-to-consumer customers.

c.110
products across fresh meals, dips, artisan bread, soups, sauces and burritos

6
sites: 5 factories, 1 head office

£255.3m
reported revenue

12%
of Group reported revenue

£3.3m
adjusted operating profit

£(0.5)m[1]
operating loss

READ MORE on pg 38.

Our *China division*:

Supplies foodservice and retail customers nationally with value-added fresh products.

c.1,300
products across fresh cut salads, food to go salads and sandwiches, bakery, meals, soups and sauces

11
sites: 9 factories, 1 head office, 1 farm

£100.8m
reported revenue

5%
of Group reported revenue

£(6.6)m
adjusted operating loss

£(16.3)m[1]
operating loss

READ MORE on pg 39.

1 Operating profit is after exceptional and adjusting items. Group operating profit was £37.8m.

Bakkavor in numbers

Performance year-on-year

Improved · Worsened · Maintained

Link to our strategy

UK: Drive returns by leveraging our UK number one market position

INTERNATIONAL: Accelerate profitable growth in the US and China

EXCELLENCE: Deliver superior performance through operational excellence

TRUST: Be a trusted partner for our people, customers, suppliers and communities

READ MORE:

Financial review pg 72 for detail of the year-on-year financial performance.

Risk management pg 76 for detail of the principal risks and developments in 2022.

Remuneration report pg 132 for detail of the Group's bonus scheme and long-term incentives.

Trusted Partner pg 40 for detail of the year-on-year non-financial KPI performance.

Non-financial and sustainability information statement pg 52.

The Group's financial reporting period is typically 52 weeks, however, every six years an additional week is included to ensure that its year-end date remains near the end of December. The Group's FY22 results are based on a 53 week period, compared to a 52 week period in FY21. Throughout the Annual Report & Accounts 2022, reported revenue is for the 53 weeks ended 31 December 2022. Like-for-like revenue excludes the 53rd week.

Non-financial performance

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

321

-3.9% (Improved)

2022	321
2021	334
2020	330

Link to our strategy

What are we measuring?
The number of accidents across our sites that resulted in affected colleagues taking more than seven days off work. It is calculated based on 100k colleagues to enable us to compare our performance to the latest data from the UK Health and Safety Executive ("HSE").

Why is it important?
We have a duty of care to colleagues 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.

UK employee turnover[1]

28.1%

+30bps (Worsened)

2022	28.1%
2021	27.8%
2020	17.9%

Link to our strategy

What are we measuring?
This is calculated by dividing the number of colleagues leaving the business (excluding fixed-term contracts and redundancies) against total headcount.

Why is it important?
Our colleagues are our priority and we must remain focused on being the local employer of choice for both existing and new talent. We recognise the importance of attracting and retaining a skilled and diverse workforce. Driving an improvement in employee turnover also creates efficiency by decreasing resources required for recruitment and onboarding.

Total Group net carbon emissions (tCO_2e)

110,106

-18.9% (Improved)

2022	110,106
2021	135,691
2020	141,538

Link to our strategy

What are we measuring?
Scope 1 and 2 net (market-based) emissions across the Group.

Why is it important?
Climate change is the single biggest sustainability challenge facing the world.

Bakkavor has a part to play in reversing the climate emergency and supporting the shift towards a low-carbon economy. This is why we have made the commitment to reach Net Zero emissions across our Group operations by 2040.

UK food waste

8.05%

-110bps (Improved)

2022	8.05%
2021	9.15%
2020	8.48%

Link to our strategy

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 divided by tonnes (food product produced or sold as intended plus food waste plus food sent to other destinations)'.

Why is it important?
Estimated to contribute 8–10% of total man-made greenhouse gas (GHG) emissions[3], addressing food waste is one of our sector's biggest responsibilities.

1 The Group's bonus scheme and long-term incentive awards are based on performance across a selection of three KPIs. See pg 138–139 in the Directors' remuneration report.
2 Alternative Performance Measures ("APMs"), including 'like-for-like', 'adjusted' and 'underlying', are applied consistently throughout the 2022 Annual Report and Accounts. The APMs are defined in full and reconciled to the reported statutory numbers in Note 36 of the Notes to the Consolidated Financial Statements.
3 IPCC, 2019: Climate Change and Land: an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems (P.R. Shukla, J. Skea, E. Calvo Buendia, V. Masson-Delmotte, H.-O. Pörtner, D. C. Roberts, P. Zhai, R. Slade, S. Connors, R. van Diemen, M. Ferrat, E. Haughey, S. Luz, S. Neogi, M. Pathak, J. Petzold, J. Portugal Pereira, P. Vyas, E. Huntley, K. Kissick, M. Belkacemi, J. Malley, (eds.)). In press.

Financial performance

Like-for-like revenue[2] (£m)

£2,069.0m
+10.6%

2022	£2,069.0m
2021	£1,871.6m
2020	£1,764.4m

Link to our strategy

What are we measuring?
Revenue growth at a constant currency excluding acquisitions and closed and sold businesses. In 2022 this also excludes the 53rd week of trading.

Why is it important?
The Group uses like-for-like revenue because it allows for a more meaningful comparison of revenue trends from period to period.

Adjusted operating profit[1,2] (£m)

£89.4m
-12.4%

2022	£89.4m
2021	£102.0m
2020	£83.6m

Link to our strategy

What are we measuring?
Adjusted operating profit measures the underlying profitability of the business, excluding restructuring costs, asset impairments and those additional charges or credits that are considered significant or one-off in nature.

Why is it important?
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.

Free cash flow[2] (£m)

£66.8m
-£24.4m

2022	£66.8m
2021	£91.2m
2020	£40.1m

Link to our strategy

What are we measuring?
Free cash flow is the cash generated by the Group after meeting all of its obligations for interest, tax and pensions and after purchases of property, plant and equipment, but before payments of refinancing fees and other exceptional or significant non-recurring cash flows.

Why is it important?
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.

Adjusted earnings per share[1,2] (pence)

9.5p
-0.9p

2022	9.5p
2021	10.4p
2020	8.7p

Link to our strategy

What are we measuring?
Adjusted earnings per share measures the profit per share of the Group. It is 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 excluding exceptional items and the change in fair value of derivative financial instruments.

Why is it important?
It tracks the underlying profitability of the Group and enables the comparison of performance with the Group's peer companies.

Leverage ratio (net debt/adjusted EBITDA pre IFRS 16)[2] (times)

1.9x
0.0x

2022	1.9x
2021	1.9x
2020	2.3x

Link to our strategy

What are we measuring?
Leverage ratio indicates the level of debt held by the Group. This 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 in the Group's statutory net debt, and is comparable with the Group's free cash flow measure.

Why is it important?
The leverage ratio must be below the maximum defined in the Group's bank debt facilities to ensure the facilities remain available. It also determines the interest margin payable on debt drawn.

Return on invested capital ("ROIC")[2]

7.1%
-10bps

2022	7.1%
2021	7.2%
2020	6.6%

Link to our strategy

What are we measuring?
This is calculated as adjusted operating profit after tax divided by the average invested capital to determine how effective the business is in generating returns from its asset base.

Why is it important?
It is a useful indicator of the amount returned as a percentage of shareholders' invested capital, and is used by investors and other stakeholders to evaluate the Group's profitability and the efficiency with which its invested capital is employed.

Bakkavor has a well-established and experienced management team, a commercial philosophy and dynamic ways of working that equip us well for really challenging conditions like these.

– Simon Burke, Chairman

Proud of our colleagues across the business

Last year, I said we would have to go on battling unfavourable trading conditions in 2022, and I'm afraid that has proved to be all too true. If anything, our markets became still more challenging, especially in respect of inflation.

I believe that our teams once again responded really well to managing the various impacts of this, but we were not able to insulate our financial performance entirely from its effects. As a consequence, whilst our like-for-like revenue rose by 10.6% to £2,069.0m, adjusted operating profit fell by 12.4% to £89.4m, in line with market expectations.

In 2022, we had to absorb c.£230m of cost inflation, mainly in the prices of the raw materials we use to make our products, but also affecting wages and other key costs, which we had to recover through our contracts with customers. I am very pleased to report that this was managed without damaging these key relationships; the sense of it being a shared problem predominated, and I want to acknowledge the professionalism and mutual understanding with which these very difficult discussions were conducted.

Alongside this, we acted to tightly manage our cost base, but even with all the actions taken, the inflation dynamic reduced our operating margins, and this was at the heart of the fall in profitability. The restructure, announced in November 2022, will help us to stabilise the position and emerge from this difficult period as a leaner and fitter business. We all regret very much that it was necessary for jobs to be lost in achieving this.

Our ability to 'hold the line' in a very turbulent market and continue to serve our customers reliably has led to market share gain in the UK, and we are well-placed to take advantage of further opportunities here should they arise.

Although our US business has continued to achieve strong sales growth, margins were impacted by high input cost inflation and by the effects of the very rapid volume increases seen at some sites over the past 18 months. To address this, we are implementing a plan to restore operational performance and associated margins. Underlying market characteristics remain very positive and we continue to see great potential in our US business.

Covid was a dominant factor in China all year and rolling lockdowns impaired our market's ability to recover. Although the recent change in Covid policy in China is creating further difficulties in the short term, it offers the prospect of a return to normality in the medium-term.

Cash management has been a priority for us throughout the year and we are pleased to have year-end leverage within our target range at 1.9 times. We will continue to manage cash resources tightly into 2023. Because of our good balance sheet position, and our confidence that more favourable market conditions will return, we are proposing a final dividend of 4.16 pence per share, giving a total dividend for the year of 6.93 pence, an increase of 5% on last year.

Away from trading and financial matters, we have progressed well with key elements of our ESG strategy, Trusted Partner. We achieved a significant reduction in carbon emissions and food waste, and we improved employee engagement in what was a difficult year for the labour market. In light of the growing importance of these matters, the Board has formed an ESG Committee to bring additional focus and leadership whilst ensuring that they are also developed compatibly with our commercial objectives.

This was one of a number of Board responsibility changes announced during the year, which were designed to achieve a better balance of committee responsibility amongst Directors, and make the best use of the considerable talent and experience of our Non-executive Directors.

However, the biggest change was the appointment of Mike Edwards as our Chief Executive Officer from 1 November 2022. During our search process we met some very impressive candidates, and it was particularly pleasing that notwithstanding this, we all felt that Mike was the right choice to lead Bakkavor in the next stage of its development. Mike took over from Agust Gudmundsson, one of the founders of Bakkavor, who has been a giant figure in the successful history of the business. I expressed the Board's admiration and thanks for what he has done when I announced Mike's appointment, and we are delighted that he is staying with us as a Non-executive Director, and remains a significant shareholder in Bakkavor.

In terms of prospects for 2023, unfortunately the unfavourable trading conditions will continue in our sector for some time, though we hope they might ease as the year progresses. However, from what I have said above, and what you will read elsewhere in this report, I hope you will agree that this difficult period has made Bakkavor leaner, tougher and more agile, and thus well positioned to capitalise on opportunities as the market returns.

The efforts of colleagues here in the UK and overseas have never faltered despite the many issues they have faced, and so once again I want to recognise and thank them for the truly professional job they have done.

Simon Burke
Chairman
7 March 2023

A FINAL MESSAGE FROM AGUST GUDMUNDSSON

Proud of our history, with a strong platform for the future

On 31 October 2022, 36 years on from founding Bakkavor with my brother, I retired as CEO. I will, however, continue to play an active role in the business, retaining my seat on the Group Board as a Non-executive Director, and will remain a significant shareholder.

It was not an easy decision to step down as CEO. Experiencing the atmosphere in our factories, the way our operations flow, the pace at which we work, and seeing our food on the production line and in customer stores, has always given me so much enjoyment. And, of course, working with the teams who do such incredible work across the business.

I am particularly pleased that Mike Edwards will be spearheading the Group's future direction as CEO. Mike has provided trusted counsel to me for over 15 years, and his insight and commercial experience have made an invaluable contribution to the Group Board, which he joined in 2020.

Proud of the company we have built

From its humble start as an Icelandic seafood business in 1986, I am extremely proud of what Bakkavor has become, and to have had the pleasure of working with so many talented and committed people.

Over the years, the business and our teams have shown great resilience in the face of challenges, and we have taken well-calculated risks, made the most of opportunities and lived our values. To reflect on a few of the highlights:

- Shifting our focus to the Fresh Prepared Food market when we saw the scope for success through our transformational acquisition of Geest in 2005. Subsequently, we built our scale and capability through further UK acquisitions to become the market leader.
- Providing opportunities for people to work in a fast-paced and rewarding environment, with a ten-fold increase in our workforce over the last 20 years to over 18,500 colleagues today.
- Seizing the opportunity for significant growth by entering the two largest food markets in the world, the US and China, and leveraging our UK expertise to bring fresh prepared food to consumers in these markets.
- Weathering the financial headwinds and operational challenges presented by the pandemic; evolving our health and safety standards at pace to keep our people safe; and continuing to deliver for our customers every day, to further strengthen those relationships.
- Launching our Trusted Partner ESG strategy and setting out our 2040 Net Zero commitment, recognising Bakkavor has an important role to play in the face of the climate crisis.
- Launching our new company values in early 2022 to further recognise the importance of creating an inclusive workplace that we are all proud to be a part of.

Building on our success together

Bakkavor's legacy of successful growth and expansion is a testament to what we have built together, underpinned by the strong partnerships that we have made with our customers, suppliers and other stakeholders:

- A clear strategy and values which keep the customer at the heart of everything we do.
- A business on the pulse of market changes and consumers' shifting needs, working in partnership with our customers to develop exciting and high-quality products.
- A respectful, supportive culture that celebrates, rewards and enables our colleagues to deliver incredible work and drive us to succeed.

- A continuing drive to nurture our talent and build the strength and quality of our leaders, with internal candidates appointed to our most senior posts: Ben Waldron to CFO and Mike Edwards as CEO, along with Shona Taylor, Managing Director – Bakery, and Dave Selleck, Managing Director – Meals, to the Management Board.

Confident in the Group's future success

A lot has changed since my brother and I founded Bakkavor, but the relentless hard work and dedication of all of our people remains. Thank you for your ongoing commitment and making our business what it is today so that we can all be 'Proud to be Bakkavor'.

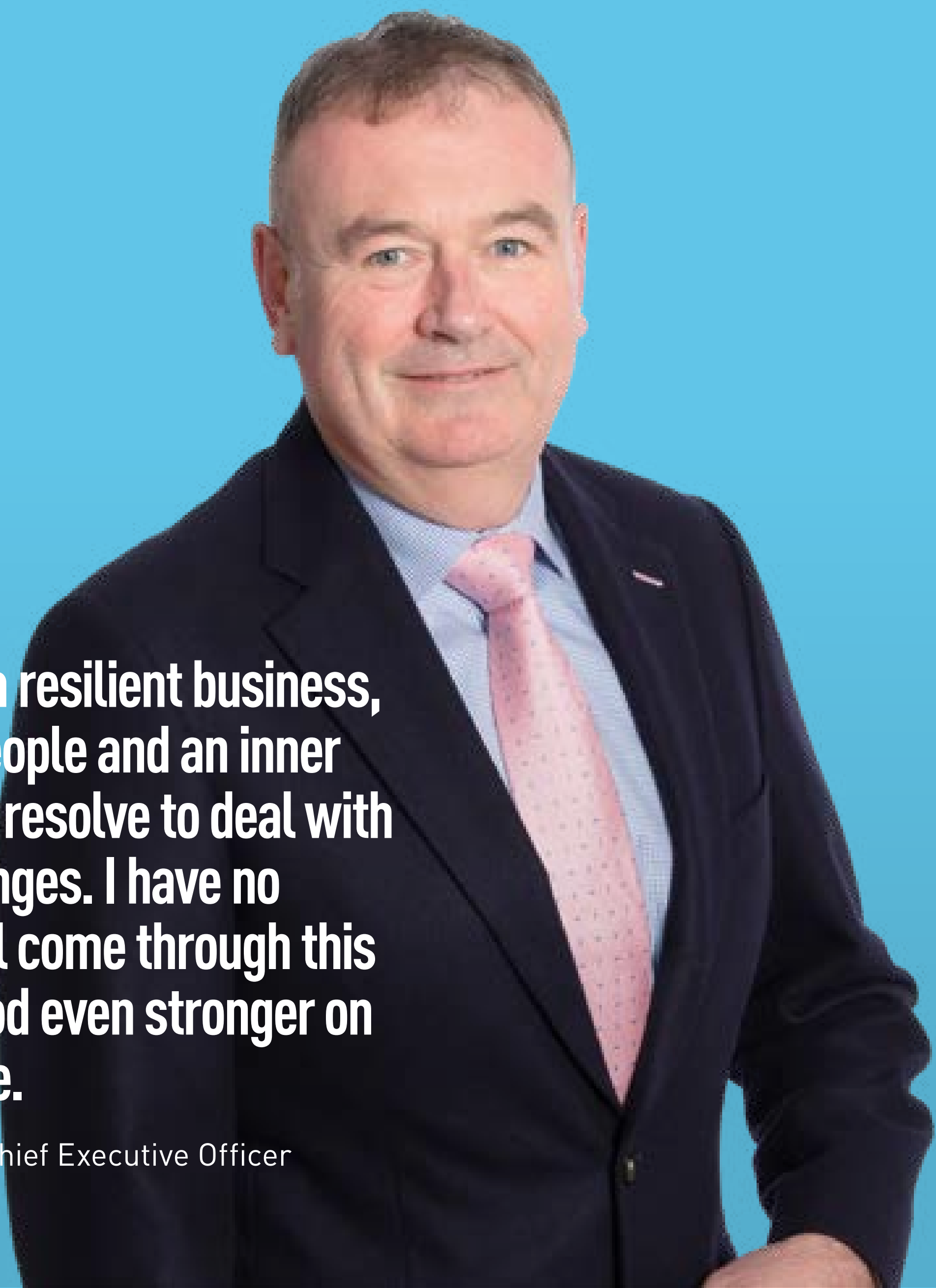
As a Non-executive Director, my priority remains firmly on making Bakkavor an even stronger business and delivering value for all our employees, customers, investors and other key stakeholders.

Whilst the year ahead will remain tough as macro-headwinds persist, the business has strong foundations. I am confident in Mike's leadership and fully support the action taken to protect the business in 2023 and beyond, and I wish him all the very best success in his new role.

Agust Gudmundsson
Non-executive Director;
former Chief Executive Officer
7 March 2023

A lot has changed since my brother and I founded Bakkavor, but the relentless hard work and dedication of all of our people remains.

– Agust Gudmundsson, Non-executive Director; former Chief Executive Officer



> **Bakkavor is a resilient business, with great people and an inner strength and resolve to deal with tough challenges. I have no doubt we will come through this difficult period even stronger on the other side.**
>
> – Mike Edwards, Chief Executive Officer

Q&A with CEO, Mike Edwards

Q How long have you been with Bakkavor?

A I joined the business in 2001 as a Manufacturing Manager at our Bakkavor Pizza Harrow factory, and since then, I have had several leadership roles across our sectors. Before becoming CEO, I was Chief Operating Officer of our UK business ("COO, UK"), a role I have held since 2014, and was appointed to the Group Board in December 2020.

Q What did your most recent role involve?

A Our UK business is really well-established, and is all about making sure we deliver day in, day out for our customers, providing them with the high-quality, fresh products that consumers love. As COO, UK, I worked closely with my UK leadership team to further strengthen our customer relationships and bring focus to our operations and drive efficiency. I also sought to better leverage our scale and breadth to grow our share and cement our leadership position in the Fresh Prepared Food ("FPF") market.

I'm really proud of the strong customer relationships the team has built and the resilience the UK business has shown during my time in this role. This was particularly demonstrated through the challenging pressures of Brexit and the pandemic, when we continued to maintain high service levels, technical standards and worked really collaboratively with our customers.

Through all of this, the strength of our people underpins the resilience of our business. I am grateful for their ongoing commitment and drive that have been instrumental to our success.

Q What did you do before Bakkavor?

A I started my career in the food industry as a graduate trainee, initially in HR, but quickly moved into operations, and had a number of factory and General Manager roles with Heinz and United Biscuits.

Q What do you think is important for successful leadership and what makes working in FPF different?

A A good leader is able to set direction, deliver against the strategy, and make a difference when the going gets tough, whilst delivering for all stakeholders of the business. We have recently established a clear and simple leadership framework at Bakkavor which I think brings to life what we want to see in our leaders. We talk about 'thinking big, taking people with us and getting the job done'. Of course, the last point here has to be done in the right way, with our values front and centre of how we behave.

Operating in the FPF market is very challenging given we are largely making every product every day. We have to commit to materials and labour before we have an order, often have to deal with volatility in orders due to environmental factors such as the weather, and ensure we deliver the high-quality products and service levels our customers expect. In this tough environment, we need our leaders to be able to think clearly, remain calm and act decisively, and importantly not to pass the pressure down to their teams and the wider organisation. For me, dealing with this would be a great example of a leader making that difference when the going gets tough.

To continue making Bakkavor a thriving business and a great place to work, it's essential that we use these principles to embrace the new challenges and opportunities ahead, whilst being clear on the priorities underpinning our strategy, and keeping our values at the heart of everything we do.

Q Tell us about a cause that is close to your heart?

A I've always been impressed by the work of GroceryAid. It has been supporting people across our industry practically, emotionally and financially for over 150 years. I'm pleased that it's one of our two Group charity partners, alongside the Natasha Allergy Research Foundation ("NARF"). NARF is another extremely important charity, with a focus on medical research, law and policies to educate and drive change around allergy awareness. We're proud to be helping their mission to make allergy history.

Q What's first on the 'to-do list' as Bakkavor's CEO?

A The environment we're operating in remains really tough: inflation continues at a pace, energy costs are escalating and consumers are tightening their belts and buying less due to the cost-of-living crisis. Given these challenges, I had to begin my time as CEO by taking swift and decisive action to protect our business. My clear three-part plan involves us creating a leaner senior organisational structure, establishing clear and focused regional priorities and looking at ways to manage our cash. Whilst this isn't how I'd hoped to begin my role, I absolutely believe challenges create opportunities, and that we are well-placed to move forward positively and purposefully, delivering for colleagues, customers and shareholders.

Q Do you feel positive about the future of Bakkavor?

A Yes, I do. Despite this tough climate, Bakkavor is a resilient business, with great people and an inner strength and resolve to deal with tough challenges. I have no doubt we will come through this difficult period even stronger on the other side.

Moving forward *with purpose*

It is an honour to have taken on the role of CEO, and I would like to thank Agust for his outstanding leadership of Bakkavor over the last 36 years and his support during my time in the Group. I joined the business in 2001 and am proud to have played a part in the evolution of the Bakkavor business over the last 20 years or so.

The current environment is incredibly challenging, but I strongly believe that challenges create opportunities. Bakkavor is a resilient business with strong foundations – we have a fantastic team, a broad range of quality products, strong customer relationships, scale and flexibility across our operations, and significant growth opportunities internationally.

Clear strategy in place, with refined focus to deliver returns

The strategy of the Group remains clear and unchanged. We are focused on driving returns from our market-leading position in the UK, whilst also accelerating profitable growth internationally. These priorities are underpinned by our relentless focus on operational excellence, and on being a trusted partner for all of our stakeholders.

Our strategy remains even more relevant today against a challenging backdrop, but we need to employ different tactics to underpin its delivery. We have already taken decisive action to protect profits, under three focus areas:

1. **Leaner organisational structure**
2. **Clear and focused regional priorities**
3. **Enhanced focus on managing cash**

These initiatives will deliver savings of £15m in FY23 and £25m on an annualised basis, and provide us with a stronger platform from which to move forward positively and with purpose as we face what will be another difficult year. The cash costs of £17.1m to implement the plan, together with £19.5m of non-cash impairment charges, are recognised as exceptional items in FY22. Supported by our robust financial position, these actions will ensure that we continue to deliver for colleagues, customers and shareholders. As we go through this transition, we will continue to protect the Group's fundamentals around safety, quality and service, with an absolute focus on delivering for our customers.

> **Our strategy remains relevant, but we need to employ different tactics to underpin its delivery. We have taken decisive action to protect profits under three focus areas.**
>
> – Mike Edwards, Chief Executive Officer

Decisive action to protect profits under *three focus areas:*

1 Leaner organisational structure

We have put in place a new leadership structure which will create renewed energy, focus and purpose. Operationally, we have aligned our UK business around two sectors, Meals and Bakery, which will deliver synergies. Meals combines our existing Meals and Salads businesses, given the dynamic movement of volume that has become the norm between sites, and Bakery combines our Pizza, Bread and Desserts businesses to exploit their process similarities. To create better alignment across our business, we have streamlined our UK structure by moving to functional reporting for our HR and Finance teams, and plans are underway to implement this in the US too. Together, this has necessarily resulted in a number of people leaving our business and we continue to support our colleagues through this transition.

2 Clear and focused regional priorities

UK: We will drive an aggressive plan to mitigate the impact of ongoing inflation and volume pressures by leveraging our scale and strength, working collaboratively with our customers to recover inflation, and implementing specific cost and efficiency plans. The investment we have made to enhance capacity across our sites, combined with our experience of dynamically transferring volume between sites, means we are well-placed to consolidate volume and better leverage our cost base. Following a detailed review of our footprint, we are closing two UK sites (Bakkavor Desserts Leicester and Bakkavor Salads Sutton Bridge) where volumes can be absorbed across our other sites. We continue to work with affected colleagues to secure alternative roles.

US: The growth opportunity remains attractive as the Fresh Prepared Food market is still in its infancy. To date, the pace of growth in our US business has put pressure on operational performance and impacted margin conversion. We are therefore shifting our focus from growth to profit to drive margin improvement. We have a renewed focus on operational execution and efficiency, and cost reduction plans, as well as further leveraging our UK talent pool to provide support and expertise.

China: Severe Covid-related restrictions have created disruption for our factories and demand, particularly given our customers are largely quick-service restaurants and coffee shops, impacted by lockdowns and high case numbers. Now that restrictions have lifted, the priority for our China team is on rebuilding volume to leverage our well-invested factory footprint, with a particular emphasis on diversifying our business by growing our presence in the grocery retail channel.

3 Enhanced focus on managing cash

We have reviewed capital plans to reduce our overall spend whilst protecting our strategic investments at our bread site in Crewe, UK and, once profitability improves, our ready meals site in Charlotte, US. We will continue to ensure spend is allocated to critical compliance and maintenance programmes, along with targeting efficiency improvements. We are also seeking to create benefit from improving working capital, with a particular focus on stock reduction.

Group highlights

Like-for-like revenue

£2,069.0m

+10.6% ✓

2021: £1,871.6m

Adjusted operating profit

£89.4m

-12.4% ✗

2021: £102.0m

Leverage ratio (net debt/ adjusted EBITDA pre IFRS 16)

1.9x

0.0 –

2021: 1.9x

UK employee turnover

28.1%

+30bps ✗

2021: 27.8%

UK food waste

8.05%

-110bps ✓

2021: 9.15%

Group net carbon emissions

110,106

-18.9% ✓

2021: 135,691

Performance year-on-year

✓ Improved ✗ Worsened – Maintained

Robust performance in a tough trading environment

2022 has been a year of challenge and disruption. We have seen significant inflationary pressures across our cost base and on household budgets, which in turn have driven changes in consumer behaviour. We have also had to contend with supply chain disruption as global events continue to cause instability which, combined with a tight labour market, has created a difficult trading environment.

It is in times like these that partnerships and collaboration come to the fore. I would like to thank our colleagues for their ongoing hard work and commitment during this challenging period, and our customers and suppliers for their continued support and for working alongside us to navigate these headwinds.

We have delivered a robust performance against this challenging backdrop. Like-for-like revenue grew by 10.6%, to exceed £2bn. This largely reflects the impact of price, up 9.2%, and in the UK, while volume was broadly flat, we gained market share offsetting soft underlying demand. Strong volume momentum continued in the US, with price increases coming through in the second half, whilst in China Covid restrictions continued to adversely impact volumes.

The UK business has proved resilient against a challenging backdrop, leveraging its scale and flexibility to deliver for customers, whilst using innovation and insights to adapt to changing consumer behaviours and strengthen our market-leading position.

The US delivered good growth, and the future opportunity of the underdeveloped market is significant. Profits, however, came under pressure due to operational disruption from onboarding volume growth, a lag in inflation recovery and the volume impact in Q4 2022 from a contractual dispute with a customer. A renewed focus on driving operational improvement, along with cost reduction plans, should provide a stronger base on which to deliver margin improvement going forward.

Whilst our China business has continued to be impacted by ongoing severe Covid-related restrictions, volumes have shown a steady recovery as mobility restrictions have eased, and we continue to believe in the medium- to long-term prospects for this region, where we now have a well-invested factory footprint.

During my 20-year-long career at Bakkavor I have never experienced such high levels of inflation, equating to c.£230m of cost headwinds in 2022, equivalent to a 14% increase in costs year-on-year. Our multi-faceted approach, across pricing, value optimisation, operational efficiency improvements, leveraging our scale and tight cost control, has enabled us to largely mitigate the impact.

The Group's underlying performance for the year was in line with market expectations, with adjusted operating profit of £89.4m (FY21 £102.0m).

It is in times like these that partnerships and collaboration come to the fore, and I would like to thank our colleagues for their ongoing hard work and commitment during this challenging period.

– Mike Edwards, Chief Executive Officer

The Group's balance sheet remains in a strong position, with leverage within our target range at 1.9 times and significant liquidity headroom of over £200m against our debt facilities. We have been disciplined in our approach to capital allocation, but continue to have well-invested factories. Our spend in the year has concentrated on expanding capacity of two of our US sites, to underpin the strategic growth opportunity in meals, and on efficiency improvements in the UK to drive operational excellence.

Continued progress in supporting our people and sustainability

I am proud of all we are doing for our teams and communities through our Trusted Partner ESG strategy and broader people agenda. In 2022, 86% of our colleagues participated in our engagement survey, and the feedback provides us with opportunities to make Bakkavor an even better place to work. In particular, we recognise the demands of working in the fast-paced environment that Fresh Prepared Food manufacturing requires, and we also understand that there is more that we can do to support our people.

Whilst the broader labour market remains tight, through the year we have seen the pressures gradually easing. This is particularly evident in the availability of people, with a reduced level of absences in our own workforce and agencies. Furthermore, whilst staff turnover marginally increased on last year, levels have tracked down in H2 2022, albeit remaining higher than ideal.

It is pleasing to see the investment we have made in our people has had a positive impact, with a c.10% investment in factory pay rates, upweighted engagement activities and the launch of our new values. The majority of our factory colleagues benefitted from an out-of-cycle pay award and an annual pay increase. Our new values, launched in early 2022, have been positively received, and we are continuing to embed them into our culture and ways of working.

We have refined our approach under our Trusted Partner ESG strategy to be more targeted. Going forward, our efforts will be centred on three priority issues: food waste, climate and Net Zero, and environmentally sustainable sourcing. As well as having a positive impact from an environmental and social perspective, we also recognise that there are financial benefits to making progress in these key areas. As such, we are focused on improving our non-financial data and processes, and on developing our capital and operational plans.

In 2022 we enhanced our operational understanding and focus on food waste and the benefit of this has already begun to materialise, with food waste reduced by 110 basis points to 8.05% on last year. We have also continued to develop our plans to reach Net Zero by 2040. In 2022, our Group net carbon emissions reduced significantly, by 18.9% year-on-year, which was supported by our investment in refrigeration upgrades and energy initiatives. We also remain committed to delivering on our commitments across the other areas under our Trusted Partner strategy, which are well-embedded into our day-to-day operations.

Confident of emerging stronger from current conditions

We expect the challenging trading environment in 2022 to continue into the coming year, as consumers are impacted by the cost-of-living crisis. Inflation across the cost base is also expected to persist, particularly in energy and labour, and we expect an increase in costs of c.6% to 8% in 2023.

Trading in early 2023 has been encouraging, despite fresh produce availability challenges which are expected to continue until April. Our UK business has continued to gain market share and plans to help drive margin improvement and reduce costs in the US are being embedded, with a new leadership structure in place from April 2023. Our President of Bakkavor USA, Pete Laport, is leaving in mid-March and we thank him for his contribution and commitment during his time with the US business. In China, as the region is emerging from Covid we have seen a gradual recovery in volumes and, whilst we anticipate some ongoing disruption in the coming months, the outlook for the region is more positive.

Progress under our action plan is on track to deliver the expected savings, with the two UK sites due to close by the end of Q1 2023. This decisive action to reduce costs and protect our business, combined with our clear strategy, focused regional priorities, targeted investment, unique scale and breadth and balance sheet strength, provides us with an even stronger platform from which to move forward positively. We are confident in our ability to deliver 2023 in line with market expectations and are well-placed to capitalise on the medium- to long-term opportunity.

Mike Edwards
Chief Executive Officer
7 March 2023

Creating value for all our stakeholders

Our business model

Leverage our market-leading insight, innovation and expertise to develop products that consumers desire.

Responsibly source high-quality raw materials utilising our agile and well-established supply chain.

Manufacture Fresh Prepared Food ("FPF") to the highest standards and at scale for our customers every day.

Our key resources

>18,500
colleagues

45
sites across UK, US and China

>200
development chefs

>1,300
suppliers we source from

c.250
health and safety and food safety colleagues

£64.0m
capital invested in 2022

Our values

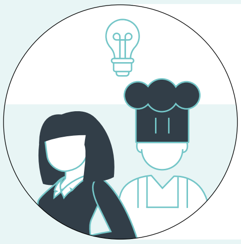
Respect and trust each other

Keep the customer at the heart of what we do

Get it right, keep it right

Be proud of what we do

Our value creation

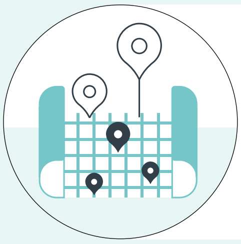


Skilled, engaged and progressive talent pool, embedding our values

86% response rate to engagement survey, up 3% on 2021	**280** apprentices, up from 200 in 2021	**>740** colleagues completed leadership training programmes

High-quality and great-tasting Fresh Prepared Food that meets consumers' changing needs

1,500 new or refreshed products in 2022	**↑** increased share in UK FPF market	**32%** growth in US fresh meals revenue



Well-invested, strategically located footprint to capitalise on future growth

£36.1m capital investment in productivity and strategic projects in 2022	**UK** consolidated footprint to leverage cost base and deliver savings	**1** centralised sourcing platform in Spain

Disciplined capital allocation, with robust cash flow generation and balance sheet strength, provides strong foundations

£66.8m Group free cash flow, allocated primarily to reduce debt and pay the dividend	**1.9x** leverage within target range, in line with 2021	**5.0%** dividend growth

Clear commitments and delivering progress under ESG focus areas

18.9% reduction in Group net carbon emissions in 2022	**110bps** reduction in food waste to 8.05% in 2022	**77** new Wellbeing Champions

Our key stakeholders

- Colleagues
- Customers
- Suppliers
- Investors
- Communities

READ MORE on pg 66.

Our markets
UK market summary

Consumers are focused on value in the near-term, but continue to desire moments of enjoyment, and seek to support their personal wellbeing and a more sustainable future.

The UK market is going through a challenging period as cost-of-living pressures increase due to macro-economic uncertainty and significant price inflation. Nationally, 40% of people say their financial position is getting worse[1], and average household grocery spend has risen by over £600 in 2022[2]. As a result, consumers are adopting money-saving strategies across how they live, shop and eat.

Despite their money-saving behaviours, UK consumers continue to show a desire to create moments of enjoyment, ensure long-term personal wellbeing and support a more sustainable future.

This is demonstrated through shoppers seeking products and brands that listen, understand and respond to their core needs and values.

We distilled these behavioural dynamics and market performance into three key trends: seeking value, desiring at-home experiences and acting responsibly. Our goal at Bakkavor is to leverage our insight and expertise across our Fresh Prepared Food ("FPF") products to ensure each one aligns to these trends and has a clear objective.

SEEKING VALUE – "I want to spend better"

What's happening:

- Shoppers are cutting back and hunting for cheaper products. They are seeking out discounted lines, price-matched products and value tier ranges.
- Shoppers are also switching where they shop, down-trading from premium retailers and high street eateries, looking for more affordable items to help mitigate inflationary costs. As a result, retailers are driving loyalty initiatives to target the savvy shopper.
- Discretionary purchases have reduced. However, shoppers continue to pay a premium for quality, trusted brands, more adventurous flavours and recipes – features they feel add genuine value and cannot easily be replaced. Manufacturers, retailers and brands are working hard to ensure their products offer added value which is worth paying for.

How we are responding:

We have worked with our retail customers to adapt our products to enhance our value proposition for our consumers, whilst ensuring we maintain product quality and integrity:

- Undertook extensive market research in early 2022 to identify which product elements added value to consumers. This helped to focus our product development and category plans to meet new demands.
- Adjusted recipes and product weights to align with the market across a range of ready meals.
- Supported promotional plans with our customers to offer price reductions, multibuy offers, and meal deal discounts across pizza, desserts, dips, soup and ready meals.
- Increased our value tier offering in dips with a strategic customer and rebalanced ranges across several categories.
- Restructured our 'The Pizza Company' meal deal to maintain appeal at a lower price point.

62%
are buying cheaper products[1]

>70%
say increased living costs are their biggest concern[1]

1 Bakkavor State of the Nation Report September 2022, One Pulse – 500 respondents.
2 Kantar UK grocery price inflation 11 October 2022.
3 Kantar WPO 12 weeks to October 2022 versus 12 weeks to October 2021.
4 ShopperVista research. 2,011 British shoppers. 13–15 May 2022.
5 Kantar WPO 12 weeks to October 22 versus 12 weeks to October 2018.
6 Bakkavor Market Matrix, summer 2022.
7 IGD ShopperVista research, 3,707 British shoppers, November 2022.

DESIRING AT-HOME EXPERIENCES – "I want mealtimes to be special"

What's happening:

- Consumers are cutting back on eating out of home to save money, despite mobility returning to pre-pandemic levels. This means affordable weekend treats are being sought to eat at home.
- Supermarkets are benefitting from this shift. Dine-in meal deals have become increasingly popular, with promotions up over 8% on 2021[3].
- 40% of people say they will do less socially than before the pandemic but that when they do it will be more special[4], favouring smaller social gatherings at home. Many are turning to FPF for an easy, affordable solution.
- For everyday occasions, consumers are seeking affordable, convenient and time-saving options that provide a filling meal solution.
- Younger consumers are increasingly attracted to FPF products, particularly evident in ready meals, pizza and vegetable accompaniments. 11.7% of FPF shoppers are pre-family, up 3% on 2018[5].

How we are responding:

With a varied portfolio of affordable and convenient products for in-home occasions, we have benefitted from shoppers seeking these options:

- Uplifted sales in our Italian ready meal and chilled bread ranges, seen as filling, convenient and cost-effective.
- Combined ready meals, pizzas, desserts and sides in meal deal offers, including dine-at-home brands such as The Pizza Company, Heat & Enjoy and Pizza Express. Also supported dine-in propositions across premium and core tiers and a diverse range of cuisines and segments.
- Summer sales grew 7.8% across salads and 2.5% in dips, as a warm summer and desire for convenience bolstered sales[6].
- Continued to elevate eating experiences across our categories; addition of the Siciliana range to Pizza Express and a programme of special guest flavours to The Pizza Company range.
- Maintained focus on social, seasonal and key events, such as The Delicious Dessert Company special cream cakes to celebrate Halloween and commemorate the late Queen's Platinum Jubilee.

55% are cutting back on eating out of home[1]

47% are cutting back on takeaways[1]

ACTING RESPONSIBLY – "I want to eat and live better"

What's happening:

- Whilst pressures on household budgets have put cost front of mind in the near-term, 68% of UK consumers agree that the food and drink industry has a responsibility to limit its climate impact[7]. We strive to look after the health of our nation and planet by evolving our offering to achieve our sustainability goals.
- Fresh, healthy alternative and plant-based products remain an important factor for 31% of FPF consumers[1].
- Reducing waste has become more important to consumers, driven by financial benefits and sustainability goals. Social responsibility and supporting others' wellbeing has also been elevated as people seek to help communities during the cost-of-living crisis.
- High Fat Salt Sugar ("HFSS") health measures: whilst legislative implementation was deferred by the government, retailers started to implement planned changes from October 2022, with changes in where and how non-compliant products can be sold, which particularly impacted dessert and pizza product ranges.

How we are responding:

We continue to evolve our product offering and operations towards a more sustainable future:

- Encouraged healthy eating by developing processes around HFSS legislation; 83% of our products are compliant with the Food Standard Agency's salt reduction targets for 2024 and 62% defined as 'healthier options' by the Department of Health's UK Nutrient Profiling Model.
- Launched multiple propositions that provide more fresh and natural options:
  - 52% of our total UK products are vegetarian (2021: 50%), of which 19% are vegan;
  - New partnership with a leading vegetarian brand to relaunch a range of ready meals, improving freshness and quality; and
  - New plant-based meal deals to support more dietary requirements and lifestyle choices in-store.
- In collaboration with our UK customers, eliminated 2,429 tonnes of plastic across our product ranges – a 12% reduction in a year.
- 631 tonnes of food sent to redistributors and local charities.

47% are seeking more fruit and vegetables in their diet[1]

39% are buying more products with sustainable packaging[1]

US market summary

In this under-developed market, retailers are investing in their Fresh Prepared Food ("FPF") offer to meet strong consumer demand for fresh, convenient products.

What's happening:
Consumer spending in the US continues to be robust despite inflationary pressure, with unemployment remaining at record lows and high job vacancy rates[1]. However, consumer sentiment deteriorated markedly in 2022; the Michigan Consumer Sentiment Index ("MCSI") dropped to 59 in 2022, the lowest yearly score since its inception in 1961[2].

Food prices increased by 10.4% year-on-year in 2022[2], but our focus categories have seen limited change in consumer behaviour. That said, the refrigerated grab-and-go meals category continues to grow strongly off the back of unabated consumer demand.

Our consumer research in 2022 showed that: 95% of consumers that tried fresh meals in the previous six months would purchase the same or more in the next three years; and at least 50% of non-buying consumers were "somewhat likely" to purchase in the future.

Additionally, the possibility of a recession has benefitted private label/retailer brands, providing a further tailwind for our business – with retailer brand sales up 10.2% in the nine months to September, compared to 5.6% for national brands[3].

In response, retailers are strengthening their private label offer and dedicating more space to the category – 82%[4] are actively looking to expand space for FPF, particularly grab-and-go products.

Retailers see private label products as a USP versus their competitors, with 70% deeming such investment a success[5]. The category also provides retailers with a hedge against labour challenges, as shelf-ready fresh meals do not require in-store kitchen operations and individuals to manage the deli counters.

Still, the US retail offer remains vastly underdeveloped compared to the UK and we expect the market to continue growing at double-digit rates in the medium-term.

How we are responding:
We recorded another year of strong volume growth in the US:

- Delivered 32% growth in fresh meals, supplying six customers nationally.
- Rolled out our fresh meals to more stores for our existing customers.
- Launched a new supply partnership with a large regional retailer, with a strong pipeline of new products to further expand the range in 2023.
- Developed and launched 114 new products across our categories, equivalent to over 30% of our 2021 range.
- Introduced product tiering across price points for the first time within our range of meals for one of our strategic customers, thus broadening the category price spectrum and consumer appeal.

70%
of retailers deem investment in fresh prepared meals a success[5]

82%
of food retailers are actively looking to expand space for Fresh Prepared Food[6]

1 US Bureau of Labor Statistics.
2 University of Michigan for consumer sentiment MCSI.
3 LEK Retail Private Label Feeds a Hunger for Growth.
4 Food Industry Association.
5 FMI State of Fresh Food 2022.
6 Food Industry Association.

China market summary

China continues to offer significant opportunity with the world's largest middle-income population of 400 million, which is expected to double in the next 15 years.

What's happening:
China's zero tolerance Covid policy impacted consumer behaviour in 2022, with local and regional lockdowns resulting in slower growth and more considered purchasing. The foodservice channel was heavily affected, with industry revenues declining by 5.4% on 2021. China has not faced the same inflationary pressures as the UK and US (consumer prices were up by only 1.8% year-on-year in December 2022). However, food prices recorded steeper inflation, reaching 8.8% year-on-year growth in September before gradually decelerating[1].

Coupled with the weaker economic outlook, retailers saw strong growth in own label products and Chinese local brands, with 77% of consumers choosing domestic brands because of "value for money"[3]. Food and grocery purchases benefitted over discretionary items – 44% of Chinese consumers expected to spend more on groceries in the second half of 2022[3]. The pandemic also accelerated online penetration – 58% of consumers increased their shopping online since before the pandemic[4] – and a desire for healthier products. 47% of Chinese consumers (versus 37% globally) say they intend to spend more on health and wellness products and services in the future, with 46% actively looking for healthy ingredients in food and beverages[4].

Following the lifting of Covid restrictions in December 2022, the expectation is for a material, if bumpy, recovery in 2023, with the foodservice industry back to a pre-Covid growth rate of 7–10% per annum[5]. Over the longer term, China continues to offer significant opportunities with the world's largest middle-income population of c.400 million, expected to double in the next 15 years[2]. Additionally, sales of fresh prepared meals across ready-to-eat, ready-to-heat and ready-to-cook are expected to continue growing ahead of the market.

How we are responding:

- Delivered over 50% growth in sales to retail customers through product range expansion into existing and new categories, and secured new customer partnerships.
- Expanded our range of products to include ready-to-eat and ready-to-cook meals, leafy salads, sandwiches, soups and sushi for retail customers.
- Introduced a grab-and-go breakfast range at a major coffee chain, as well as healthy choices and online ordering at our Fresh Kitchen counters in Hong Kong.
- Broadened our frozen food offer to widen our geographical reach and support our customers in managing their inventory levels and store processes more effectively.
- Launched a new Fresh Kitchen online frozen range in partnership with a leading meat-alternative brand, combining healthy eating trends with the increase of online food sales.

77%
of consumers choosing domestic brands because of "value for money"[3]

7–10%
CAGR for China foodservice industry[1]

1 China National Bureau of Statistics.
2 Accenture, 2022 – Chinese Consumer Insights 2022.
3 PwC, June 2022 – Global Consumer Survey China Report.
4 Euromonitor, 2022 – Megatrends in China 2025.
5 Great Wall Security.

A clear strategy for realising our vision

The strategy of the Group remains clear: **to deliver profitable and sustainable growth**. We are focused on **driving returns from our market-leading position in the UK**, whilst also **accelerating profitable growth** in the US and China. These priorities are underpinned by our relentless focus on **operational excellence** and by being a **trusted partner for all of our stakeholders**.

Our *vision*:

To lead the way in bringing innovative, great-tasting, freshly prepared food to people across our markets.

Our *purpose*:

To delight our customers and consumers through the fresh, convenient and great-tasting food that we proudly create every day.

Our *culture*:

To empower and support all our stakeholders by living our values.

- **Respect and trust each other**
- **Keep the customer at the heart of what we do**
- **Get it right, keep it right**
- **Be proud of what we do**

> **Our strategy remains even more relevant today against this challenging backdrop, but we need to employ different tactics to underpin its delivery, and we have taken decisive action to protect profits.**
>
> – Mike Edwards, Chief Executive Officer

UK

Drive returns by leveraging our UK number one market position

Our strategy in the UK is to drive financial returns in the Fresh Prepared Food ("FPF") market and strengthen our business for the benefit of all stakeholders.

Our key drivers

- Leverage our leading market insights, product development expertise and breadth of food production capabilities to develop products and propositions that delight our customers and consumers.
- Utilise our scale to develop, prepare and distribute our products with a more efficient and sustainable use of resources.
- Leverage our customer relationships and market leadership to pursue profitable growth opportunities that allow us to create value for our shareholders.
- Invest in attracting and developing talented individuals to retain our leading position into the future.

What we have achieved

- Outperformed the FPF market and increased our market share, in a period when consumer demand has been under pressure, through strong underlying performance and business wins across multiple customers in meals, salads and desserts.
- Grew The Delicious Dessert Company brand through increased distribution and new product launches to become the fifth largest desserts brand in the UK FPF market.
- Leveraged our breadth of capability to support a strategic customer in stretching one of its brands into new categories. Delivered a 60% year-on-year increase in our sales under this brand from market share gains, launching new products across stir-fry, dressed salads and food-to-go, combined with post-Covid recovery in volumes.
- Responded to changing consumer behaviour and inflationary pressures on our cost base by adapting our ranges to deliver great value products, whilst maintaining quality. For example, we removed 127 tonnes of packaging across the annual supply of a range of ready meals, which helped reduce cost and plastic content.
- Collaborated with our customers to successfully recover the majority of inflation across our cost base. Used a combination of pass-through mechanisms, traditional pricing discussions and self-help measures across performance improvement, value optimisation and tight cost control.

Our focus for 2023 and beyond

Under the Group's plan to protect profits, in the UK we are focused on driving returns:

- Drive an aggressive plan to mitigate the impact of ongoing inflation and volume pressures by leveraging our scale and strength, working collaboratively with our customers to recover inflation, maximise value optimisation opportunities across ranges, and implement specific cost and efficiency plans.
- Consolidate our UK footprint with the closure of two sites in Q1 2023 to reduce our cost base. Volume to transfer to existing sites where we have invested in capacity and capability.
- Embed our new leadership structure and deliver synergies from aligning our UK business around two sectors: Meals and Bakery.
- Streamline our UK structure by moving to functional reporting of our HR and Finance teams.

In addition, we will continue to:

- Complete strategic capital investment to increase capacity and enhance productivity at our Bakkavor Bread Crewe site, on track to commission in H2 2023;
- Leverage our competitive offer and operational delivery to win new business from an increasingly challenged and fragile supply base;
- Further build our branded offer in the FPF market through our own brand, The Delicious Dessert Company, and in partnership with external brands, such as Pizza Express and Quorn; and
- Explore inorganic growth opportunities to broaden our capabilities and bolster our proposition to customers.

Bakkavor gained market share in value and volume in 2022

STRATEGY IN ACTION:

Building our new brand, The Delicious Dessert Company

- We identified a gap in the cream cakes branded offering and an opportunity to attract new, younger consumers to this category.
- Drawing on our market-leading capabilities and insight, we created our own brand, The Delicious Dessert Company.
- In 2021, we launched a range of éclairs into two of our strategic retailers. Less than 18 months later, our expanded range of éclairs and loaded doughnuts is available in over 1,100 stores across three grocery retailers, making it the fifth largest and fastest-growing chilled desserts brand in the UK.
- We have sold our products at festivals and events across the UK, and also featured on the BBC, with an exclusive celebration éclair for the late Queen's Platinum Jubilee.
- We are excited about the pipeline of opportunities ahead. We plan to add further retailer listings, broaden the product range, and introduce first-to-market innovation across the chilled desserts category.

Sales up 370% on last year, now 5th largest FPF desserts brand.

International

Accelerate profitable growth in the US and China

We have 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 ten years. We use our Group expertise to support our local teams and deliver profitable growth.

Our key drivers

- Invest in new capacity to respond to growing customer demand, and expand our offering to cater for evolving needs of the end consumers.
- Broaden and strengthen existing customer partnerships, whilst building a pipeline of new customers who are committed to expanding their fresh food offer.
- Combine deep local knowledge with Group expertise to develop innovative products that are tailored to local tastes and meet the highest safety standards.
- Leverage Group experience to generate sustainable profitability improvements, by training local talent and embedding best-in-class manufacturing practices and technical standards.

What we have achieved

US

- Delivered 32% year-on-year growth in fresh meals; completed the national roll-out of fresh meals with a strategic customer, launched our meals offer with a new regional grocer and delivered over 85 new products with existing customers.
- Undertook strategic investment to increase our fresh meals capacity and enhance productivity in our East and West Coast sites; work in Carson completed in the summer of 2022.
- Started to implement productivity and service improvement actions across our sites, as profits have come under pressure due to operational disruption from onboarding significant volume growth.

CHINA

- Effectively managed regional lockdowns that severely impacted our volumes by adapting our ways of working, shifting production across sites, and working in collaboration with our customers to help mitigate the impact, albeit profits were impacted.
- Utilised geographic coverage and expertise to deliver over 60% growth in retail revenue from existing customers and a new large international grocer.
- Built a replacement site in Xi'an to increase capacity, broaden capabilities and ensure best-in-class technical standards. This now completes our strategic investment in the region with a well-invested platform for growth.
- Increased capacity in our Bakery and Hong Kong businesses through small, targeted investments to accommodate business wins and organic growth.

Our focus for 2023 and beyond

US

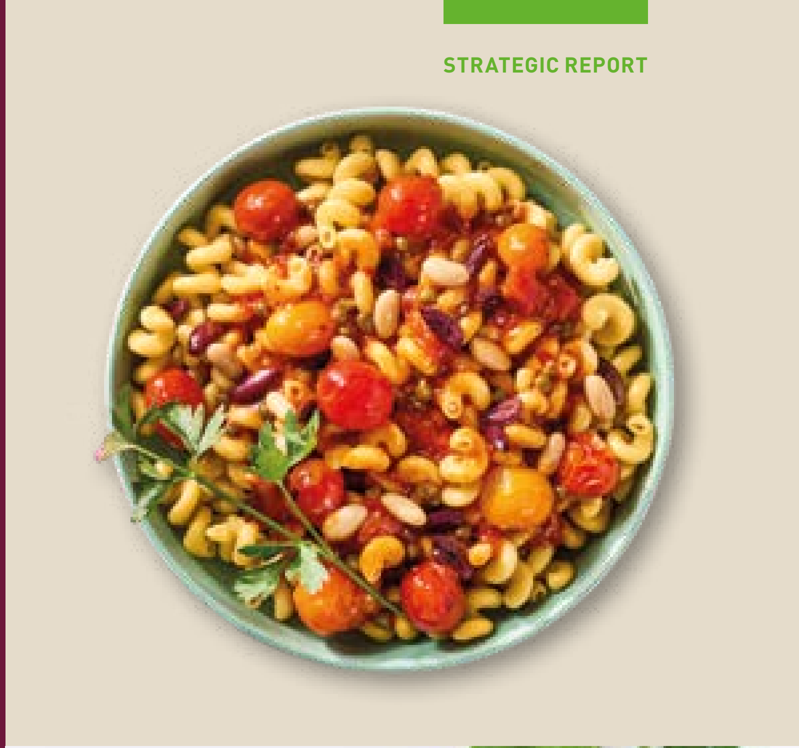
- Our immediate focus has shifted from growth to profit; driving operational performance and reviewing our cost base to improve margin in a sustainable way.
- Continue to seek to reach resolution on the ongoing contractual dispute with a single customer at one site.
- Once profit momentum in the US business returns, recommence our strategic investment in Charlotte to increase our total US site capacity and underpin future growth.
- In the medium-term, search for a new production facility in the Midwest to provide further capacity for growth and enable us to better serve local customers.
- Secure future growth by developing new partnerships through our offer of market-leading fresh meals.
- Provide ongoing support from our UK business to support delivery of our US strategy.

CHINA

- Seek to restore higher growth and profitability, reinvigorating sales with our foodservice customers, with the easing of restrictions providing a more positive outlook for the region.
- Drive further growth in retail channels to further rebalance our sales mix, under the leadership of our newly appointed Commercial Director.
- Drive margin improvement through operating leverage, category-mix optimisation and operational excellence.

32%

growth in US fresh meals revenue in 2022



STRATEGY IN ACTION:

US – Launching our market-leading fresh meals offer for a new customer

In early 2022, we started discussions with a large Midwest grocer to bolster their deli-counter offer with fresh, grab-and-go prepared meals. Within a few months, we had developed a range of six great-tasting single-serve meals. By October, the range had increased to ten products, available across the full estate of over 250 stores. Work is underway to further expand the range, in fresh meals and into other categories.

China – Launching a new product category in grocery retail

Working in partnership with a strategic retail customer, we identified an opportunity to launch a food-to-go fresh sushi offer. The category was new to Bakkavor, but following extensive product and process development in late 2021 we launched our first product. This was an immediate success and we now have a range of three top sellers listed throughout the customer's store estate. This has invigorated our customer relationship and broadened our capabilities, providing a solid platform for future growth.

Developed new customer partnerships in the US and China to successfully launch product ranges as we continue to deliver growth.

Excellence

Deliver superior performance through operational excellence

We invest in our colleagues and assets to generate operational efficiencies and maintain the highest technical standards and service levels across our footprint.

Our key drivers

- Identify opportunities to improve efficiency through our centralised, highly-skilled Operational Excellence team.
- Enhance productivity through automation investments and colleague training, with a focus on engineering skills.
- Uphold the highest technical standards of food safety and health and safety, for the benefit of our colleagues, customers and consumers.
- Establish a resilient and efficient global sourcing platform, supported by our dedicated teams in the UK, Spain and China.
- Maintain our market-leading service levels through agile manufacturing and embedded resource within the supply chain.

What we have achieved

- Taken decisive action to protect profits against persisting inflation and supply chain disruption, with annualised savings of £25m (£15m in FY23). Includes proposed closure of two UK sites, creation of a leaner organisational structure and an enhanced focus on managing cash.
- Continued roll-out of our new smart manufacturing system; installed in all but one of our UK factories, with targeted direct labour savings of up to 1% of revenue, equivalent to c.5% reduction in UK direct labour costs.
- Invested in new equipment and capabilities to accommodate business wins, increase automation and reduce waste and energy consumption. This included upgrading of LED lighting across 20 UK sites to underpin annual energy savings of 8.8 GWh and 1,886 tCO_2e to support our ESG agenda.
- Provided best-in-class service levels to our UK customers, including a well-executed Christmas period, maintaining our strong service with deliveries on time and in full, despite persistent global supply chain challenges.
- Generated efficiencies in our logistic operations through network redesign, significant investment in distribution centres, and an upgrade of our largest distribution centre.
- Maintained industry-leading technical standards across the Group.
- Upgraded our engineering apprenticeship scheme, with a step up in targeted skills and enrolment (30 new apprentices in 2022). Also launched new partnerships, including one with the University of Birmingham.

Our focus for 2023 and beyond

- Deliver on our plan to close two UK sites, ensuring a smooth transfer of volume to our other sites and secure targeted savings.
- Embed our new UK sector structures, consolidated from four to two sectors; Meals and Bakery.
- Drive manufacturing efficiencies through automation, data-driven control of materials and labour, improved training programmes and targeted external support.
- Renew focus in the US on driving operational performance to support sustainable margin improvement. Robust operational plans are being embedded and are expected to start to drive some margin improvement through FY23.
- Maintain our industry-leading technical standards through colleague training, targeted site investments and sharing of best practices.
- Invest in people development and upskilling to build capabilities and improve retention, including through our award-winning apprenticeship programme.

READ MORE on pg 32.

c.1%

of revenue is the targeted saving in direct labour costs following the roll-out of our new smart manufacturing system

STRATEGY IN ACTION:

Targeted investments and footprint rationalisation to create a stronger UK Salads sector

Last year saw targeted investments in our UK salads sites, specifically:

- In Tilmanstone, Kent, we upgraded one production line to allow full segregation of allergens, and automated another line to improve accuracy, increase speed and efficiencies, and also reduce our on-site labour requirements, given ongoing market pressures.
- In Bourne, Lincolnshire, we increased capacity following a business win and replaced packaging equipment to reduce plastic usage, leading to material savings (465 tonnes of plastic annualised) and lower environmental impact.
- To take advantage of the seasonal peak in salads and corresponding dip in meals, at our Boston site we proactively re-purposed meals production capacity to salads. As a result, we were able to effectively deliver on the salads summer peak in volumes.
- We are taking action to protect profitability by closing one of our production sites in Sutton Bridge and rebalancing volumes across the remaining sites.

In 2023, we will invest in people development and upskilling to drive performance and improve retention, including through our award-winning apprenticeship programme.

Trust

Be a *trusted partner* for our people, customers, suppliers and communities

We strive to be a responsible, caring and trusted partner for all our stakeholders, and a positive force in our interactions with the world around us.

Our key drivers

- Live our values by striving to do the right thing for our colleagues, customers, suppliers and communities:

READ MORE on our values on pg 32.

- Provide our people with a great place to work where they feel valued, included and inspired to perform at their best.
- Be a responsible global business by reducing our environmental footprint and maintaining high ethical standards across our supply chain, in collaboration with our customers and suppliers.
- Support our immediate communities through charity partnerships and local grassroots initiatives.

What we have achieved

- Lowered Group net carbon emissions by 18.9% in 2022 through measures across all regions that reduced electricity and gas consumption, and minimised emissions from refrigerant gases to the lowest level since Group-wide measurement began in 2017. Emissions reduced significantly across UK, US and China, by 15.3%, 18.7% and 25.5% respectively in 2022.
- Reduced food waste through improvements in our production processes and stepped up food redistribution efforts.
- Maintained health and safety performance well above industry averages; UK >7 day accident rate of 321 per 100k employees (down 3.9% from 334 per 100k in 2021) and outperformed the industry benchmark by 63%.
- Collaborated with our UK customers to remove 2,429 tonnes of plastic packaging through product redesign and increased recyclability – a 12% reduction achieved in a year.
- Promoted inclusion and diversity and wellbeing across our business through a Wellbeing Strategy and Toolkit, female mentoring programmes, and inclusion campaigns and activity.
- Over 670 factory-based UK colleagues completed the Front-line Leaders Programme, giving them the skills to reach their potential and perform as leaders in our business.

Our focus for 2023 and beyond

- Following the ESG materiality assessment update in 2022, we have clarity on our three priority issues; Climate and Net Zero, Food Waste, and Environmentally Sustainable Sourcing. **READ MORE** on pg 40–41.
- Continue to focus on collating accurate data and ensuring our reporting processes are robust on our non-financial KPIs. **READ MORE** on pg 4.
- Working towards our 2040 Net Zero commitment by conducting site engineering assessments alongside smart energy monitoring and audits. This will deliver a detailed picture of the decarbonisation challenge and opportunity ahead, and the investment required.
- Remain focused on offering fair pay and relevant benefits for our colleagues, as well as developing action plans to address colleague feedback from the 2022 EES.
- Continue our commitment to respond to change effectively with regards to our people, providing progression opportunities, embedding our values and providing relevant benefits.
- With the tough operating environment expected to continue through 2023, we will continue to work alongside our customers and suppliers to support and be a trusted partner to them.
- **READ MORE** on pg 32 for detail on our people, including: how we are responding to the outcomes of our EES; engaging, rewarding and supporting colleagues' wellbeing; putting our values at the heart of everything we do; and developing our action planning to continue positive people progress for 2023 and beyond.

18.9%

reduction in Group net carbon emissions in 2022

STRATEGY IN ACTION:

Driving food waste reduction across our UK business

- Under our Trusted Partner ESG strategy, we are committed to halving UK food waste by 2030 to support the Champions 12.3 initiative.
- In 2021, our UK food waste increased as production returned to pre-pandemic levels. Recognising the need to act, we implemented a dedicated taskforce to oversee governance procedures, regular reporting and action planning.
- Our immediate focus was to collate timely and accurate data that could be analysed and reported at operational and management levels.
- A new standard operating procedure was rolled out in Q2 2022, supported by roadshows to engage our colleagues, as well as internal verification audits.
- Sites prepared specific plans to deliver operational efficiency through waste reduction, as well as maximising the use of surplus food and focusing on increasing redistribution.
- Following this, a performance plan was established which focused on increasing food waste recycling through step-change opportunities at four high-potential sites, and expanding the recycling pipeline at three others.
- The benefit of our actions is seen as UK food waste improved by 110 basis points to 8.05% in 2022 (versus 9.15% in 2021).
- Going forward, our focus on waste reduction will centre on close evaluation of product design specifications and the redesign of high-waste production processes.

READ MORE on pg 46.

UK food waste reduced by 110 basis points to 8.05%.

Our people, values and culture: Proud to be Bakkavor

Our *culture*:

To empower and support all our stakeholders by living our values.

- **Respect and trust each other**
- **Keep the customer at the heart of what we do**
- **Get it right, keep it right**
- **Be proud of what we do**

>18,500 colleagues

>90 nationalities

28.1% employee turnover

86% EES response rate[1]

We continue to invest in our people through pay, benefits and wider engagement activities. Here we highlight our progress in 2022 under four areas of focus, along with our priorities for 2023 and beyond.

Whilst the broader labour market remained tight, we have seen reduced levels of absences across our workforce and in agencies. Employee turnover has tracked down and we met our short-term bonus target, though levels remain elevated. We know there is more we can do to make Bakkavor an even better place to work.

The feedback from our Employee Engagement Survey ("EES"), with an 86% participation rate (up 3% on 2021), has highlighted our strengths but, importantly, is also helping to inform our priorities for 2023 and beyond.

As with other UK businesses, we are having to take decisive action to adapt to the challenging macro-backdrop, expected to persist into 2023. The difficult but necessary restructure of our UK leadership team, alignment of our UK business to two sectors, and planned closure of two UK sites has impacted many colleagues. We have sought to support them through this challenging time, offering comparable roles at different Bakkavor sites and working on several local initiatives to help secure alternative job opportunities.

Our people activities are integrated with the 'Engagement and Wellbeing' pillar of our Trusted Partner ESG strategy.

READ MORE on pg 48.

Our people progress in 2022

Last year we identified four areas of focus for 2022 and we have outlined our progress under each.

1. Developing our employer brand and enhancing our colleague engagement.
2. Rewarding our people and supporting their development.
3. Supporting wellbeing and making everyone feel welcome.
4. Progressing our Group HR transformation.

READ MORE on the Board's oversight of supporting our people progress on pg 102.

1 Bakkavor Employee Engagement Survey, 2022.

> **Our diverse, talented and innovative people are pivotal to our success. We strive to provide them with a great place to work, where they can feel fulfilled. Our values have a sense of pride at their heart and are the guiding principles that shape how we behave so we can all be Proud to be Bakkavor and deliver for our stakeholders.**
>
> – Donna-Maria Lee, Chief People Officer

1 Developing our employer brand and enhancing our colleague engagement

- Further developed the Group's employer brand, with the **launch of our refreshed values in 2022, which highlight how we can all be 'Proud to be Bakkavor'** by living and breathing our values.
- Held a **Group-wide Values Celebration Week to bring teams together to learn about our values.** The benefit was evident in our EES results: 5.8% more colleagues are 'Proud to work at Bakkavor', and **7.3% more colleagues 'would recommend Bakkavor as a good place to work'**[1].
- Further recognised our colleagues, with **115 nominations for our Proud to Be Awards,** which we broadened to be more inclusive.
- **Group Employee Forum ("GEF") and Site Employee Forum ("SEF") representatives continued to provide valuable feedback and support** as we embed our values across the business.
- Hosted **two feedback sessions with the GEF on ensuring our values underpin the Group's culture and support our vision,** led by our workforce engagement Non-executive Director.

READ MORE on pg 156.

- Celebrated long-service colleagues through a **new UK-wide Loyal Service Awards programme: 2,500 colleagues reached long-service milestones** spanning 28,000 years, including three colleagues with over 40 years.
- **Launched our Bakkavor Careers Website** (jobs.bakkavor.com), with career stories from colleagues and a one-stop-shop for job opportunities, to help prospective candidates understand our business.

Our 2022 Employee Engagement Survey

This year saw a change in our EES provider, with the survey design more tailored to our needs, including a simpler platform for completing and interrogating data, more opportunity to review analytics, and easy access to action planning tools.

We were pleased with the increased response rate of 86%, up 3% on 2021, and strengths shown across:

- Direction and leadership at site level;
- Customer at the heart of our business decisions; and
- Employees feeling they have the training to do their jobs well and safely.

It has also helped inform our focus for 2023:

- Reassuring colleagues that we are taking decisive action to protect our business;
- Embedding our refreshed values;
- Continuing to focus on pay and the benefits that matter to our employees; and
- Giving colleagues the opportunity to develop and grow their careers.

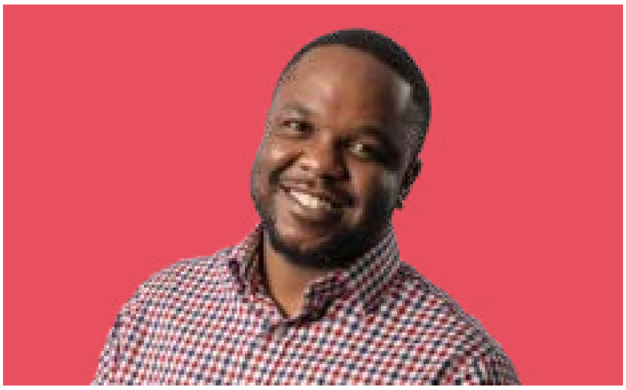
1 Bakkavor Employee Engagement Survey, 2022.

2 Rewarding our people and supporting their development

- **More than 670 factory-based UK colleagues completed our new Front-Line Leaders Programme,** supporting them to reach their potential as leaders in our business. We developed a **high-potential leadership development programme in the US** to support our front-line managers' coaching skills.
- Launched an **online learning portal with over 100 courses** in 17 languages for self-directed learning, offering Group Services colleagues more flexible ways of working.
- Invested in training and development, resulting in a +5% increase in colleagues saying 'I receive regular and clear feedback' and **+7% increase in colleagues saying 'I receive the training I need to do my job well'**.[1]
- **Enhanced our benefit offering** to factory-based colleagues with important life assurance provision. Ran a series of roadshows to raise awareness of the benefits available and how to access them.
- Implemented **out-of-cycle pay increases for most factory-based colleagues**, continuing to pay above the National Living Wage in the UK.
- Continued to invest in our talent pipeline through our apprenticeship programme. **Voted top FMCG company for apprentices by TheJobCrowd for a third year**; our graduate programme, which we also continue to invest in, took second place.
- **Improved our onboarding experience** by developing a standardised induction process across sites and supporting workers to be factory-ready, as well as new joiner buddies.

3 Supporting wellbeing and making everyone feel welcome

- **Participated in Grocery Aid Day** across all of our UK sites using the opportunity to highlight the free wellbeing resources and support available through our charity partner.
- Progress on inclusion and diversity with **76% of colleagues saying "I can be myself at work"**. This also supports our values refresh, with a new value of trust and respect, to help all colleagues uphold the behaviours we expect.
- Our **Inclusion and Diversity Forum** led several initiatives to support inclusive behaviours, diversity and allyship.
- **Hosted a Black History Month showcase**, sharing colleague experiences, and highlighting resources available on our online learning hub.
- **Launched our first 12-month Female Mentoring Programme, with 22 mentees**, and celebrated International Women's Day as we seek to increase female representation in manufacturing.



A special award for our colleagues in China going above and beyond

In April 2022, due to rising Covid cases, all businesses in the Shanghai region, except for supermarkets, pharmacies and food delivery services, were closed.

Our Bakkavor Taicang Bakery site was among the first sites to re-open in 'closed-loop' mode: a strict form of production where employees work and live on company premises. With customers needing products and colleagues keen to resume production, our Bakery team ordered tents, inflatable mattresses, sleeping bags and catering to give everyone a private space and meals.

The ensuing weeks featured daily tests, makeshift bedrooms, temporary showers, communal washing lines, badminton games, movie nights and more.

In recognition for their incredible resilience, we were delighted to give this team a special award as part of our Proud to be Bakkavor awards.

"Looking back, it's tough to believe what we all went through. I can't say I miss living in the office, but I learned a lot from it. This was something none of us expected to have to do, but we made the best of it. My team's efforts to keep the supply chain moving were truly outstanding and I'm proud to be their General Manager."

– Till Kundt, Bakkavor China Bakery General Manager

1 Bakkavor Employee Engagement Survey, 2022.

Our 2022 wellbeing roadmap

New wellbeing strategy launched

Online toolkit of wellbeing resources available. **69%** of colleagues say that they know how to access support for their health and wellbeing[1]

TRAINED 77 WELLBEING CHAMPIONS

Reviewed progress with our **Wellbeing Steering Committee**

Held a UK-wide **Wellbeing Week**

Released resources to encourage **good practice** as standard

Wellbeing Champions engaged to **support SEF activity** and Wellbeing Steering Committee

Future focus on Wellbeing Week, data for insight, and international colleagues

1 Bakkavor Employee Engagement Survey, 2022.

4 Progressing our Group HR transformation

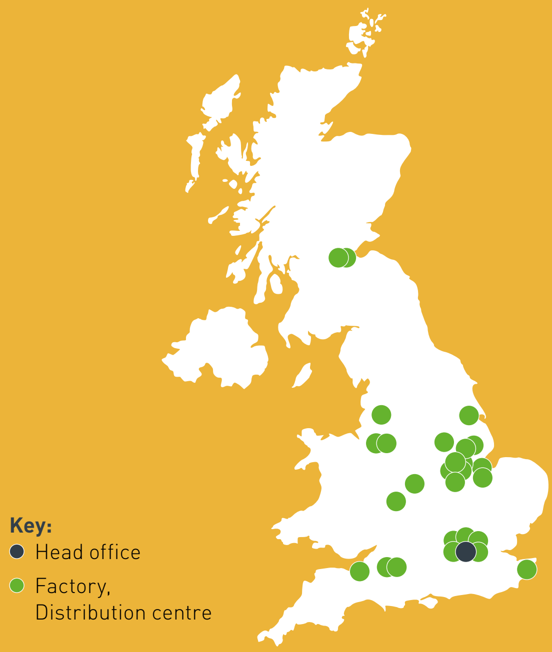
- **Continued to improve our HR processes across the Group**, underpinned by a new HR system, SuccessFactors, launched in February 2022.
- **SuccessFactors was launched to all 3,200+ of our salaried colleagues**. It provides benefits such as an improved careers site, end-to-end HR lifecycle process management, removal of manual processes, enhanced analytics capabilities, improved talent management capabilities, consistent digital experience for employees and an opportunity to support managers' and HR teams' productivity.

Our people priorities for 2023 and beyond

- Build on our strengths and our colleagues' pride in the knowledge that they understand what we ask of them.
- Continue to look after our colleagues' safety at work, deliver the training they need to do their jobs well, and put the customer at the heart of what we do.
- Develop our action plans to address colleague feedback using the 2022 EES focus areas.
- Commit to:
  - Responding to change effectively and embracing new ways of doing things;
  - Providing opportunities for personal growth and development;
  - Embedding our values; and
  - Providing relevant colleague benefits.
- Embed new Management Board and leadership structures, and ensure our strategic vision is communicated to colleagues effectively to support alignment and improved ways of working.
- Continue to see our values as an important enabler for delivering our strategy and collaborating effectively. This includes the launch of a UK-wide values recognition programme, and new training to support an increased focus on our 'trust and respect' value.
- Remain focused on offering fair pay and relevant benefits for all, particularly for factory-based colleagues.

Overview: United Kingdom

Resilient performance, with scale and breadth leveraged to mitigate the impact of macro-headwinds and gain market share. Reshaped operations further strengthen strong foundations.



UK FINANCIAL HIGHLIGHTS			
£m	2022	2021	Change
Reported revenue	**1,783.1**	1,592.4	12.0%
Like-for-like revenue	**1,752.3**	1,592.4	10.0%
Adjusted operating profit	**92.7**	97.8	(5.2%)
Adjusted operating profit margin	**5.2%**	6.1%	(90bps)
Operating profit	**54.6**	97.8	(44.2%)
Operating profit margin	**3.1%**	6.1%	(300bps)

Trading performance

Like-for-like revenue increased 10.0% to £1,752.3m (2021: £1,592.4m), and was up 12.0% on a reported basis, which includes the impact of the 53rd week. The growth was primarily driven by price and, while volumes were broadly flat, we gained market share in a period when consumer demand has been under pressure.

In the UK we faced c.£200m of cost inflation in 2022 – the largest level of inflation the UK business has ever experienced. Our teams' commitment to mitigate the impact, through pricing and internal levers across value optimisation, operational efficiency, leveraging our scale and tight cost control, meant adjusted operating profit was only down 5.2% to £92.7m (2021: £97.8m). The dilutionary impact of passing-through cost increases, combined with an element of unrecovered inflation, meant adjusted operating profit margin was down 90 basis points to 5.2%.

As the environment is expected to remain tough, we have taken action to protect profits in 2023. This has resulted in £36.6m of exceptional charges in 2022 related to the corporate and UK operational restructure, and closure of two UK sites (of which £17.1m cash and £19.5m non-cash impairment charges). After these costs, operating profit was £54.6m at an operating margin of 3.1% (2021: £97.8m, 6.1%).

Outperformed the market, underpinned by strong service, breadth of product portfolio and targeted innovation

At a market level, performance across the Fresh Prepared Food ("FPF") categories has been varied as consumers have adapted their behaviours in response to cost-of-living pressures. Consumers are choosing to eat out less and are seeking more affordable weekend treats, benefitting the top-tier meals and meal deal offers. Pizza and bread have also held up well, with value ranges performing strongly and the category benefitted from the FIFA World Cup in Q4. Desserts volumes, however, were impacted as consumers cut back their spend on more discretionary items, and salads were impacted as consumers switched from more basic products, such as bagged leaf, to cheaper wholehead equivalents.

Against this backdrop, Bakkavor further strengthened its number one position with market share gains. Consistent high service levels, the breadth of our product range across categories and price points, and targeted innovation set us apart from our competitors. The year also ended strongly with Christmas trading in line with our expectations.

From a market share perspective, Bakkavor outperformed across meals, desserts and salads, whilst our pizza and bread performance was marginally behind the market due to our customer mix and reduced promotional activity. Some of the highlights include a strong performance in our premium and Italian meals ranges, and expanded range and meal deal offer under the Pizza Express brand. We have also seen new, younger consumers buy into our categories with strong momentum in The Delicious Dessert Company brand, which delivered 370% revenue growth and products are now available in over 1,100 stores.

With our salads range focused on more 'value-added' products, and a good recovery in food-to-go salads and wraps post-Covid, the impact of softer volumes seen across the market in more basic salads products has, for our business, been limited. The hot summer and continued post-Covid recovery supported a good performance for Bakkavor in salads. Servicing peak volumes in the summer for our customers was underpinned by our forward-planning on labour and targeted capacity and efficiency investments.

Value-seeking behaviours by consumers, and our own self-help efforts to mitigate inflationary pressures, have meant that our product development activity in 2022 centred on value optimisation. Of the 850 products we launched in 2022, 60% related to the redevelopment of existing products. Examples include recipe reformulation in pizza to meet HFSS guidelines, packaging weight reduction on a range of ready meals, and the removal of plastic lids from a range of dressed salads to support our sustainability agenda and reduce the use of plastic.

Reshaped operations to protect profits

The scale, agility and resilience of our operations have come to the fore in a period where there has been ongoing and significant supply chain disruption, and unprecedented levels of inflation. Leveraging our well-established global supply chain has been pivotal in helping mitigate the impact, and we have benefitted from the added scale that our customers provide by buying certain ingredients together. We are also thankful for the support we have received from our customers on price, through both pass-through mechanisms and constructive discussions on costs that sit outside these mechanisms. Operationally, we have maintained our shape and delivered strong KPIs across health and safety, food safety and customer service.

Whilst we maintained a tight control of costs through 2022, our Group plan to protect profits saw us take more significant action in Q4. We have operationally consolidated our UK business from four to two sectors, Meals and Bakery, and moved our HR and Finance teams to functional reporting. This has streamlined our structure, helped focus our activity and created greater accountability across our business. We also completed a review of our manufacturing footprint, which resulted in the difficult but necessary decision to close two sites: Bakkavor Desserts Leicester and Bakkavor Salads Sutton Bridge. Both sites are on track to close by the end of Q1 2023; Sutton Bridge closed at the end of February and Leicester is due to close by the end of March, with production transferring to other sites where we have already invested in capacity and capability. Whilst a challenging time for affected colleagues, we have supported them by offering alternative roles at other sites, as well as hosting job fairs and working with local employers.

Targeted investment to drive operational excellence

The 'Excellence' pillar of our strategy is underpinned by our relentless focus on efficiency. In 2022, our £43m of capital investment has centred on operational improvement projects, along with ongoing maintenance. Examples include automated salad lines, and capacity increases and packaging equipment replacement in stir-fry (**READ MORE** on pg 24 and 29). Our new manufacturing system is also now in place at all but one of our UK factories, driving our operational performance improvements. In addition, the conversion to LED lighting and previous investment in harnessing heat released from refrigeration systems has helped reduce costs and supported progress on our sustainability commitments.

With our Group-wide enhanced focus on cash, we will continue to prioritise capital spend on productivity initiatives. Our strategic investment in Bakkavor Bread Crewe, to increase flatbread capacity and productivity, is underway and on track to commission in H2 2023, and we are investing to enhance our fresh-cut fruit capacity and efficiency. The data-driven insight provided by our new manufacturing system is also already helping build our pipeline of future opportunities to drive further efficiency.

Confidence in continued market share gains, with actions underway to further strengthen resilient foundations

We have taken decisive action to protect profits as the trading environment is anticipated to remain challenging through 2023. Our plan in the UK is clear; we will drive an aggressive plan to mitigate the impact of ongoing inflation and volume pressures by leveraging our scale and strength, working collaboratively with our customers to recover inflation and embedding our cost saving and efficiency plans. Whilst we cannot predict exactly how consumer spending will evolve, we will continue to leverage our insight, and adapt our ranges to ensure our products deliver the value and quality that consumers desire. Building on our outperformance in 2022, we are confident we will continue to gain market share, with a strong pipeline of opportunities and we are well-placed to benefit from an increasingly unstable supply base. We are encouraged by trading in early 2023, with volumes in line with expectations despite fresh produce availability challenges, and continued market share gains. Overall, our new re-energised leadership team is well-placed to deliver on our plan, and this will further strengthen the resilient foundations of our business.

Overview: *United States*

Delivered strong revenue growth, and demand for fresh meals remains unabated. Looking ahead, we have a clear focus on operational performance to deliver sustainable improvement.

Key:
Head office
Factory

US FINANCIAL HIGHLIGHTS			
£m	**2022**	**2021**	**Change**
Reported revenue	**255.3**	180.1	41.8%
Like-for-like revenue	**226.2**	180.1	25.6%
Adjusted operating profit	**3.3**	8.9	(62.9%)
Adjusted operating profit margin	**1.3%**	4.9%	(360bps)
Operating (loss)/profit	**(0.5)**	8.9	(105.6%)
Operating (loss)/profit margin	**(0.2%)**	4.9%	(510bps)

Trading performance

Strong revenue momentum in the US has continued, with like-for-like revenue up 25.6% to £226.2m. This reflects strong volume growth and, in the second half of the year, some impact of price. Including the impact of currency, £25.5m, and the 53rd week, reported revenue was up 41.8%.

Operationally, onboarding this significant growth and the withdrawal of volume by a single customer due to a contractual dispute since November 2022, has created disruption and put pressure on profits. This was particularly apparent in our East and West Coast sites, Charlotte and Carson, where we have seen the majority of volume growth. Combined with the lag in recovering inflation, this has meant adjusted operating profit was down £5.6m to £3.3m at a margin of 1.3% (2021: 4.9%). The operating loss of £0.5m includes £3.8m of exceptional charges related to the impairment of inventory and trade receivables with the above customer.

Strategic and operational progress

Demand for our fresh, high-quality products has remained strong. Our customers continue to see our fresh meals offering as a key differentiator versus their competitors and to attract consumers into store. Fresh meals now comprise over 50% of our US revenue, which is up over 30% year-on-year, benefitting from the full-year effect of the national meals programme win; this launched in the summer of 2021, combined with range extensions and the introduction of over 45 new meals products in 2022. We also onboarded a new customer in July 2022 for whom we are delivering a range of ten fresh meals in over 250 stores across the Midwest region.

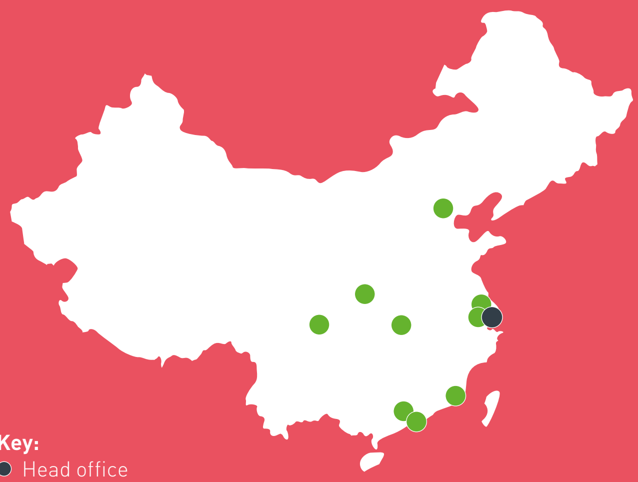
Inflation remained elevated through 2022, particularly in poultry and distribution, and whilst there was a timing lag, our customers have been supportive of the pricing action we have taken. We also have several initiatives in place to help mitigate the impact on both costs and our supply chain, including the new sourcing of key commodities to improve price, and reducing sourcing distance and inventory requirements.

Labour availability remains a challenge across our industry. We continue to be agile in our approach to recruitment in order to keep up with the rapid pace of growth, and have plans in place to streamline this process and improve training for new colleagues. We also continue to leverage the wealth of experience from our UK business; the recent appointment of a new US Finance leader, who was previously Financial Controller within our UK Pizza and Bread business, is just one example of this.

Looking ahead, our near-term focus has shifted from growth to profit: driving operational performance and reviewing our cost base to improve margin in a sustainable way. To support the delivery of this, our approach to growth will be more measured and as we seek to minimise disruption, our capacity investment in the region will only recommence once profit momentum in the business has returned. Robust operational and restructuring plans are now being embedded, with a new leadership structure to be in place from April 2023. Our President of Bakkavor USA, Pete Laport, is leaving in mid-March and we thank him for his contribution and commitment during his time with the US business. Whilst the benefit of our plans will take time to deliver, we expect to see some margin improvement through 2023. We are making progress to reach resolution on the contractual dispute with a customer, which is expected to reach closure by end of Q2 2023. The pipeline for growth in this underdeveloped market, however, remains significant and we remain excited about the medium-term opportunity for our business and converting this growth at an attractive and sustainable margin.

Overview: China

Trading impacted by Covid-related disruption, but teams' resilience minimised financial impact and good progress made in diversifying our channels. Confident that long-term prospects remain attractive.



Key:
- Head office
- Factory, Farm

CHINA FINANCIAL HIGHLIGHTS			
£m	**2022**	**2021**	**Change**
Reported revenue	**100.8**	99.1	1.7%
Like-for-like revenue	**90.5**	99.1	(8.6%)
Adjusted operating loss	**(6.6)**	(4.7)	40.4%
Adjusted operating loss margin	**(6.5%)**	(4.7%)	(180bps)
Operating loss	**(16.3)**	(4.7)	(246.8%)
Operating loss margin	**(16.2%)**	(4.7%)	(1,150bps)

Trading performance

Trading continued to be impacted by ongoing Covid-related challenges, with like-for-like revenue of £90.5m down 8.6% compared to 2021. Reported revenue was up 1.7%, however, including the impact of currency, £8.7m, and the 53rd week. Volumes in the second half began to recover, following a period of severe regional lockdown restrictions earlier in the year; but with rising case numbers in the remaining weeks of the year, they have remained behind pre-pandemic levels.

Underpinned by the teams' resilience, we have sought to protect our business and maintained a tight control of overheads. However, against a backdrop of changes in demand patterns in response to Covid, rising labour costs and inflation, China reported an adjusted operating loss of £6.6m for the year (2021: £4.7m). Included in the operating loss of £16.3m is a £9.7m non-cash impairment of our associate in Hong Kong due to the ongoing impact of Covid on trading performance.

Strategic and operational progress

The trading environment in China remained volatile during FY22 as the government continued to operate a zero-tolerance Covid policy and implement strict regional lockdowns for most of the year. Reduced mobility and depressed consumer spending have had a pronounced negative impact on demand from our customers. This has been particularly evident for our strategic customers operating quick-service restaurants and coffee chains. New product development has been limited through lockdown periods, however, it has quickly returned as we looked to provide new and exciting products for our customers as their stores re-opened. Our existing strategic foodservice customers continue to have aggressive roll-out plans and believe in the medium-term opportunity.

We have continued to make progress against our strategy of diversifying our channels. Retail now comprises almost 20% of revenue and is up over 60% year-on-year. Retail performance has been robust, and we have launched a new range and expanded our store distribution with one of our strategic grocery retail customers, and also expanded our range and increased volumes with another retailer. Whilst office catering was held back by increased working from home, volumes have rebounded strongly as workers returned to the office following relaxation in restrictions.

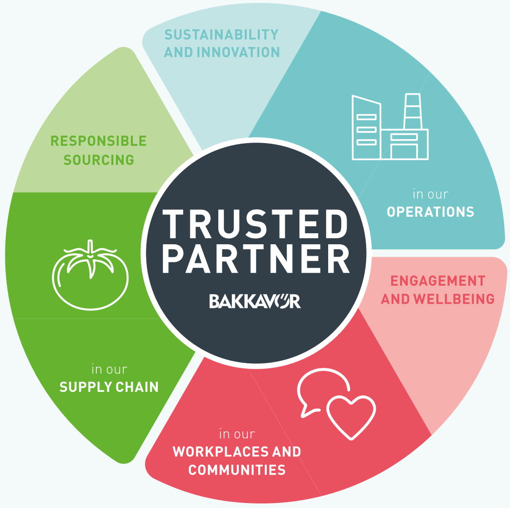
Operationally, we have had to manage through the challenges resulting from tight labour availability, supply chain disruption and fluctuations in demand. The business and our people have demonstrated great resilience in adapting to this tough environment. Progress was also made to support our Group Net Zero target with the installation of solar panels at our site in Beijing, which provides c.15% of electricity for the site.

Our strategic investment in the region is now complete and we continue to maintain a tight control of capital spend. The last of our new sites, Xi'an, saw production transfer from the old site in mid-November 2022.

Whilst the near-term outlook remains uncertain, it has been positive to see the steady recovery in volumes through the second half of the year as restrictions eased, which also led to improvements in efficiency and margin. The relaxation of quarantine rules in mid-December 2022 has, however, led to a spike in cases which has resulted in further volatility in order patterns and inefficiencies across our factories. Positively, China is emerging from Covid, and whilst trading at the start of 2023 has continued to experience some disruption from the ongoing impact of Covid, the change to China's Covid policy is welcome, and we remain confident in the long-term prospects for the market.

Trusted Partner, our ESG strategy

We have a clear plan to continue to deliver progress across responsible sourcing, sustainability in our operations, and the wellbeing of our communities.



An overview of our ESG reporting

This section summarises our Trusted Partner ESG strategy and progress in 2022, as well our priorities for 2023 and beyond. All data shown is for the calendar year 2022 and at a Group level, unless specified.

We have reported against the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), **READ MORE** on pg 56.

Our ESG report will be released on our website in April at www.bakkavor.com/esg. This will provide a more detailed update on Trusted Partner and additional ESG performance data.

For ESG and sustainability enquiries contact: ESG@bakkavor.com

Executive summary

ESG issues are broad and far-reaching, and we need to ensure our business can respond in a dynamic way to shifting global challenges, making Bakkavor both more responsible and more resilient. Our approach for defining action and delivering progress across the issues that matter most to our stakeholders is encompassed in our well-established Trusted Partner ESG strategy, and this also supports the delivery of the 'Trust' pillar of our Group strategy. Trusted Partner is focused on three areas: Responsible Sourcing in our Supply Chain; Sustainability and Innovation in our Operations; and Engagement and Wellbeing in our Workplaces and Communities. We have a clear governance framework in place to drive and oversee our progress.

This year we have implemented several measures to refine our focus and reflect the increasing importance of ESG at all levels of our business. We have continued to make progress in establishing ESG at the heart of Bakkavor, whilst at the same time performing resiliently as a business despite the challenging external environment.

We were pleased to see an improvement in three out of four of our non-financial KPIs.

From a governance perspective, after expanding the remit of the Nomination Committee to include ESG in January 2022, in June we established a dedicated ESG Board Committee to oversee our agenda and hold us accountable.

We also updated our assessment of our most material ESG issues, of which we have 12, and the business is prioritising its focus on three of these, as shown below.

READ MORE:

Climate and Net Zero pg 45.
Food Waste pg 46.
Environmentally Sustainable Sourcing pg 42.

We recognise that to deliver progress in these focus areas we need accurate data and robust reporting processes to monitor our performance, as well as financial investment and an assessment of returns. In 2022, we established a monthly reporting process of our non-financial KPIs (**READ MORE** on pg 4). This report is shared with senior leaders monthly to drive action and support a quicker response to issues.

As ever, collaboration and teamwork are vital to our approach. In 2022, we engaged closely with all our stakeholders in what is an ongoing and two-way process. This includes: updating our customers and colleagues through our monthly Trusted Partner newsletter and internal events; interacting with suppliers through forums, one-to-one conversations and assessments; and communicating to investors through our financial results calendar. **READ MORE** on stakeholder engagement on pg 66.

Looking forward, the operating environment will remain tough, however, our refined focus means we remain confident that our ESG agenda strengthens and complements our Group strategy, and helps us to fulfil our purpose and grow in a positive and sustainable way.

ESG governance

The governance and accountability of our Trusted Partner ESG strategy is summarised below. **READ MORE** on governance in relation to climate-related issues in the TCFD section on pg 56, and the Group's overall governance framework in our Corporate Governance Compliance Statement on pg 89.

GROUP BOARD

ESG Sponsor: Ben Waldron, CFO and Asia CEO
(Until November 2022: Agust Gudmundsson, CEO)

ESG COMMITTEE

Chair: Umran Beba, Independent Non-executive Director

MANAGEMENT BOARD

ESG Sponsor: Ben Waldron, CFO and Asia CEO
(Until November 2022: Agust Gudmundsson, CEO)

ESG EXECUTIVE COMMITTEE

Chair: UK Finance Director
(Until November 2022: Head of Corporate Affairs)

ESG materiality

To ensure our Trusted Partner focus areas remain relevant and address the topics that are most important to our business, our stakeholders and the external environment, in 2022 Bakkavor updated its materiality assessment. This was first conducted in 2019.

The process began with an updated horizon scan to review the priority issues that influence sustainable development, which was guided by frameworks and input from external sources and stakeholders, including:

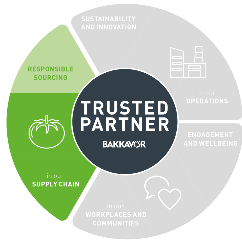
- The UN Sustainable Development Goals ("SDGs");
- The UN Guiding Principles on Business and Human Rights;
- Industry organisations such as the Institute of Grocery Distribution ("IGD"); and
- NGOs and specialists including organisations such as WWF and WRAP.

This list of issues was reduced to a shortlist through internal consultation, and the priority of each issue was then determined through an internal survey to rank its capacity for growing our business in a sustainable way. The issues were also assessed in relation to their importance for external stakeholders and their contribution to sustainable development. Decisions were informed by conversations and engagement with external partners, including customers, suppliers, investors and subject-matter specialists.

The materiality assessment confirmed 12 material issues which are addressed under each of Trusted Partner's three focus areas: Responsible Sourcing in our Supply Chain, Sustainability and Innovation in our Operations, and Engagement and Wellbeing in our Workplaces and Communities.

Of the material issues, three were identified as highest priority: Climate and Net Zero, Food Waste, and Environmentally Sustainable Sourcing. These three issues will be of increased strategic priority going forward. In addition, a number of other commitments were updated as a result.

Responsible Sourcing in our Supply Chain



Responsible Sourcing in our Supply Chain encompasses two distinct but connected material issues: Supply Chain Human Rights and Environmentally Sustainable Sourcing, with the latter being one of our three priority issues.

For our business, a resilient supply chain is critical, as is the future sustainability of our food systems. Therefore, we work with growers and partners to minimise environmental impacts, including deforestation and climate change, whilst supporting the rights and livelihoods of the millions employed in food production worldwide.

How we manage Responsible Sourcing in our Supply Chain

Our Responsible Sourcing strategy is overseen by a Steering Committee chaired by our UK Procurement Director. It reports to our ESG Executive Committee, tracking progress against our commitments and wider supplier engagement programme. It comprises representatives across Procurement, Technical and other specialist external support. The Steering Committee uses a bespoke supplier risk management system based on supplier data and global intelligence sources.

We also monitor compliance against our Supplier Code of Conduct, which can be found at bakkavor.com/en/esg/policies-and-documents – a requirement for all Bakkavor UK suppliers. This code outlines the standards that we expect our suppliers to meet and forms part of our supplier selection process. Key areas include human rights, ingredient integrity and environmental sustainability.

The Steering Committee also addresses the issue of ingredient integrity, using intelligence gathering, audits and traceability checks to ensure the highest standards of food integrity and traceability.

READ MORE on food safety on pg 81 and on our website (bakkavor.com/en/about-us/at-a-glance/ensuring-safety-and-quality).

Progress against our 2022 targets and commitments, and our commitments going forward

Key
2022 status

- ✓ **Achieved**
- – **On track**
- × **Not achieved**
- ! **Priority issue**

ENVIRONMENTALLY SUSTAINABLE SOURCING !

– **Work towards zero net deforestation for our forest risk raw materials (palm oil, soy, wood-pulp based packaging and beef).**

2022: Further developed zero-deforestation roadmap and strengthened commitments.

Responded to the Carbon Disclosure Project ("CDP")'s Forests questionnaire for the second time. Scored Cs for cattle, palm oil and timber, and B- for soy, in line with the prior year results.

Joined the UK Soy Manifesto, a collective industry commitment to ensure all physical shipments of soy to the UK are deforestation- and conversion-free by 2025.

2023 and beyond: 100% deforestation- and conversion-free sourcing of palm oil, soy, beef and wood pulp by 2025 (UK, 2020 cut-off date). This will include sourcing palm oil from 100% segregated certified sources.

Expand supplier management to our US and China businesses to replicate our environmental risk mapping (2022).

2022: Formalised a new Group Supplier Conduct Policy, which adapts the Supplier Code of Conduct for our UK business, to our China and US operations.

2023 and beyond:

New commitment: Further roll-out of our Group Supplier Conduct Policy, supporting supply chain engagement on social issues within US and China (2023 and ongoing).

Engage with key suppliers to share understanding of responsible plastic use (2022).

2022: Continued to engage with suppliers on environmental aspects through the Supplier Code of Conduct and direct channels. However, macro-headwinds meant ongoing supply chain disruption and priorities were re-evaluated to focus on specific sourcing challenges.

2023 and beyond: We will re-evaluate whether to revisit this during 2023.

100% eggs from cage-free sources by 2025 (UK).

2022: UK: 77% (in line with 2021).

This was a new commitment for China and the US in 2022.

2023 and beyond: Updated commitment: 100% eggs from cage-free sources by 2025 in the UK, and Group-wide by 2027.

New commitment: Formalise a policy on our supplier expectations on animal welfare (2023).

SUPPLY CHAIN HUMAN RIGHTS

Work collaboratively with suppliers on any breaches of our Code of Conduct to develop and implement a clear and appropriate corrective action plan (UK, ongoing).

2022: Following supplier compliance assessment against our 2021 Code of Conduct and programme of corrective action plans, we closed out all remaining non-conformances. This included de-listing a small number of non-responsive suppliers.

Due to ongoing disruption to global supply chains, we made the decision not to re-issue the compliance questionnaires in 2022. For suppliers onboarded in 2022, the assessment programme will be re-run in H1 2023 to ensure full, ongoing compliance.

2023 and beyond: Work collaboratively with our suppliers on any breaches of our Code of Conduct to develop and implement a clear and appropriate corrective action plan (ongoing).

Empower worker voice and dialogue within our direct supply chain by promoting independent whistleblowing channels and effective grievance reporting mechanisms (UK: 2022, China and US: 2024).

2022: Engaged directly on whistleblowing with suppliers to the UK business via webinars, targeting those assessed who do not have effective mechanisms in place.

Formalised Group Supplier Conduct Policy, which includes expectations on support for independent whistleblowing channels and grievance mechanisms for our China and US businesses.

2023 and beyond: Through the roll-out of our Group Supplier Conduct Policy in China and the US, we will start to determine priority gaps for targeted action.

New commitment: Support supply chain engagement within our US and China businesses through our Group Supplier Conduct Policy (2023 and ongoing).

Sustainability and Innovation in our Operations

This focus area encompasses our approach to minimising the environmental impacts of our direct operations and increasing the sustainability of the food we manufacture. It comprises five material ESG issues, the first two of which are priority issues: Climate and Net Zero; Food Waste; Impact of Packaging; Sustainable and Healthier Products; and Water Use and Management.

How we manage Sustainability and Innovation in our Operations

Under the 'Excellence' pillar of our Group strategy, driving operational efficiency is a key focus. We therefore recognise the importance of integrating our ESG initiatives into the way we work and the investment decisions we make across our sites.

Group net carbon emissions and UK food waste are two of our non-financial KPIs; they are reported (quarterly and monthly, respectively) to the ESG Executive Committee and Management Board, and on a quarterly basis to the Board-level ESG Committee. Water Use and Management was added in 2022 following the refresh of our Trusted Partner ESG strategy and materiality assessment.

Energy performance of sites is closely monitored, with all eligible UK manufacturing sites operating under Climate Change Agreements. Also in the UK, we employ an Environmental Management System, based around ISO 14001, which includes risk management standards, guidance and tools. This system, combined with increased environmental training rolled out in 2022, has contributed to improved environmental audit scores through 2021 and 2022. We also updated our Environment Policy, which can be found at bakkavor.com/en/esg/policies-and-documents.

We continue to capitalise on our deep market insights, product development expertise, and breadth of food production capabilities to develop products and propositions that delight our customers and consumers. This includes a strong sentiment that the food and drink industry has a responsibility to limit its climate impact. We therefore recognise our responsibility to look after the long-term health of people and the planet through our product offering.

READ MORE on the latest market trends on pg 18.

Progress against our 2022 targets and commitments, and our commitments going forward

Key
2022 status ✓ Achieved – On track ✕ Not achieved ! Priority issue

CLIMATE AND NET ZERO

Achieve Net Zero carbon emissions in our Group operations by 2040.

2022: Since March 2022, Group and regional-level emissions data has been captured and reported to the ESG Executive Committee and Management Board quarterly, and to the ESG Board Committee on a quarterly basis.

We have taken a significant first step in developing our Net Zero transition plan to operationalise our commitment within the business to set our roadmap for the years to come, and our existing utility efficiency programme is already helping reduce emissions. **READ MORE** on pg 58.

Non-financial KPI: Group net carbon emissions decreased by 18.9% in 2022 to 110,106tCO_2e (2021: 135,691tCO_2e). Regionally, net emissions decreased 15.3% in the UK, 18.7% in the US and 25.5% in China. Full carbon emissions data is on pg 64.

Energy Efficiency Statement: The year-on-year improvement is driven by a combination of increased energy efficiency measures such as refrigeration upgrades, completion of LED lighting roll-out, insulation, avoiding compressed air leaks, and a focus on reducing emissions from refrigeration ("F") gases, including replacing with lower global warming potential alternatives, where possible.

In China (7.2% of group energy demand), we began the installation of solar panels at our site in Beijing, and in the US (8.9% of group energy consumption), focused on energy efficiency through site audits as well as opportunities to reduce refrigeration demand.

2023 and beyond: Further development of our Net Zero transition plan – to stress test the targets and work through operational plans to identify and plan key initiatives across our business.

Increase energy developed from renewable sources, through the initiation of a ten-year Power Purchase Agreement ("PPA") in the UK, as well as the finalisation of the solar installation at our Beijing site in January 2023.

READ MORE on our future Net Zero plans on pg 63.

Work towards optimising operational water intensity, whilst maintaining product quality and integrity, reporting internally on a monthly basis through the environmental tracker (UK, year-on-year).

2022: We updated our Environment Policy, which specifies our approach and management system for environmental controls, including water.

During the year a new water specialist was onboarded in our engineering function to improve discharge quality and efficiency.

We completed our second CDP Water Security questionnaire, scoring a C, in line with 2021.

2023 and beyond: We will continue with this target, looking to further incorporate activity into monitoring processes around utility efficiency.

FOOD WASTE

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, UK).

2022: Implemented a dedicated food waste taskforce in January, driven by the ESG Executive Committee.

Enhanced our focus and operationalised action in this area, including root cause analysis of where waste was occurring and focus on redistribution to people through partner redistributors. In addition, implemented interventions to redirect waste from anaerobic digestion to animal feed. Reinforced through site-level roadshows and progress updates at internal seminars. Combined, this has delivered an improvement in UK net food waste.

Prioritised consistent, accurate and timely reporting. Implemented monthly tracking of UK food waste to the ESG Executive Committee and Management Board, and reported to the Board-level ESG Committee on a quarterly basis.

Non-financial KPI: UK net food waste for 2022 was 8.05%, an improvement of 110 basis points from 9.15% in 2021. UK food waste reduced by 6,018 tonnes, equivalent to a 13.6% reduction year-on-year. **READ MORE** on pg 4 and 31.

2023 and beyond: We will continue with our Champions 12.3 target, looking to make further progress towards the goal of halving our food waste by 2030 (2017 baseline).

Actively engage each of our UK and US sites to maximise surplus food available for redistribution (ongoing).

2022: Surplus redistributed to people (through charities, redistribution networks and staff shops) increased 16.4% compared to 2021.

631 tonnes, up 10% on 2021, redistributed to people through charities and partners.

770 tonnes (29% increase on 2021) redistributed to Bakkavor colleagues through our staff shops.

2023 and beyond: Commitment maintained.

Our US business donated over 460 cases of products to local food banks and supported in food drives, but we were unable to establish strategic relationships with local food banks as intended.

2023 and beyond: We will revisit our US food bank partnerships and/or establish alternative partnerships in 2023.

IMPACT OF PACKAGING

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

- **Eliminating unnecessary plastic packaging;**
- **100% reusable or recyclable plastic packaging; and**
- **At least 30% average recycled content in plastic packaging.**

2022: Eliminated 2,429 tonnes of plastic – a 12% reduction – across our product ranges in the UK through removal and light-weighting projects.

No items on the UK Plastics Pact's 2022 'Problem list' for elimination are used in our products.

As flexible plastic films are now widely collected for recycling at large supermarkets, almost 100% of our UK product packaging is now recyclable.

In 2022 the average recycled content of our plastic packaging was 52.9%, up from 45.6% in 2021 and well above the UK Plastics Pact's goal of 30%, which we first achieved in 2019.

2023 and beyond: Maintain existing commitment to support The UK Plastics Pact's 2025 industry goals.

New commitments: Additionally, by the end of 2024 we will:

- Reduce our total use of plastic packaging by 5%, equivalent to around 1,000 tonnes;
- Remove 125 million pieces of plastic from our packaging formats; and
- Achieve 100% sustainably certified paper and card (FSC/PEFC) for both primary and secondary packaging by 2025.

SUSTAINABLE PRODUCT DEVELOPMENT

Work with customers to meet their nutrition targets on salt, sugar, saturated fat and overall calories through reformulation (ongoing).

2022: 62% (2021: 62%) of our products are healthier options as defined by the UK Department of Health's Nutrient Profiling Model.

83% (2021: 83%) of our products are already compliant with the Food Standard Agency's salt reduction targets for 2024 and we continue to explore reformulation for the remainder.

2023 and beyond: Commitment maintained.

Enable sustainable diets through our product portfolio by continuing to drive plant-based freshly prepared product ranges (ongoing).

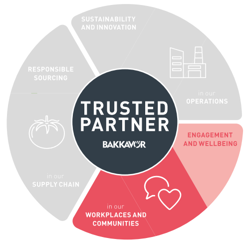
2022: 52% (2021: 50%) of our products are vegetarian.

19% (2021: 19%) of our products are vegan.

>390 (2021: >400) of our products contain at least one of the recommended five portions of vegetables.

2023 and beyond: Commitment maintained.

Engagement and Wellbeing in our Workplaces and Communities



Our people are our greatest asset, and their commitment to delivering great-tasting, quality food whilst living our values is central to our success. To be a trusted partner, we support our workplaces and communities through our approach to our ESG material issues: Colleague Wellbeing; Health and Safety; Engagement, Development and Retention; Responsible Recruitment and Employment; Local Causes and Community Engagement; and Inclusive and Diverse Workplaces.

How we manage Engagement and Wellbeing in our Workplaces and Communities

UK accidents and employee turnover are two of our Group non-financial KPIs. These are reported on a monthly basis and at senior forums including the ESG Executive Committee and Management Board, and on a quarterly basis at Group Board.

Health and safety data, including near-miss and accident learnings, is shared across all sites using a newly introduced online system, which reflects the focus on sharing health and safety best practice across the business.

In 2022, as part of an objective to drive a step-change reduction in workplace safety risks by standardising best practice and sharing information, we launched a set of global health and safety management principles that set consistent recommendations across all of our sites.

A number of cross-functional workstreams support our activity in this focus area:

- Wellbeing Committee – chaired by our CPO.
- Inclusion and Diversity Forum – chaired by our Company Secretary and General Counsel. Steers our strategic direction on becoming a more inclusive and diverse business.
- **READ MORE** about our work to support colleagues' wellbeing and make everyone feel welcome at Bakkavor on pg 34.
- Human Rights and Ethical Programme – driven by an ethical trade team and overseen by the Management Board. The Local Causes and Community Engagement workstream coordinates our three-year corporate charity programme with partners GroceryAid and the Natasha Allergy Research Foundation.

Progress against our 2022 targets and commitments, and our commitments going forward

Key
2022 status — Achieved — On track — Not achieved — Priority issue

COLLEAGUE WELLBEING, HEALTH AND SAFETY

Continue our commitment to health and safety, targeting zero serious accidents across the Group.

2022: Whilst in most manufacturing environments accidents will occur, we will always aim for zero serious[1] accidents and minimal harm to our colleagues.

Major accidents in the UK decreased by 31.6% from a rate of 57 per 100k employees to 39. There were no equivalent Major accidents in the USA or China.

There were no fatalities in 2022 across the Group.

UK: See progress against separate commitment below.

China: >7 day lost-time accidents fell by 38% (448 per 100k employees versus 726 in 2021).

US: Recordable incidents[2] reduced by 12% to 3,539 per 100k employees (2021: 4,034) due to a focus on instilling a culture of constant root cause analysis and urgency around accidents and near misses. The 2021 number has been restated due to an underestimation of agency labour.

2023 and beyond: Commitment maintained.

Continue to maintain UK performance by out-performing industry average on numbers of major accidents and >7 days lost-time accidents.

2022: UK major accidents decreased by 31.6% to 39 per 100k employees[3] (2021: 57).

Non-financial KPI: UK >7 day lost-time accidents reduced by 3.9% to 321 per 100k employees (2021: 334). **READ MORE** on pg 4.

This means we continue to outperform the HSE food industry benchmark[4], by increased margins of 63% for >7 day accidents (benchmark: 861) and by 83% for majors (benchmark: 228).

2023 and beyond: Commitment maintained.

Be recognised by our colleagues as supporting them to achieve positive wellbeing.

2022: The Wellbeing Committee launched Bakkavor's Wellbeing Strategy, which outlines our goals and objectives in this area. This includes offering regular wellbeing events and campaigns, and embedding wellbeing into leadership training at every level.

77 Wellbeing Champions were recruited and trained across the UK business to support, embed and roll out the strategy at a local level.

READ MORE on our wellbeing journey on pg 35.

In our 2022 Employee Engagement Survey ("EES"), 67% of colleagues agreed that Bakkavor cares about their health and wellbeing. This indicates we can do more to reach colleagues on wellbeing issues and highlight the resources available.

2023 and beyond – New commitments:

Continue to implement our Wellbeing Strategy and pledges across sites.

Train Wellbeing Champions for local, on-the-ground support.

Make regular updates to our Wellbeing Toolkit and campaigns.

Commit to listen and ensure our actions are making a difference.

1 Major accident as per the UK HSE definition, or equivalent.
2 According to definition of the US Occupational Safety and Health Administration ("OSHA"). Employee numbers include agency labour.
3 Number of 'major' accidents and specified injuries as defined by the UK Health and Safety Executive.
4 UK HSE industry averages: http://www.hse.gov.uk/statistics/tables/index.htm#riddor.

RESPONSIBLE RECRUITMENT AND EMPLOYMENT

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).

2022: Rolled out training on modern slavery for the Procurement, Purchasing and HR functions, Operations Managers and for Site Employee Forum ("SEF") and trade union representatives. The Group Board approved the Modern Slavery Statement in June 2022.

Supported development of 'Stronger Together' training workshops, guidance and toolkits. Stronger Together is a multi-stakeholder initiative working to tackle modern slavery.

2023 and beyond: Commitment maintained.

New commitment: Work with industry partners to share best knowledge and collaborate on responsible recruitment and employment practices.

ENGAGEMENT, DEVELOPMENT AND RETENTION

Promote an inclusive working environment, where differences are valued, and individuals feel they can be themselves, without judgement.

2022: The Inclusion and Diversity Forum supported a programme of events through 2022 to promote inclusive behaviours. This included communicating the theme and value of allyship through Pride month. We also celebrated Black History Month by highlighting the contributions of Black culture and raising awareness around issues including microaggressions and unconscious biases. **READ MORE** on pg 34.

2023 and beyond: Commitment maintained.

Reduce our UK employee turnover and maintain below industry average.

Non-financial KPI: UK employee turnover was up 30 basis points to 28.1% (2021: 27.8%), driven by continuing instability in the UK food and drink manufacturing labour market. Comparable industry average data is not widely available, however anecdotally we believe our turnover rates are in line with or slightly above peers. **READ MORE** on pg 4.

2023 and beyond: Commitment maintained.

Implement an integrated talent management and development programme to provide our colleagues with continuous learning opportunities.

2022: Enhanced our continuous learning and talent development strategy, with the launch of several programmes. This included a Female Mentoring Programme, and a streamlined central hub for optional learning in a wide range of topics; for example, digital skills, inclusion and diversity, communication and teamwork skills.

We also introduced a bespoke training course for Front-line Leaders on how to be better managers, and expanded our Early Careers programme, bringing in 68 more graduates and apprentices to build our potential leadership pipeline of tomorrow.

Bakkavor was named the TheJobCrowd Top Company for Apprentices in Consumer Goods & FMCG for the third year running. **READ MORE** on pg 34.

2023 and beyond: Commitment retired.

Conduct a regular Group-wide employee engagement survey, aiming for an overall employee engagement score above industry average.

2022: Conducted an Employee Engagement Survey, with a Group-wide response rate of 86%, up 3% on 2021.

The results of the survey were cascaded across the business for functions and teams to analyse and incorporate into action plans.

To continue to prioritise colleague engagement, we have committed to conducting this survey on an annual basis going forward.

2023 and beyond: Commitment updated: Conduct an annual Group-wide employee engagement survey, aiming for an overall employee engagement score above industry average.

New commitment: Continue to embed our values as the foundation of our culture, striving to create a great place to work.

LOCAL CAUSES AND COMMUNITY ENGAGEMENT

Fundraise and support our key Group charities through Group donations and colleague engagement fundraising activities (ongoing).

2022: In 2022, Bakkavor Group plc charity donations totalled £125,880. This included more than £73,000 to GroceryAid and over £25,000 to the Natasha Allergy Research Foundation – our two Group corporate charity partners.

An additional donation of over £27,000 (including matching employee donations) was also made to the Red Cross Disaster Emergency Committee's Ukraine Appeal.

In the US we donated over 460 cases of products to local food banks and supported in food drives. Our site in Charlotte also supported a soccer fundraiser for The Hispanic League which strives to improve community inclusion, education and health for the Hispanic/Latino community.

In China, we donated almost 1,200kg of food to local front-line medical staff to thank them for their efforts in the fight against Covid and redistributed over 300kg of surplus products to two local charities in Hong Kong who deliver food to the homeless and those in need.

2023 and beyond: Commitment maintained.

Related policies and documents

http://www.bakkavor.com/en/esg/policies-and-documents

Responsible Sourcing:
- Supplier Code of Conduct (UK).
- Modern Slavery Statement.
- Deforestation Statement.
- Group Ethical Trading and Human Rights Policy.
- Freedom of Association Policy.
- CDP Forests questionnaire.

Sustainability and Innovation:
- Environment Policy.
- CDP Climate and Water questionnaires.
- TCFD section – pg 56.

Engagement and Wellbeing:
- Group Ethical Trading and Human Rights Policy.
- Whistleblowing Policy.
- Modern Slavery Statement.
- Inclusion and Diversity Policy.
- Freedom of Association Policy.
- Charity and Political Donations Policy – pg 55.
- Our people section – pg 32.

Our non-financial and sustainability *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 sections 414CA and 414CB.

Reporting requirement	Relevant policies	Location of further information in this report	Page reference
Environmental matters	Deforestation Statement[1] Supplier Code of Conduct[1] Environment Policy[1] Group Supplier Conduct Policy[2]	Sustainability and Innovation Environmentally Sustainable Sourcing	44–47 42–43
Employees	Code of Conduct[2] Inclusion and Diversity Policy[1] Group Supplier Conduct Policy[2]	Engagement and Wellbeing	48–51
Human rights	Modern Slavery Statement[1] Freedom of Association Policy[1] Responsible Operations Policy[2] Group Ethical Trading and Human Rights Policy[2] Group Supplier Conduct Policy[2]	Responsible Recruitment and Employment Supply Chain Human Rights	50 43
Social matters	Code of Conduct[2] Modern Slavery Statement[1] Supplier Code of Conduct[1] Group Supplier Conduct Policy[2] Freedom of Association Policy[1]	Engagement and Wellbeing	48–51
Anti-bribery and corruption	Anti-Bribery and Business Ethics Policy[2] Anti-Bribery and Business Ethics Statement[1] Whistleblowing Policy[2] Charity and Political Donations Policy[2] Supplier Code of Conduct[1] Group Supplier Conduct Policy[2]	Anti-Bribery and Business Ethics Policy Whistleblowing Policy Charity and Political Donations Policy	55 55 55
Data protection	Data Protection Policy[2] Data Retention Policy[2] Privacy Notice[2] Cookie Policy[1]	Data Protection Policy	55
Business model		How we create value	16
Non-financial KPIs		Key performance indicators	4

1 Available on www.bakkavor.com and to all colleagues through the Bakkavor intranet.
2 Available to all colleagues through the Bakkavor intranet. Not published externally.

Employee data

The Group employed 18,580 employees in total. Almost all employees (>99%) are considered permanent. Employee numbers in the tables below are based on the average monthly number of employees.

By location	2022	% of total	2021	2020	2019	2018	2017
United Kingdom	**15,567**	84%	15,863	16,356	16,942	17,004	17,348
US	**973**	5%	875	808	874	635	595
China	**2,009**	11%	2,205	2,125	2,266	2,181	1,628
Continental Europe (Spain, Italy)	**31**	<0%	29	29	23	22	22
Total	**18,580**		**18,972**	**19,318**	**20,105**	**19,842**	**19,593**

By function	2022	% of total	2021	2020	2019	2018	2017
Production	**15,283**	82%	15,578	15,938	16,759	16,706	16,653
Management and administration	**2,378**	13%	2,521	2,488	2,424	2,183	1,992
Sales and distribution	**919**	5%	873	892	922	953	948
Total	**18,580**		**18,972**	**19,318**	**20,105**	**19,842**	**19,593**

	Group						
By gender	**2022**	**% of total**	**2021**	**2020**	**2019**	**2018**	**2017**
Female	**8,420**	45%	8,450	8,654	8,864	8,698	8,389
Male	**10,160**	55%	10,522	10,664	11,241	11,144	11,204
Total	**18,580**		**18,972**	**19,318**	**20,105**	**19,842**	**19,593**
	UK						
	2022	**% of total**	**2021**	**2020**	**2019**	**2018**	**2017**
Female	**6,670**	43%	6,612	6,888	7,011	7,055	7,116
Male	**8,897**	57%	9,251	9,468	9,931	9,949	10,232
Total	**15,567**		**15,863**	**16,356**	**16,942**	**17,004**	**17,348**
	International[1]						
	2022	**% of total**	**2021**	**2020**	**2019**	**2018**	**2017**
Female	**1,750**	58%	1,838	1,766	1,853	1,643	1,273
Male	**1,263**	42%	1,271	1,196	1,310	1,195	972
Total	**3,013**		**3,109**	**2,962**	**3,163**	**2,838**	**2,245**

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

Gender pay (UK)

	2022	2021[1]	2020	2019
Median gender pay gap	**9.3%**	7.3%	2.1%	7.3%
Mean gender pay gap	**9.6%**	9.3%	8.2%	10.7%

	2022		2021[1]		2020		2019	
	M	F	M	F	M	F	M	F
1st quartile (lower paid)	**40.9%**	**59.1%**	49.3%	50.7%	58.8%	41.2%	49.5%	50.5%
2nd quartile	**62.0%**	**38.0%**	58.6%	41.4%	59.6%	40.4%	59.3%	40.7%
3rd quartile	**66.1%**	**33.9%**	63.0%	37.0%	58.1%	41.9%	62.5%	37.5%
4th quartile (highest paid)	**67.8%**	**32.3%**	67.4%	32.6%	67.6%	32.4%	67.5%	32.5%
Median gender bonus gap		**12.1%**		15.2%		14.5%		14.9%
Mean gender bonus gap		**21.0%**		17.0%		28.1%		13.6%
Proportion of males and females receiving a bonus	**9.3%**	**7.6%**	9.9%	7.8%	9.3%	7.8%	2.4%	2.0%

1 2021 data for the mean and median pay gap, and quartiles has been restated as during the year we identified a calculation error. All other data remains as reported in 2021.

Senior leadership by gender, 2022

	Group Board		Senior Management[1]		Management Board		Senior Executives[2]	
	Number	%	Number	%	Number	%	Number	%
Female	**3**	27%	5	33%	2	33%	14	33%
Male	**8**	73%	10	67%	4	67%	28	67%
Total	**11**		**15**		**6**		**42**	

Senior leadership by ethnicity[4], 2022

	Group Board		Senior Management[1]		Management Board[2]		Senior Executives[3]	
	Number	%	Number	%	Number	%	Number	%
Of white European heritage	**10**	91%	14	93%	6	100%	36	86%
Director or Executive of colour	**1**	9%	1	7%	0		6	14%
Total	**11**		**15**		**6**		**42**	

1 Refers to the definition within the Companies Act 2006 s414C (8)-(10). Data is for financial year.

2 Data is for the financial year.

3 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.

4 Reflects the Parker Review methodology and definition of 'Director of colour'.

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, within both our operations and supply chain. The policies apply to all of Bakkavor's own operations and the permanent, temporary and agency colleagues who are employed within them.

READ MORE:

Supply Chain Human Rights pg 43.
Responsible Recruitment and Employment pg 50.

Whistleblowing Policy

The Whistleblowing Policy applies to the whole 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 the use of this enables Bakkavor to effectively address any wrongdoing within the business. It was updated in 2021 to reflect a change of provider, offering 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 a day/365 days a year and in 15 languages. Cases logged in 2022 were investigated thoroughly through local HR contacts, General Managers and/or Business Directors, as well as the Chief People Officer ("CPO"), Technical Director, General Counsel or the Chief Financial Officer ("CFO") when relevant. Whistleblowing is also regularly monitored by the Board.

Charity and Political Donations Policy

Bakkavor believes in giving back to the 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.

READ MORE on Local Causes and Community Engagement on pg 51.

Data Protection Policy

Bakkavor recognises that the correct and lawful treatment of personal data provides for successful business operations. Protecting the confidentiality and integrity of personal data is a critical responsibility that Bakkavor always takes seriously. 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 uses our e-learning platform to roll out training including 'refresher' modules as required. In 2022, Bakkavor rolled out refreshed training in cyber security for all UK colleagues. 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.

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.

Our Procurement team assesses our supply chain partners for corruption and anti-bribery risk through compliance with our Supplier Code of Conduct. 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. In 2022, Bakkavor rolled out refreshed anti-bribery and corruption training for all UK colleagues. 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.

READ MORE on pg 86.

Bakkavor and *climate change:*

Report against the recommendations of the Task Force on Climate-related Financial Disclosures

In 2021, we committed to reaching Net Zero in our Group operations by 2040. To achieve this, we have undertaken a detailed assessment of climate risks that could impact our business, and have begun to develop our delivery roadmap.

Climate change is the single biggest sustainability challenge facing the world. We recognise that our Group does not operate in isolation and impacts the environment. Bakkavor has a part to play in reversing the climate emergency and supporting the shift towards a low-carbon economy.

Consistency with the TCFD recommendations

The following pages comprise our TCFD report using the four sections: Governance (covering disclosures A and B on pg 57), Strategy (covering disclosures A and B pg 58–61), Risk Management (covering disclosures A, B and C pg 62), and Metrics and Targets (covering disclosures A on pg 63 and B on pg 64–65). For Strategy disclosure C and Metrics and Targets disclosure C, please note below. In preparation of the report, Bakkavor also considered the supplemental guidance for non-financial groups and specifically the Agriculture, Food, and Forest Products group. This is reflected in our approach to scenario analysis, use of historical trend data for emissions, our consideration of physical risk exposure and use of relevant metrics such as recyclability of packaging. The disclosures contained within the report are consistent with these recommendations, with the exception of those listed below:

Disclosure	Level of consistency	Description
Strategy disclosure C: Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	PARTIAL	• We have assessed our resilience and identified risks and opportunities against two climate-related scenarios and against our operations and supply chain. However, scenario modelling against our full business strategy has not yet been conducted. Through 2023, we intend to include outputs from our transition planning, including detailed engineering assessments and financial enablers, to deliver progress in this area.
Metrics and Targets disclosure C: Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	PARTIAL	• During the year, we prepared and reviewed several interim targets to underpin our roadmap to delivering Net Zero. However, further work is required to stress test these proposed interim targets through rigorous assessments at a site-level, including engineering and innovation pipelines, and should enable us to be consistent with the recommendations in 2023. • Whilst we continue to develop our interim targets, we are still monitoring our progress on reducing our Scope 1 and 2 carbon emissions in the UK, US and China on a quarterly basis. This includes tracking performance against a target of a year-on-year reduction in our UK greenhouse gas ("GHG") intensity level of 3%, as set out in our 2020 refinancing agreement.

Our *governance* of climate-related issues

GROUP BOARD

- Accountable for considering the impact of climate-related issues on the long-term strategy of the Group.
- Oversees progress of Net Zero commitment.
- Reviews Group policies and commitments, including Net Zero target, KPIs, progress and approach.

In 2022: The Group Board received regular updates from the ESG Committee on the execution of the Trusted Partner ESG strategy and climate risk assessment. This was via the designated Non-executive Director for ESG matters and the Group Board ESG Sponsor. ESG Committee members received a dedicated training session from our Head of Group ESG strategy, focusing on developing skills in: climate and Net Zero; responsible sourcing, including biodiversity and deforestation; food waste; and packaging. **READ MORE** on pg 88 and 120.

ESG Sponsor: Ben Waldron, CFO and Asia CEO (Until November 2022: Agust Gudmundsson, CEO)

ESG COMMITTEE

- Dedicated Board committee for ESG matters, meeting three times a year, with ownership of managing climate change risks and opportunities, including our Net Zero commitment.
- Debates climate issues and provides guidance to the ESG Executive Committee and recommendations to the Group Board.

In 2022: Dedicated committee set up and met three times. Also attended a training session in October, with topics including climate change, food waste, diversity and inclusion, packaging and biodiversity.

Chair: Umran Beba, Independent Non-executive Director

AUDIT AND RISK COMMITTEE

- Reviews principal risk 'Climate change and sustainability' and reporting under TCFD, meeting quarterly.
- Ensures climate-related risks are considered in the Group's viability assessment and impairment reviews.
- Ensures financial reporting disclosures of these risks are fair and balanced, and considers broader impact across assets, liabilities and future profitability.

In 2022: Met four times, of which one agenda featured climate and ESG. **READ MORE** on pg 124.

Chair: Jane Lodge, Independent Non-executive Director

MANAGEMENT BOARD

- Oversees climate-related issues and performance against emissions reduction targets.
- Receives updates from the ESG Executive Committee on performance and climate-related risks on a quarterly basis.
- Direct strategic implementation of, and capital allocation for, energy efficiency and low-carbon projects.

In 2022: Quarterly agenda included climate and ESG matters with updates on developing our climate transition plan, and carbon emissions progress by region.

Sponsor: Ben Waldron, CFO and Asia CEO (Until December 2022: Donna-Maria Lee, CPO)

ESG EXECUTIVE COMMITTEE

- Reviews performance on climate and Net Zero-related matters.
- Provides overall direction of the Group's Trusted Partner ESG strategy.
- Identifies financial resources required to meet Net Zero commitment.

In 2022: Met quarterly, ahead of Management Board and ESG Committee meetings.

Chair: UK Finance Director (until December 2022: Head of Corporate Affairs)

Comprised of Director and other senior-level experts from ESG, Procurement, Technical, Operations, Legal, Risk, Finance, Commercial and regional business divisions. Five workstreams support the delivery of our Net Zero commitment:

1. Net Zero Carbon Emissions: overall working group.
2. Finance and ESG Reporting: ensures regular and accurate carbon footprint reporting.
3. Operational ESG Integration and Cascading: cascades commitments across the business.
4. ESG Board Engagement: supports Group Board training on climate issues.
5. Sustainability Risk Management and Reporting: leads our approach to understanding climate risk.

Outcomes reported to the Group Board include in-year carbon emission data and a review of the Company's climate risk assessment (see pg 62). The Group Board uses specialist advisers on climate and related topics from time to time. As we refine our climate transition plan in 2023, Bakkavor will review the linking of performance to incentives and remuneration for future years.

Strategy: climate risks, opportunities and impact

Risk type

Technology

Policy and legal

Market

Physical

Likelihood

1 Rare

2 Unlikely

3 Possible

4 Likely

5 Almost certain

Impact

1 Negligible

2 Minor

3 Moderate

4 Major

5 Catastrophic

Link to our strategy

UK: Drive returns by leveraging our UK number one market position

INTERNATIONAL: Accelerate profitable growth in the US and China

EXCELLENCE: Deliver superior performance through operational excellence

TRUST: Be a trusted partner for our people, customers, suppliers and communities

READ MORE on pg 22.

Potential financial impact[1]

Overall, based on the risk analysis performed and set out in this section, our risk exposure is deemed to be low. A number of the risks are interdependent, such as 'cost of implementing low emissions technology' and 'pricing of GHG emissions'; and 'increased cost of raw materials' with 'actual physical risks to our supply chain', and we can mitigate some of the potential impact.

One risk – 'pricing of GHG emissions' – emerged as 'moderate' and therefore, financially material. This impacts Bakkavor through increased operating costs due to forecasted carbon pricing. Using current projections and an initial assessment of our decarbonisation pathway we have estimated the potential financial impact to the Group of between £5–10m p.a. by 2030, the medium-term time horizon. Our mitigation against this risk is directly linked to successful delivery of our Net Zero commitment and its primary objective of reducing emissions as far as possible. As we work towards this target the potential financial impact from GHG emissions pricing would be expected to reduce to £3–5m p.a. by 2050.

1 Based on 'Well below' 2°c scenario.

Costs of implementing low emissions technology

Time horizon (years):

1–5 (short-term) | 5–10 (medium-term) | 10–50 (long-term)

Scenarios

	Likelihood	Impact
'Well below' 2°c	4	2
'Hothouse world'	4	2

How it impacts Bakkavor
Additional operational costs to deliver our Net Zero transition plan through investments in lower emission technologies in our manufacturing sites.

Associated opportunity
Utility savings from increased resource efficiency.

Response
In 2022, mapped the 'levers' that will enable decarbonisation of Scope 1 and 2 emissions across the Group, with some initial capital expenditure costs developed.

In 2023, conducting further detailed analysis of technologies that will inform our climate transition plan and decision-making.

Will then prepare a financing plan that considers the short-, medium- and long-term.

Risk reviewed and managed by: dedicated Net Zero workstream.

Related metrics and targets
Net Zero, Group-wide for operational emissions by 2040.

Non-financial KPI: Group net carbon emissions.

Link to our strategy

Increased cost of raw materials

1–5 (short-term)	5–10 (medium-term)	10–50 (long-term)

Scenarios

	Likelihood	Impact
'Well below' 2°c	4	2
'Hothouse world'	4	3

How it impacts Bakkavor
Increased spend on raw materials due to price fluctuations and instability caused by transition and physical climate risks.

Associated opportunity
Opportunity for ongoing rebase of costings as our business evolves our product offering to reflect trends and seasonality.

Response
Diverse product portfolio means we source a variety of raw materials and acts as a hedge against sourcing difficulties.

Centralised Procurement team holds strong commercial relationships with an extensive supply chain and key suppliers.

In addition, colleagues have an on-the-ground presence in China, Spain, Italy and South America, which is key to understanding the local supply base.

Our bespoke supplier engagement platform allows us to: monitor and address compliance with environmental, social and integrity issues; understand and reduce supplier risks; and in the long-term, support suppliers to manage their own environmental and climate risks.

Risk reviewed and managed by: Responsible Sourcing workstream and Procurement function.

Related metrics and targets
Zero net deforestation, including 100% deforestation and conversion-free soy by 2025.

Sustainable sourcing standards for key raw materials.

Link to our strategy

Changing consumer preferences

1–5 (short-term)	5–10 (medium-term)	10–50 (long-term)

Scenarios

	Likelihood	Impact
'Well below' 2°c	5	2
'Hothouse world'	5	2

How it impacts Bakkavor
Decreased revenues due to failure to shift product portfolio to support consumer demand for lower climate-impact products.

Additional costs for potential carbon or eco-labelling.

Associated opportunity
Increased market share, due to ability to respond to changing consumer demands and provide lower-carbon products.

Response
One of our ESG workstreams, 'Sustainable Product Development', works to integrate sustainability considerations into the product development process.

Through engagement with IGD, we participate in industry discussions around eco- and carbon-labelling of food products, enabling us to shape and adopt practices as they evolve.

Bakkavor market research indicates that consumers are increasingly favouring food products that support a reduction of environmental impact. This research is regularly presented at Board level and supports strategic decision-making in new and existing product development. For example, to continue innovating with customers on plant-based products across our portfolio.

Also support consumers' values for more sustainable packaging through work to reduce and remove plastics where possible and use more recycled/recyclable materials.

Risk reviewed and managed by: Sustainable Product Portfolio and Packaging workstreams.

Related metrics and targets
% of products that are vegetarian (52%, up from 50% in 2021) and plant-based (19%, the same as in 2021).

Eliminate problematic or unnecessary single-use packaging by 2025.

100% of plastic packaging to be reusable, recyclable or compostable by 2025 (>99.9% in 2022, 99.8% in 2021).

30% average recycled content in plastic packaging by 2025 (achieved 52.3%, compared to 45.6% in 2021.

Link to our strategy

Risk type

- Technology
- Policy and legal
- Market
- Physical

Likelihood

1. Rare
2. Unlikely
3. Possible
4. Likely
5. Almost certain

Impact

1. Negligible
2. Minor
3. Moderate
4. Major
5. Catastrophic

Link to our strategy

UK: Drive returns by leveraging our UK number one market position

INTERNATIONAL: Accelerate profitable growth in the US and China

EXCELLENCE: Deliver superior performance through operational excellence

TRUST: Be a trusted partner for our people, customers, suppliers and communities

Pricing of GHG emissions

1–5 (short-term)	5–10 (medium-term)	10–50 (long-term)

Scenarios

	Likelihood	Impact
'Well below' 2°c	4	3
'Hothouse world'	4	3

How it impacts Bakkavor
Increased operating costs due to forecasted carbon pricing.

Associated opportunity
n/a

Response
Response to this risk links to delivery of Net Zero objectives including decarbonisation of the business.

Risk reviewed and managed by: Net Zero and the Finance and ESG Reporting workstreams.

Related metrics and targets
Net Zero, Group-wide for operational emissions by 2040.

Non-financial KPI: Group net carbon emissions.

Link to our strategy

Actual physical risks to our operations

1–5 (short-term) | 5–10 (medium-term) | 10–50 (long-term)

Scenarios

	Likelihood	Impact
'Well below' 2°c	4	2
'Hothouse world'	4	3

How it impacts Bakkavor
Increased energy consumption due to higher cooling demand, increased water stress, reduced productivity and logistics disruption (chronic climate impacts).

Site damages, disruption, increased maintenance, repair and insurance costs from acute events such as floods.

Associated opportunity
Opportunities for innovation through our climate adaptation response.

Response
Delivery of our climate transition plan and decarbonising as far as possible.

Successful delivery of our Net Zero commitment prioritises energy efficiency projects as ways to: maximise utility efficiency; reduce absolute emissions; and support site-specific adaptations to heat stress and drought. We also continue optimising water intensity per tonne of product and monitoring use through site-level environmental trackers.

No current investment in flood defences. If experience worsens due to rising sea levels and/or increased frequency/severity of weather events, we will consider flood walls on high-risk sites. Future capital projects and acquisitions will take account of flood risk.

Risk reviewed and managed by: dedicated Net Zero workstream.

Related metrics and targets
Net Zero, Group-wide for operational emissions by 2040.

Non-financial KPI: Group net carbon emissions.

Link to our strategy

Actual physical risks to our supply chain

1–5 (short-term) | 5–10 (medium-term) | 10–50 (long-term)

Scenarios

	Likelihood	Impact
'Well below' 2°c	4	2
'Hothouse world'	4	3

How it impacts Bakkavor
Disruption and higher costs due to decline in agricultural yield, increased heat stress and drought (chronic climate impacts).

Bottlenecks, shortages and sourcing disruption from increased exposure to acute climate risks such as floods and storm events.

Associated opportunity
Supply chain engagement to mitigate risks could increase resilience and strengthen supplier relationships, increasing competitive advantage.

Response
Responsible Sourcing strategy is designed to safeguard supply chain resilience by enabling sourcing of raw materials as sustainably as possible.

Our Supplier Code of Conduct and associated environmental compliance questionnaire ensure that suppliers manage environmental issues in line with our sourcing standards for key raw materials.

Engagement is monitored through the Bakkavor Supplier Compliance Manager ("BSCM") to: assess supplier risk based on their specific product(s) and location; understand supplier capabilities and exposures to environmental risks; and work with them to reduce their risk, as required.

Risk reviewed and managed by: Responsible Sourcing workstream and Procurement function.

Related metrics and targets
Zero net deforestation, including 100% deforestation and conversion-free soy by 2025 (progress not yet quantified).

% of suppliers that are compliant with our Supplier Code of Conduct (100% in 2022, 100% in 2021).

Link to our strategy

Risk management: assessing and managing our exposure to climate risks

To assess Bakkavor's exposure to climate-related risks and identify opportunities, we use a scenario-driven climate risk assessment. The output of the analysis conducted on our operations and supply chain indicates our overall climate risk exposure is deemed to be low, due to existing mitigation factors such as:

- Risk sharing mechanisms for raw material price fluctuations and medium-term energy efficiency; and
- Successful delivery of our climate transition plan and objective of reducing emissions as far as possible.

We have integrated our material ESG issues into our Group risk management framework, which requires principal risk owners to consider relevant environmental, social or governance issues when conducting reviews and assessments of each risk.

Whilst a number of transition risks (e.g. increased raw material costs and changing consumer preferences) are deemed highly likely, we are well-placed to mitigate the impacts on the business, and their financial impact is considered low to moderate. We have also identified opportunities regarding several climate risks; for example, the potential for increasing market share through aligning our product portfolio to support market trends for more climate-friendly diets.

Nevertheless, recognising the Group's impetus to respond to and continue a robust assessment of Bakkavor's risk exposure to climate change, our risk management framework identifies 'Climate change and sustainability' as a principal risk.

READ MORE on pg 85.

Our approach for identifying climate-related risks

Bakkavor has undertaken scenario analysis and a climate risk assessment of our operations and supply chain. This involved:

1. Building scenarios against which the business could be stress-tested, following guidance in the TCFD Guidance on Scenario Analysis for Non-Financial Companies.
2. Running catastrophe and climate modelling for physical risks.
3. Identifying and evaluating transition risks and quantifying risks where possible.

The transition risk assessment used scenarios aligned with projections to keep global warming 'well below' 2°c by 2030 in line with the ambitions of the Paris Agreement and considered impacts on different geographies and sectors.

We have used a single, medium-term time horizon because the majority of transition risks are associated with aggressive mitigation action in the next ten years. This assumes proactive and sustained action to reduce emissions over the next 30 years to build a low-carbon economy and the implications this has on environmental, social, economic, political and technological dimensions. For example, assuming broader technological investment away from fossil fuels, towards increased energy efficiency and renewable technologies. Sources informing assumptions included projections used in Shared Socio-Economic Pathways ("SSP"), the IEA (Sustainable Development), IPCC (RCP 2.6) and NGFS Below 2°c Orderly Scenario.

The physical risk assessment looked at the acute and chronic impacts of climate change. For example, damage to sites caused by increased frequency and/or severity of extreme weather events (acute risks) and increased heat and/or drought stress (chronic risks). We assessed the potential risks over a medium- (2030) and longer-term (2050 and beyond) time horizon using the Representative Concentration Pathways ("RCP") defined by the Intergovernmental Panel on Climate Change's ("IPCC") Fifth Assessment Report ("AR5"), specifically the 'best possible' scenario of 'well below 2°c' (at +1.5°c) RCP 2.6) and 'worst case' or 'hothouse world' scenario of RCP 8.5 (4°c). Acute physical risks are relevant now and under both scenarios with the likelihood and impacts of these risks increasing with the 'hothouse world' scenario of RCP 8.5 (4°c) as well as over time (2050 and beyond). Chronic physical risks emerge under the 'hothouse world' scenario from 2050. For both types, the risk is more pronounced in some regions than others.

To quantify risks, we have used Bakkavor's risk management framework rating criteria. Each risk was assessed on its likelihood and impact, and the potential financial impact classified based on these criteria. To further align, we interpreted the timelines used in the RCPs to our own risk framework. Other metrics, such as carbon price forecasts, were used where relevant. The outcomes were reviewed by both the Group Board and Management Board.

READ MORE on pg 85.

Our metrics and targets

Building our roadmap to Net Zero

Since 2018 we have targeted year-on-year improvements in carbon reduction. In early 2021, we formalised our commitment to Net Zero carbon emissions across the Group's operations by 2040. Recognising the need for longer-term planning to meet our commitment, in 2022 we began to develop our climate transition plan.

We plan to publish our interim targets in more detail following rigorous stress testing at site-level to be completed during 2023. During the reporting period we implemented quarterly measurement of progress on reducing our Scope 1 and 2 carbon emissions; this includes tracking performance against a target set within our refinancing agreement in 2020 of a year-on-year 3% reduction in our UK business GHG intensity level.

Our carbon emissions reporting and measurement

This is our fifth year reporting carbon emissions for the Group, which includes our three regions: UK, US and China.

GHG emissions for 2022 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 Group. This covers all sites where Bakkavor has full operational control. 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: 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: Released indirectly from our consumption of energy sources (electricity and cooling streams).

Scope 3 emissions: Indirect emissions that are associated with the operation of the business that are not under our direct control.

The methodology applied to the calculation of GHG 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 tonnes of carbon dioxide equivalent (tCO_2e).

The tables on pg 64–65 show GHG emissions and total annual energy for both the Group and Bakkavor Foods Limited (UK) and include the data for our Streamlined Energy and Carbon Reporting (SECR). For narrative on the principal measures taken to improve our energy efficiency, see pg 45.

Bakkavor also discloses to CDP's climate change questionnaire. The most recent questionnaire is based on the 2021 reporting cycle and received a disclosure score of B – see: www.cdp.net.

Greenhouse gas emissions metrics (for the period 1January 2022 – 31 December 2022)

The following tables show annual data for 2022 and prior years for GHG emissions for the Group and our UK business, Bakkavor Foods Limited.

In 2022 we saw a 16.9% reduction in our gross (location-based) carbon footprint (Scope 1 and 2), and an 18.9% decrease in our net (market-based) carbon footprint. In addition, the carbon efficiency of our business has improved as our intensity ratio (gross emissions per £million reported revenue) reduced by 27.3% to 67.3tCO_2e/£m reported revenue. In the UK, net emissions reduced by 15.3% and the intensity ratio decreased 22.7% to 55.5tCO_2e/£m reported revenue.

Greenhouse gas emissions – Group – tCO_2e, for the period 1 January 2022 – 31 December 2022

Bakkavor Group plc	2022	Change	2021	2020
Scope 1: Emissions from combustion of fuel and operation of facilities				
UK	**59,855**	-14.9%	70,336	83,926
US	**8,386**	-25.6%	11,264	14,515
China	**9,029**	-49.1%	17,754	8,418
Total Scope 1 emissions	**77,270**	-22.2%	99,354	106,858
Scope 2: Emissions from purchased electricity and cooling				
UK	**39,121**	-11.1%	44,012	49,396
US	**6,052**	-6.8%	6,495	7,583
China	**21,592**	-7.6%	23,375	20,708
Total Scope 2 emissions (location-based)	**66,765**	-9.6%	73,881	77,687
Green tariff	**32,836**	-9.6%	37,544	43,007
Total Scope 2 emissions (market-based)	**32,836**	-9.6%	36,337	34,680
Total gross (location-based) emissions	**144,035**	-16.9%	173,235	184,545
Total net (market-based) emissions	**110,106**	-18.9%	135,691	141,538
Intensity ratio (gross tCO_2e/£m reported revenue)	**67.3**	-27.3%	92.6	102.9

Annual energy consumption – Group – kWh, for the period 1 January 2022 – 31 December 2022

	2022	Change	2021	2020
Scope 1 – Energy from combustion of fuel and operation of facilities including transport (kWh)	**338,883,129**	-3.9%	352,728,213	391,680,450
Scope 2 – Energy from purchased electricity and cooling (kWh)	**257,698,953**	-2.8%	265,077,689	269,787,168
Total energy (kWh)	**596,582,083**	-3.4%	617,805,902	661,467,618

Greenhouse gas emissions – UK[1] – tCO_2e, for the period 1 January 2022 – 31 December 2022

	2022	Change	2021	2020
Scope 1 emissions from combustion of fuel and operation of facilities	**59,855**	-14.9%	70,336	83,926
Location-based Scope 2 emissions from purchased electricity and cooling	**39,121**	-11.1%	44,012	49,396
Green tariff	**33,928**	-9.6%	37,544	43,007
Market-based Scope 2 emissions	**5,193**	-19.7%	6,468	6,389
Total gross (location based) emissions	**98,976**	-13.4%	114,348	133,322
Total net (market-based) emissions	**65,048**	-15.3%	76,804	90,315
Intensity ratio (gross tCO_2e/£m reported revenue)	**55.5**	-22.7%	71.8	85.1

Annual energy consumption – UK[1] – kWh, for the period 1 January 2022 – 31 December 2022

	2022	Change	2021	2020
Total renewable energy consumption (on-site generated), kWh	**–**	–	–	–
Total non-renewable energy consumption (kWh)	**501,953,056**	-3.8%	521,885,147	573,288,445
Total energy consumption (kWh)	**501,953,056**	-3.8%	521,885,147	573,288,445

Totals may not reflect sum of values shown due to rounding.
1 Data relates to the UK and UK offshore areas (nil).

Scope 3 emissions

Scope 3 indirect emissions are those associated with the operation of the business that are not under our direct control. These can range from the production of raw materials, transport of goods to site, disposal of waste, manufacturing of packaging, colleague commuting and business travel, to downstream use and disposal of our products by retailers and consumers. There are challenges with accurate data measurement due to a reliance on secondary sources and being outside our direct control.

Nevertheless, in 2021 we conducted a baseline assessment of our Scope 3 footprint for our UK business. This helped to:

- Develop a 'hot spot' analysis of our upstream and downstream climate influence;
- Inform action plans with our direct suppliers; and
- Identify priority raw materials for action.

Overall, our Scope 3 emissions represent 91% of our UK carbon footprint, a proportion that is increasing gradually as our Scope 1 and 2 emissions are reducing steadily.

We know that the vast majority (94%) of our Scope 3 footprint comes from purchased goods and services. These are predominantly raw materials and ingredients such as dairy and meat and also plastic packaging.

This increases the importance of working with our suppliers and customers to capture more representative data, understand what can be done to reduce emissions, and support these efforts.

Enabling the climate transition in our broader value chains

As a business, our influence on Scope 3 emissions comes through working closely with our supply chain, which we do through our Responsible Sourcing workstream, and a programme of engagement to ensure compliance with our requirements on environmental and social topics, through our Supplier Code of Conduct (**READ MORE** on pg 42).

In addition, we address emissions associated with packaging by:

- Reducing and removing plastics in our packaging where possible;
- Increasing use of recycled content;
- Ensuring widespread recyclability; and
- Using certified sustainable sources for card-based packaging.

Bakkavor is also influencing Scope 3 emissions associated with deforestation and land-use change in an indirect way through our sustainable sourcing approaches for the forest-risk raw materials we use – soy, palm oil, beef and timber used for card packaging. For example, for soy – used as feed for animal and dairy products – we require evidence from suppliers that the soy used comes from an origin with low risk of deforestation or conversion, or by sourcing through appropriate third-party, company or regional schemes.

Greenhouse gas emissions – UK – Scope 3 – tCO_2e, for the period 1 January 2022 – 31 December 2022

Bakkavor Foods Limited (UK)			Emissions (tCO_2e)	
	2022 (UK)	Change	2021 (UK)	2020 (UK)
1. Purchased goods and services	**952,420**	-5.1%	1,004,066	925,531
2. Capital goods	**11,979**	-24.1%	15,789	13,577
3. Other fuel-and-energy-related activities	**22,127**	-11.5%	24,997	20,593
4. Upstream transportation and distribution	**n/a[1]**	n/a	n/a[1]	141
5. Waste generated in operations	**1,857**	-0.9%	1,873	2,990
6. Business travel	**n/a[1]**	n/a	n/a[1]	688
7. Employee commuting	**16,501**	-0.6%	16,594	16,596
8. Upstream leased assets	**0[3]**	n/a	0[3]	0[3]
9. Downstream transportation and distribution	**n/a[1]**	n/a	n/a[1]	1,281
10. Processing of sold products	**0[3]**	n/a	0[3]	0[3]
11. Use of sold products	**0[3]**	n/a	0[3]	0[3]
12. End of life treatment of sold products	**13,798**	-0.7%	13,901	14,694
13. Downstream leased assets	**0[2]**	n/a	0[2]	0[3]
14. Franchises	**0[3]**	n/a	0[3]	0[3]
15. Investments	**0[3]**	n/a	0[3]	0[3]
Total scope 3 emissions	**1,018,682**	-5.4%	1,077,220	996,092

Totals may not reflect sum of values shown due to rounding.

1 Following the baseline assessment conducted for 2020, these categories were deemed 'de minimis', as they contribute less than 1% of total Scope 3 emissions. They were therefore excluded from 2021 and 2022 calculations.

2 Due to the unusual impact of Covid on business travel in 2020, data from 2019 was used to provide more representative results.

3 Analysis considered there were no further relevant emissions in this area that are not already covered in the above categories.

Building strong relationships with our *stakeholders*

Section 172(1) statement

The Group Board has a duty under Section 172 of the Companies Act 2006 ("Section 172(1)") to promote the success of Bakkavor. In doing so, its decisions must have regard for a number of factors:

- The likely consequences of any decision in the long term;
- The interests of our colleagues; suppliers, customers and investors;
- The impact of our operations on the community and the environment;
- The desirability to maintain our reputation for having the highest standards of business conduct; and
- The need to act fairly as between members of the Company.

We have identified five relevant stakeholder groups:

- **Colleagues**
- **Customers**
- **Suppliers**
- **Investors**
- **Communities**

A strong understanding of our stakeholders is crucial to our value creation, long-term growth and success. We are committed to continually engaging with our stakeholders, and incorporating their views and interests when making key business decisions.

We understand there can be different, and sometimes conflicting, views across our key stakeholder groups. We therefore seek to balance competing interests and respond in a way that maximises value for all.

Firmly embedding Section 172(1) through the Group Board's decision-making process:

BOARD ACTIONS

Information gathering	Strategic discussions		Decision-making
STEPS TAKEN			
Management Board and Senior Executives receive training on Section 172 and Directors' duties to ensure awareness of the Group Board's responsibilities.	Section 172 factors considered in Group Board discussion on strategy, including how they underpin long-term value creation.	Group Board receives updates on a timely basis and assurance where appropriate.	Group Board updated and informed on the outcomes of its decisions.
Group Board papers include table of Section 172 factors and relevant information.	Group's culture fully considers the potential impacts of decisions.	Group Board ensures Section 172 factors are taken into consideration in its decision-making.	Actions taken as a result of engagement and dialogue with stakeholders.
Stakeholder engagement activities are recorded, and detail included in Board papers where applicable.			

Our *colleagues*

Our people are the heart of our business, with over 18,500 diverse and talented colleagues from over 90 countries.

Why we engage:

- Understand what matters to them and incorporate their views into our Group Board decision-making.
- Make our colleagues feel valued so we can achieve our vision together.

What matters most to them:

- A safe and inclusive workplace.
- A voice in the Group's decision-making.
- Support and the opportunity to realise their potential.

How the Group Board engages:

- Discusses Company vision and purpose, culture, talent and people developments at Group Board.
- Designated workforce engagement Non-executive Director holds sessions with the SEF and GEF, and relays colleague feedback, views and outcomes from these sessions to Group Board.
- Understands colleague engagement through review of Employee Engagement Survey ("EES") results, and takes action to address employee feedback.
- Reviews food safety and health and safety data and updates, and has oversight of technical strategy to ensure protecting colleagues remains a priority.
- Reviews wellbeing initiatives and Inclusion and Diversity updates, ensuring oversight of support offered to colleagues.

How the Company engages:

- SEFs and GEFs, Wellbeing Committee, Inclusion and Diversity Forum.
- Designated workforce engagement Non-executive Director's interactions with colleagues.
- Group-wide EES.
- Whistleblowing hotline 'Speak Up!'.
- Updates via intranet and internal communications; Just Made quarterly colleague magazine; and monthly Trusted Partner newsletter.

READ MORE:

Our people pg 32.
ESG: Trusted Partner pg 40.
ESG Committee report pg 119.

How we are responding:

- Embedding our refreshed values. Included Values Celebration Week and integrated values into colleague objectives and appraisals.
- Enhanced training and development: launched two cohorts on Female Mentoring Programme, implemented a central hub of learning content, and over 670 colleagues completed Front-Line Leaders Development Programme.
- Recognised and celebrated colleagues through our Proud to Be Awards.
- EES response rate up 3% to 86% in 2022 (2021: 83%). Identified opportunities and focus areas for improvement.
- Updated commitment to conduct Group-wide EES on an annual basis (previously 18 months).
- Implemented pay reviews and wider engagement activities to support retention and recruitment of talent.
- Launched new Wellbeing Strategy, appointed Wellbeing Champions, and ran campaigns to promote inclusive behaviours and allyship.
- Sought to further standardise food safety, and health and safety best practices and risk assessments across the business.

What we have delivered:

86%
response rate to our 2022 EES

>670
colleagues completed Front-Line Leaders Development Programme

Our customers

We have strategic relationships across our grocery retail, online, direct-to-consumer, brand and foodservice customers.

Why we engage:

- Build long-term strategic relationships through ongoing engagement and investment.
- Understand our customers' and consumers' needs so we can respond to new trends through innovation.
- Support our mutual business models by a fair and transparent approach to sharing information.
- Support our customers' sustainability goals and ambitions as part of our Trusted Partner ESG strategy.

What matters most to them:

- Leverage insight to develop innovative and great-tasting products.
- Deliver high-quality products, that meet required technical and food safety standards, at high service levels.
- Minimise disruption from industry-wide challenges across supply chain, inflation and labour.
- Collaborative approach to deliver progress on sustainability issues.

How the Group Board engages:

- CEO engages with key customers on a timely basis and reports back to Group Board on outcomes. This helps to maintain strategic relationships, connect with the broader supply chain community and share expertise and knowledge.
- Reviews updates on supply chain risk management, any potential impact on service levels, and opportunities to collaborate with customers to mitigate the impact.
- Reviews updates on inflation impact and outlook. Considers levers to offset pressure, including pass-through mechanisms, pricing discussions, productivity improvements and cost control.
- Considers UK market insight updates to understand consumers' needs, and how this is leveraged to inform category plans and new product pipelines.
- Reviews market updates on latest developments and growth opportunities in US and China.

How the Company engages:

- Daily engagement across development, marketing, commercial and technical functional teams.
- Regular engagement from CEO and Customer Directors, outcomes reported back to Group Board.
- Online surveys, focus groups and research.
- Announced and unannounced customer audits.
- Works collaboratively with customers on shared ESG priorities.

How we are responding:

- Developed new products to respond to changing consumer behaviours. This focused on value optimisation in the UK due to cost-of-living pressures, expansion of our range of fresh meals in the US, and, in China, collaborating with plant-based specialists to meet demand for healthier, more sustainable products.
- Maintained high service levels, despite ongoing supply chain disruption and labour pressures, leveraging our scale and expertise.
- Maintained status as a high-quality manufacturer, underpinned by strong food safety and health and safety metrics.
- Supported customers through our Trusted Partner efforts, and delivered progress on key sustainability commitments.
- Customer-dedicated teams continued to support and proactively manage relationships.
- Pass-through mechanisms continued to work effectively and secured price increases across our cost base to help mitigate inflation impact.
- Consolidated UK commercial and development structures to improve operational efficiency, keep our customer-centric approach and increase category focus.

READ MORE:

Non-financial KPIs pg 4.
Our markets pg 18.
Our strategy pg 22.
ESG: Trusted Partner pg 40.

What we have delivered:

1,500
new and refreshed products launched in 2022

100%
of UK sites AA+ and A+ BRCGS grade

Our suppliers

Across our well-established global network of over 1,300 suppliers, we collaborate closely on supply chain management as well as responsible sourcing.

Why we engage:

- Source breadth of high-quality raw materials that meet our standards of food safety and technical integrity, and support innovation.
- Maintain continuity of supply of raw materials and to help manage labour availability.
- Ensure integrity of supply chain through our responsible sourcing approach.

What matters most to them:

- Clarity of forecast requirements to enable delivery on time and in full.
- Opportunities to improve, innovate and grow their business.
- A partnership underpinned by trust and transparency.
- Fair and open discussions on movements in input costs and pricing.
- Collaborative approach to managing the impact of Brexit.

How the Group Board engages:

- Reviews procurement updates to understand actions taken to mitigate inflationary headwinds and supply chain disruption.
- Received Procurement Director update on centralised category procurement structure and Bakkavor Inbound Logistics ("BIL") centre of excellence.
- Oversight of our Responsible Sourcing strategy, commitments and progress through ESG Committee and Group Board ESG sponsor.
- Board reports include financial updates, with detail of inflation impact and recovery levers, with CFO providing additional commentary in Group Board meetings.
- Engages with CEO and CFO regarding plans to tackle supply chain issues, inflation and the impact of the Ukraine war.
- Updated on 'supply chain' principal risk developments via the Audit and Risk Committee.

READ MORE:

Our strategy pg 22.
ESG: Trusted Partner pg 40.
Risk management and risks pg 76.

How the Company engages:

- Daily engagement via procurement colleagues including workshops and conferences.
- Ensures supplier relationships are built on a foundation of contractual mutual agreement.
- Agrees terms of supply, regular reviews of performance and improvement plans.
- Sets expectations of UK suppliers via the Supplier Code of Conduct. This is the basis of our Responsible Sourcing requirements, including human rights, environmental sustainability and technical integrity.
- Utilises the Sedex online supply chain platform to monitor and assess labour practices in our supply chain.
- **READ MORE** on pg 40 for our Responsible Sourcing commitments across deforestation, Supplier Code of Conduct and whistleblowing channels.

How we are responding:

- Leveraged scale, experience and strong customer partnerships to enhance buying power and mitigate the impact of industry challenges.
- Forward-purchasing of certain raw materials and energy provided good visibility of costs through 2022.
- Reviewed sourcing plans to build further resilience in our inbound supply chain.
- Continued to develop our approach to Brexit-related changes, including contingency plans particularly in relation to disruption at ports and trade with Northern Ireland.
- Worked closely with suppliers to ensure early identification of potential issues and action to minimise disruption.
- Worked closely with customers on supply performance, collaborative buying and cost models.
- Increased supplier payment facility to provide further opportunity for suppliers to receive payment early.
- Continue rolling out our Group Supplier Conduct Policy, adapting the UK Supplier Code of Conduct to support supply chain engagement on social issues within the US and China.

What we have delivered:

100%
of our UK business's direct suppliers registered with Sedex

100%
sustainable sourcing practices for palm oil, soy in animal feed and paper packaging

Our investors

Regular shareholder engagement is important; to capture feedback, respond and promote their interests, and ultimately deliver value.

Why we engage:

- Share our vision, purpose and strategy, and demonstrate how we create value.
- Establish an effective channel of communication with existing and potential shareholders to understand their priorities.

What matters most to them:

- Long-term sustainable profitable growth to underpin returns.
- Being kept up-to-date on the latest developments, challenges and opportunities within the business.
- Fair, balanced and understandable reporting.
- Understanding the business's exposure and plans in relation to ESG issues, including climate risks.

How the Group Board engages:

- Regular engagement by CEO and CFO with investors to gather feedback across governance, performance and strategy.
- Chairman actively seeks to engage with shareholders. Senior Independent Director and Committee Chairs available for direct meetings where required.
- Attends the Annual General Meeting ("AGM").
- Reviews updates on shareholder and analyst feedback, and shareholder register composition.
- Receives updates and feedback from brokers on wider investor sentiment, how the market views Bakkavor and areas of focus.
- Approves all financial results: full and half-year results, Annual Report and Accounts, and trading updates.
- Oversees the Group's allocation of capital, including dividend payments and leverage targets.
- Reviews regular updates on Trusted Partner ESG strategy, commitments and progress.

READ MORE on pg 98.

How the Company engages:

- Investor meetings, calls, conferences and events attended by CEO, CFO and Head of Investor Relations.
- Welcomes queries from shareholders via phone, post, email or via brokers.
- Updates relevant shareholder communications via bakkavor.com, includes Annual Report and Accounts, financial results releases, share price information, other RNS and press releases.
- Reports on the TCFD and the Carbon Disclosure Project.

How we are responding:

- Released full-year, half-year and two quarterly trading updates to update on business performance and outlook.
- 70 meetings with investors and analysts in 2022, attended by CEO, CFO and Head of Investor Relations.
- Invited shareholders to attend the 2022 AGM.
- Investor engagement key themes: supply chain disruption and inflation impact; UK volume outlook; labour availability; strength of balance sheet position; dividend policy; international growth opportunities; and ESG initiatives.
- Clear strategy in place with decisive actions taken to protect profits against persisting headwinds.
- Final 2022 dividend of 4.16 pence per Ordinary share approved by Group Board, taking the total dividend to 6.93 pence.
- Strong balance sheet with 1.9 times leverage maintained within medium-term target range.
- Regularly engaged with analysts to discuss business performance, guidance and review of financial models.
- Reported under TCFD requirements and expanded disclosure to Carbon Disclosure Project (Forests and Water questionnaires).

What we have delivered:

70
meetings and conferences with investors and analysts

1.9x
leverage in 2022, within target range

Our communities

We operate from 45 sites across the UK, US and China and recognise we need to act responsibly and be a trusted partner to our local communities.

Why we engage:

- Be a trusted partner by upholding our high standards and capability to operate responsibly.
- Support local economic development by creating jobs and supporting local services.
- Remain an employer of choice in our local communities; attract and retain the best talent.

What matters most to them:

- A business that acts with integrity and operates in a safe, responsible and sustainable way.
- A reduction in environmental impact, including improvements in food waste, carbon emissions and packaging.
- Support for local community initiatives and provision of economic opportunities for local people.
- A business that looks after the health, safety and wellbeing of its colleagues.

How the Group Board engages:

- Oversight of our Trusted Partner ESG strategy, commitments and progress through the ESG Committee with updates provided to the Group Board and from the CFO (Group Board sponsor for ESG).
- Considers climate-related issues alongside the long-term strategy of the Group, which informs investment decisions.
- Oversight of the climate transition plan.
- Reviews and considers community initiatives, how we are delivering on these and their progress, including our charity partnerships.

How the Company engages:

- Supports local communities across charities, schools, sports teams and projects through fundraising, donations, volunteering and educational activities.
- Establishes Group charity partnerships and fundraises for these with a charity events programme.
- Undertakes food redistribution, via partners and colleague outreach with charities.
- Provides employment opportunities, including apprenticeships and graduate placements, via use of agencies.

How we are responding:

- In 2022, food waste reduced by 110 basis points to 8.05% and Group net carbon emissions reduced by 18.9%. **READ MORE** on pg 40 for detail on our commitments, progress and activities across sustainability and engagement and wellbeing.
- Industry-leading early careers programmes; TheJobCrowd Top Company for Apprentices to work for in consumer goods and FMCG and second place for our graduate scheme.
- £125,880 of charitable donations in 2022, including to our Group charity partners GroceryAid and Natasha Allergy Research Foundation.

READ MORE:

Our people pg 32.
ESG: Trusted Partner pg 40.
ESG: TCFD pg 56.

What we have delivered:

>630
tonnes of product donated to redistributors and local charities

280
apprentices in our award-winning apprenticeship programme

> **We delivered a solid performance in tough conditions. Our balance sheet strength and clear plan to protect profits mean we are well-placed to deliver on our strategy.**
>
> — Ben Waldron, Chief Financial Officer and Asia Chief Executive Officer

Robust performance and in a position of financial strength

Revenue

£m	2022 53 weeks	2021 52 weeks	Change reported	Change like-for-like ("LFL")
Revenue	**2,139.2**	1,871.6	14.3%	10.6%

Group revenue increased 14.3% to £2,139.2m (2021: £1,871.6m). LFL revenue, which excludes the benefit of the 53rd week and is at constant currency, was up 10.6% to £2,069.0m. Of this growth, 9.2% was price and 1.4% volume.

UK reported revenue was up 12.0% to £1,783.1m (2021: £1,592.4m), and up 10.0% on a LFL basis to £1,752.3m. This was primarily driven by price increases to mitigate significant inflation seen across our cost base, and some volume growth in the first part of the year. US reported revenue increased 41.8% to £255.3m (2021: £180.1m), and of this increase £25.5m reflected the currency impact of a weaker Sterling. LFL revenue was up 25.6% to £226.2m (2021: £180.1m), driven by strong volume growth from our existing customers combined with pricing action taking effect in the second half of the year. In China, reported revenue increased by 1.7% to £100.8m (2021: £99.1m), with the benefit of currency more than offsetting the decline in volume due to the impact of Covid through the year. LFL revenue was down 8.6% to £90.5m (2021: £99.1m), however, this full-year result masks volatility in revenue movements with significant volume declines during months of severe regional lockdowns, offset by volume recovery as restrictions eased.

Operating profit

Adjusted operating profit decreased by 12.4% to £89.4m (2021: £102.0m). Whilst it is disappointing to see a reduction in profit of £12.6m, this was against a backdrop of £230m of inflation. Adjusted operating margin at 4.2% was down 120 basis points (2021: 5.4%).

In the UK, adjusted operating profit was down 5.2% at £92.7m, as whilst we have been successful in price recovery with customers, along with driving operational efficiency and tight cost control, this has not fully offset the impact of significant inflationary pressure across the cost base. In the US, adjusted operating profit of £3.3m was down 62.9% on 2021. This was driven by the impact of cost inflation and a lag in pricing recovery, combined with operational disruption from onboarding significant volume growth in the first nine months of the year, and in November 2022, the withdrawal of volume from a single site due to a contractual dispute. China's adjusted operating loss increased by £1.9m to £6.6m. This was due to severe regional lockdowns which heavily impacted volumes and reduced efficiency, particularly in the first half of the year, and again in the final few weeks of the year as Covid began to spread rapidly across the population.

Operating profit decreased by 62.9% to £37.8m (2021: £102.0m), with margins down 360 basis points at 1.8%. Operating profit is after a pre-tax exceptional charge of £50.1m and £1.5m of costs incurred in the year associated with the configuration and customisation of software as a service ("SaaS") projects, treated as an Adjusting item.

Exceptional items

Exceptional items, excluded from adjusted operating profit, comprise:

£m	2022	2021
Corporate restructuring costs	**5.3**	–
UK site closures:		
– Closure costs	**11.8**	–
– Impairment charge	**19.5**	–
Investment in associate impairment	**9.7**	–
US customer contractual dispute impairment	**3.8**	–
Total exceptional items	**50.1**	–

In 2022, the Group incurred an exceptional charge of £50.1m. Of this, £17.1m relates to cash restructuring costs for the closure of two of our UK sites (by the end of Q1 2023) and the costs of a corporate restructuring, which includes redundancy payments. The majority of this cash cost will be incurred in 2023. There is a non-cash impairment charge of £19.5m, of which £19.3m relates to fixed assets at the two sites due to close and £0.2m impairment of intangible assets for one of the businesses. The value of the Group's investment in associated undertakings based in Hong Kong has been written down in the period by £9.7m due to the ongoing impact of Covid and reduced tourism on the trading performance of that business. An ongoing contractual dispute with a US customer has resulted in a £3.8m impairment of inventory and receivables related to this customer. However, we continue to pursue the recovery of these assets as we seek to reach resolution on this matter. Of the total exceptionals, £19.3m is cash costs, with £2.5m incurred in FY22 and the balance of the outflow to come in FY23.

Finance costs

Group profit before tax was £18.1m (2021: £81.4m), which includes finance costs of £20.8m in 2022, up 21.6% on 2021 (2021: £17.1m). This increase was driven by rising interest rates during 2022, partially offset by the voluntary repayments of £37.5m of our more expensive debt in April and September 2021 (previously due to mature in June 2024).

The interest cost on the Group's bank facilities is SONIA plus a margin. To hedge against movements in SONIA the Group has £150m of fixed rate interest swaps for SONIA in place until March 2024, at an average rate of 37 basis points, and has continued to closely monitor its interest rate exposure. In July 2022, the Group put in place a further £30m of fixed rate interest swaps for SONIA from March 2024 until March 2026, at an average rate of 233 basis points. The Group's cost of debt at the end of 2022 was c.3.9% per annum and is expected to increase further, to c.5% in FY23, given the recently announced increase in UK interest base rates.

Tax

The Group's profit after tax was £12.5m (2021: £56.8m). The Group tax charge for 2022 decreased by £19.0m to £5.6m (2021: £24.6m). The charge represents an effective tax rate of 30.9% on profit before tax of £18.1m. The underlying effective tax rate was 21.5% (2021: 29.7%), which excludes exceptional and Adjusting items. The effective rate is 2.5% higher than the UK statutory tax rate of 19% mainly due to the effect of non-deductible expenses, overseas tax losses not recognised in deferred tax and the impact of a change in the UK corporation tax rate to 25%. The latter reflecting the government announcement that UK corporation tax will increase to 25% effective from 1 April 2023, being the rate at which timing differences are expected to reverse. This does not impact current taxes. We expect the effective tax rate for 2023 to increase slightly above the enacted UK corporation tax rate, 25%, given the UK is where we pay the majority of our corporate taxes.

£m	53 weeks ended 31 December 2022	52 weeks ended 25 December 2021
Profit before tax	**18.1**	81.4
Tax charge at UK corporation tax rate of 19% (2021: 19%)	**3.4**	15.5
Net non-deductible expenses/ (non-taxable income)	**(1.2)**	(1.8)
Non-deductible impairment of investment	**1.8**	–
Adjustment in respect of prior periods	**(0.3)**	1.5
Other reconciling items[1]	**1.9**	9.4
Tax charge for the period	**5.6**	24.6
Add: Tax credit on exceptional items	**9.1**	–
Tax charge excl. exceptional items	**14.7**	24.6
Add: Tax credit on adjusting items	**0.3**	0.8
Underlying tax charge	**15.0**	25.4
Effective tax rate on underlying profit before tax of £69.8m (2021: £85.4m)	**21.5%**	29.7%

1 Other reconciling items – see Financial Statements Note 11.

Earnings per share

Basic earnings per share ("EPS") decreased from 9.8 pence in 2021 to 2.2 pence in 2022. This was primarily driven by the impact of the exceptional costs which totalled £50.1m.

Adjusted EPS, which excludes the impact of exceptional and adjusting items and the change in fair value of derivative financial instruments, decreased by 0.9 pence to 9.5 pence in 2022. This decrease was driven by lower adjusted operating profit, which was partly offset by a reduction in tax charges. The weighted average number of shares in issue (used to calculate adjusted EPS) during 2022 was 577,575,716 (2021: 579,425,585), and decreased on 2021 due to the purchase of the Group's Ordinary shares through an Employee Benefit Trust ("EBT") to satisfy share awards under the Group's share scheme plans.

Cash flow

Net cash from operating activities decreased by £16.9m to £127.1m in 2022 (2021: £144.0m). This was mainly due to the lower adjusted operating profit. Working capital, excluding movements in exceptionals, was slightly lower than the prior year due to the 53rd week in 2022. The cash impact of exceptional items in 2022 was £2.5m (2021: £1.2m).

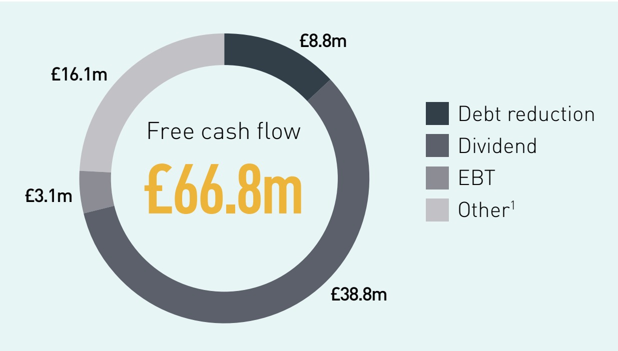
Net cash used in investing activities increased by £8.8m to £63.7m in 2022 (2021: £54.9m). This was driven by an increase in capital expenditure in 2022, primarily the strategic investment in the US, and is against a softer comparative with investment in 2021 delayed to mitigate against the impact of Covid restrictions.

Free cash flow was an inflow of £66.8m, £24.4m lower than the prior year due to the factors set out above.

£m	53 weeks ended 31 December 2022	52 weeks ended 25 December 2021
Operating profit	**37.8**	102.0
Exceptional and Adjusting items	**51.6**	–
Adjusted operating profit	**89.4**	102.0
Depreciation and other items	**69.1**	66.1
Net retirement benefits charge less contributions	**(2.2)**	(1.4)
Working capital (excl. exceptionals)	**(1.7)**	3.6
Interest, share scheme settlements and tax paid	**(24.1)**	(24.2)
Dividends received from associates & interest received	**0.2**	0.7
Purchases of property, plant and equipment (net)	**(61.0)**	(55.6)
Purchases of intangible assets	**(2.9)**	–
Free cash flow	**66.8**	91.2

Capital allocation

We maintain a disciplined approach to capital allocation, with the overriding objective to enhance shareholder value. In 2022, we allocated our free cash inflow of £66.8m across debt reduction (£8.8m) to support the maintenance of leverage and dividends (£38.8m). To satisfy share awards under the Group's share scheme plans, £3.1m was spent to purchase the Group's own Ordinary shares through an EBT. The balance of cash was allocated across IFRS 16 payments, refinancing fees, exceptional items and foreign exchange.



1 Other includes IFRS16 payments, refinancing fees, exceptional items and foreign exchange.

There were no acquisitions in the year, but we continue to consider these where they are a strategic fit for our business. In the medium-term, we remain committed to investing to enhance returns, maintaining leverage within the target range of 1.5 to 2.0 times.

Investment and returns

Group ROIC was 7.1% for the 12 months to 31 December 2022, compared to 7.2% in the prior year. This reflects the year-on-year decrease in adjusted operating profit after tax, with underlying trading performance down, partly offset by the reduction in effective tax rate. There was also a marginal decrease in average invested capital, as the Group has maintained a tight control of capital spend thereby limiting the increase in invested capital. **READ MORE** on key projects in the divisional reviews on pg 36–39.

Over the medium-term, the Group expects to see an improvement in ROIC as recent investments, including the key strategic projects, deliver an increase in returns. With the Group's enhanced focus on managing cash, we expect the level of capital investment to reduce on the prior year at c.£50m.

Debt and leverage

Operational net debt decreased £8.8m to £284.9m. Leverage (the ratio of operational net debt to adjusted EBITDA) was maintained at 1.9 times at December 2022 and is within the Group's target range of 1.5–2.0 times. The Group's liquidity position remains strong with headroom of over £200m against debt facilities of £486m, and comfortable headroom against all financial covenants. From a debt maturity perspective, on 1 March 2022, the Group extended the maturity date of £430m of its core debt facilities from March 2025 to March 2026.

Dividend

During the year, the Group paid £22.8m in respect of the final dividend for FY21 and £16.0m for the interim dividend declared in September for FY22.

The strength of our balance sheet and cash generation supports our long-term growth aspirations and commitment to delivering returns to shareholders. We propose a final 2022 dividend of 4.16 pence per Ordinary share, resulting in a total dividend for 2022 of 6.93 pence per Ordinary share. This represents an increase of 5% on 2021 and is in line with the interim dividend announced in September 2022. If approved by shareholders, the final dividend will be paid on 5 June 2023.

Pensions

Under IAS 19 valuation principles, the Group recognised a surplus of £12.8m for the UK defined benefit scheme as at 31 December 2022 (26 December 2021: £37.2m surplus). The decrease in value of plan assets of c.£127m was as a result of volatile markets due to the wider macro-economic environment and this was more than the decrease in the defined benefit obligation arising from the gilt yield increases despite the liability hedging that is in place.

As a result of the volatility in the gilt markets at the end of September and in early October, the scheme Trustees asked the Group to provide further collateral for its liability hedging of interest and inflation rate movements. The Group agreed to provide a £15m short-term line of credit to the scheme to meet this collateral requirement and, following changes to the scheme's investments, the line of credit was fully repaid by the end of the year.

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 £11.7m, which will be paid over an agreed recovery period ending on 31 March 2024, with payments of £2.5m per annum. The Group is currently in discussions with the Trustee in respect of the latest triennial valuation as at 31 March 2022 and the associated updated funding plan.

Summary

The Group delivered a solid performance against a tough backdrop. Strong revenue growth reflected our success in taking pricing action to offset significant inflationary pressures, and Group adjusted operating profit was in line with market expectations. We exit the year in a strong financial position, with leverage within our target range, financing in place through to FY26 and a good level of protection against interest rate rises. Whilst macro-headwinds are expected to persist through 2023, our balance sheet strength, combined with our clear plan to protect profits, provide the strong foundations from which we can continue to deliver on our strategy and deliver for our customers, colleagues and shareholders.

Ben Waldron
Chief Financial Officer and Asia Chief Executive Officer
7 March 2023

Our approach to *risk*

A process that underpins the sustainable delivery of our strategic objectives

Overview

Our risk management process is designed to support the delivery of our Group strategy and provide long-term sustainable value, whilst protecting the interests of our stakeholders and safeguarding our colleagues, finances and reputation. We have an established risk management framework to identify, assess, mitigate, monitor, report and escalate the risks our business faces. This helps strike the balance between risk and opportunity.

Our approach to risk management

The Group Board is responsible for effective risk management and understands the need for a robust system of internal control and risk management framework in accordance with the 2018 UK Corporate Governance Code ("the Code"). **READ MORE** on pg 122.

The Group Board responsibilities include:

- Identifying and managing key strategic and emerging risks in the current year and in the future to support the Group in delivering its strategic objectives.
- Reviewing and approving the ongoing risk management process. This includes the internal control system, risk management framework, policies and procedures that outline what can be considered an acceptable level of risk for an estimated level of return.
- Setting the risk appetite on an annual basis.
- Maintaining a formal Risk Register. This identifies:
  - The principal risks faced by the Group;
  - The likelihood of their occurrence;
  - The potential impact on the Group; and
  - The key mitigating actions used to address them.
- Ownership of each principal risk is assigned to a Senior Executive. The Risk Register also outlines how we plan to minimise future probable risks through Bakkavor's policies and procedures, Code of Conduct and business ethics. It is updated on a quarterly basis, reviewed by the Audit and Risk Committee ("A&RC"), and subsequently the Group Board.

The A&RC reviews and reports to the Group Board on the effectiveness of the Group's risk management process and internal control system. This is delivered through regular review of:

- Reports received from the Management Board, Risk Committees and Senior Executives;
- The output of internal audit work performed by our external adviser, KPMG;
- The output of external audit work performed by our External Independent Auditors, PwC, relating to financial controls; and
- Advice from other experts and advisers.

These reports provide detail on current and emerging risks related to business activity, internal controls' effectiveness in dealing with these risks, and an update on how approved mitigating actions are being implemented.

The Group's policy is to identify, assess and monitor the Group's principal and emerging risks, whilst managing and responding appropriately. Our risk management framework incorporates both a top-down approach to the identification of the Group's principal risks, and a bottom-up approach identifying operational risks.

Where new risks are identified and/or existing or emerging risks evolve, action plans are developed or adjusted to mitigate each risk, and include clear allocation of responsibilities and timescales for completion. These actions will be subject to the level of appetite determined by the Management Board, reviewed by the A&RC, and subsequently approved by the Group Board. Progress towards implementing these plans is monitored on a timely basis and reported on in the quarterly Risk Committee meetings, with the output reported to the Group Board through the A&RC.

Our risk appetite

The Group Board reviews and sets its risk appetite for each of the principal risks on an annual basis. This helps to provide clear boundaries on the acceptable level of risk, and influence our decision-making, to support the delivery of our strategic objectives.

The Group's approach is to minimise exposure to reputational, financial and operational risk, whilst accepting a risk/reward trade-off in supporting the delivery of its strategic objectives. As a producer of fresh food, food safety and integrity are of paramount importance, and the Group Board has a low appetite for risks which may impact this area, with all practical efforts made to mitigate them. Another area of low-risk appetite is in relation to health and safety. As a large employer, ensuring the health and safety of our colleagues is key; we take all practical precautions to protect people during the time they are on our sites and ensure compliance with laws and regulations.

In making strategic investment decisions there is a trade-off between risk and reward. We take a measured approach, and believe that we are well-placed to take advantage of opportunities and maximise risk-adjusted return, whilst minimising the potential risk exposure. All material strategic investment decisions are reviewed and assessed by the Management Board and the Group Board. These decisions are supported by detailed analysis and documentation, as well as expert input as required, to ensure that the risks associated with each opportunity and its execution plan are well-understood and accepted.

Our risk management process and framework

GROUP BOARD

- Ensures the effective identification and management of key strategic and emerging risks.

AUDIT AND RISK COMMITTEE

- Reports to the Group Board on the effectiveness of the risk management process and internal control system.
- Delivers regular reports from the Management Board, Risk Committees and Internal and External Auditors.

INTERNAL AUDIT

- Report directly to the A&RC.
- Agreed annually, with input from the Group Head of Risk and CFO.
- Aligned with the Group Risk Register to provide assurance and recommendations on compliance with Group policies and procedures.
- Supported by KPMG and other internal experts.

EXTERNAL FINANCIAL AUDIT

- Report directly to the A&RC.
- Provided by PwC as independent assurance over the Group's Financial Statements to ensure they are:
  - Presented fairly in all material respects;
  - Prepared in accordance with the relevant standards and regulations.

MANAGEMENT BOARD

- Reports to the A&RC on the outcomes of the Corporate and Regional Risk Committee reports on a quarterly basis.

CORPORATE RISK COMMITTEE | UK RISK COMMITTEE | US RISK COMMITTEE | CHINA RISK COMMITTEE

- Perform a quarterly review of the Group's principal and emerging risks outlined in the Group Risk Register.
- Provide a summary of the changes to the Management Board.
- Chaired by Group Head of Risk with Senior Executive and Management Board representation.

SENIOR EXECUTIVES AND OTHER MANAGEMENT

- Maintain the Group Risk Register by assigning individual principal risks to relevant parties.
- Manage and monitor owned risks through timely review.
- Escalate additional risks and the evolution in existing or emerging risks to their respective committee for review.

Functional heads provide regular risk assessments to the Management Board, A&RC and Group Board. Areas cover health and safety, food safety, ESG, HR, finance, legal and IT.

External parties also perform audits and report to Senior Executives. Includes: British Retail Consortium ("BRC") unannounced and announced audits of food safety across our UK sites; equivalent audits by US Department of Agriculture ("USDA") and Food and Drug Administration ("FDA") in the US; and other subject matter experts across insurance, property, health and safety, fire safety and cyber.

TOP-DOWN APPROACH
Identification of the Group's principal risks

BOTTOM-UP APPROACH
Identification of operational risks, including food safety, health and safety and property risks.

Day-to-day reporting to Senior Executives on key performance indicators and audit conclusions.

Underpinned by our risk management process

IDENTIFY key risks → **ASSESS** the potential impact and likelihood → **MITIGATE** using appropriate controls and management actions → **MONITOR** the potential for internal and external changes to risks and the continued efficacy of controls → **REPORT & ESCALATE** regularly and proactively to the Regional Risk Committees, Group Risk Committee and A&RC

Our principal risks

The principal risks are consistent with those reported in the 2021 Annual Report and Accounts. The risk profile has changed for seven principal risks, as shown in the risk assessment map below. **READ MORE** on our principal risks on pg 79–86, including: risk description and mitigations; link to our Group strategy; and key developments in 2022.

Emerging risk

As part of our risk assessment process, both top-down and bottom-up, we seek to capture and monitor emerging risks which have the potential to adversely impact it in the future. Their potential effects on the delivery of our strategy are considered at our regular risk reviews, using horizon scanning inputs from both internal and external sources. Emerging risks of particular note are:

- Ongoing inflation in our supply chain, including increasing energy costs;
- Resistance from retailers to accept further price increases to recover inflation; and
- Elasticity of consumer demand in response to higher prices.

Risk assurance

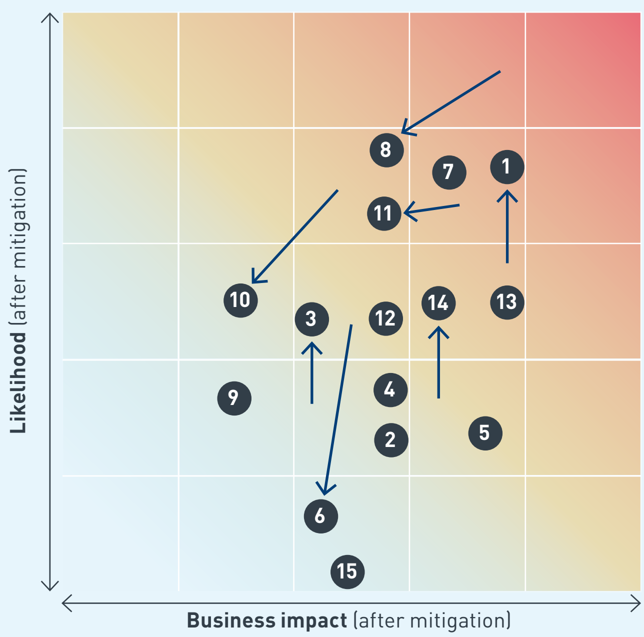
Risk assurance is delivered using the 'four lines of defence', which comprise:

- **Operational management:** Responsible for direct assurance at the business level including monitoring of management controls, key performance indicators and self-assessment;
- **Central functional teams:** Develop policies and procedures, train and audit the operational teams. Their work is supplemented by our third line of defence, independent audits;
- **Internal and other independent audits:** Performed on key risks, with our Internal Audit outsourced to KPMG, and other independent audits from food safety and health and safety experts, announced and unannounced customer audits, insurance audits and professional property advisers; and
- **Regulatory audits:** BRC food safety audits, regulatory bodies (including but not limited to: Environmental Health and Trading Standards; Health and Safety Executive; FDA; USDA) and external financial audits, performed by our External Auditors PwC.

Internal control system

The internal control system provides the structure and an ongoing process for risk management. This helps provide assurance to Senior Executives and operational management that processes have been implemented effectively to manage operational risk. The system is designed to manage rather than eliminate all risks. This is combined with a central governance framework which supports the business through Group-wide policies, procedures and training. Operational management is responsible for implementing procedures and monitoring of controls with key risk indicators. We outsource our Internal Audit to KPMG, which offers independent assurance over the effectiveness of these controls.

Risk assessment map



Risk movement; December 2021 to December 2022

Risk trend

Increased | Decreased | Unchanged

Principal risks	Risk trend 2022
1. Consumer behaviour and demand	Increased
2. Competitors	Unchanged
3. Strategic growth and change programmes	Increased
4. Reliance on a small number of key customers	Unchanged
5. Food safety and integrity	Unchanged
6. Health and safety	Decreased
7. Supply chain	Unchanged
8. Availability, recruitment and retention of colleagues	Decreased
9. Brexit disruption	Unchanged
10. Covid pandemic	Decreased
11. IT systems and cyber risk	Decreased
12. Climate change and sustainability	Unchanged
13. Disruption to Group operations	Unchanged
14. Treasury and pensions	Increased
15. Legal and regulatory	Unchanged

Principal risks and uncertainties

Link to our strategy

UK: Drive returns by leveraging our UK number one market position

INTERNATIONAL: Accelerate profitable growth in the US and China

EXCELLENCE: Deliver superior performance through operational excellence

TRUST: Be a trusted partner for our people, customers, suppliers and communities

Risk trend

Increased

Decreased

Unchanged

Consumer behaviour and demand

Link to our strategy

Risk trend

Risk description

Changes in consumer demand and food consumption may impact the Group. This could be driven by a significant change to the economy as well as changes in consumer attitudes, for instance, cost-of-living concerns, sustainability and health.

Risk mitigation

- Work closely with customers to adapt to changing consumer trends, such as dietary changes, sustainability concerns and the impact of cost-of-living pressures.
- Leverage insight gathered from market data analysis, consumer surveys/feedback and industry reports to inform new and existing product development to meet consumers' needs.
- Draw on a well-established global supply chain to source a wide range of ingredients to help drive innovation.
- Ensure integrity of supply chain and the quality of raw materials through our Responsible Sourcing approach.

Developments in 2022

Understanding how consumers are changing their behaviours, particularly in response to cost-of-living pressures, is more important than ever. We have been agile in our approach, tailoring how we respond across our categories and to the different consumer profiles of our customers, to deliver value without compromising quality.

We also continue to seek to leverage our capability and attract new consumers to our categories. It is pleasing to see our 'The Delicious Dessert Company' brand performing strongly – it is now the fifth largest chilled dessert brand. We also launched a range of ready meals under the Quorn brand to respond to the growing demand for meat-free/vegan products, and have launched new products and meal deal offers under our Pizza Express range.

READ MORE on the market trends and how we have responded on pg 18.

Competitors

Link to our strategy **Risk trend**

Risk description

Increased price competition and/or product, operational and technical developments in our direct and/or our customers' competitors could adversely impact the Group, resulting in loss of market share.

Risk mitigation

- Maintain well-established, multi-level relationships with key customers.
- Provide strong market/consumer insight, innovation, product and category expertise.
- Uphold a reputation for high-quality food safety and health and safety, service levels and overall scale.
- Monitor customer performance and trends on a regular basis with joint business plans in place.
- Focus on operational excellence to drive efficiency and advance operational and technical capabilities.

Developments in 2022

We have continued to partner with our customers, and worked openly and collaboratively against a challenging macro-backdrop. We have leveraged our deep consumer insight to inform our category plans and adapt our ranges to meet consumers' changing needs. Combined, this has supported an increase in our market share in the UK, as well as continuing to drive growth in the US.

Our internal levers to drive efficiency and leverage our well-established supply chain have been pivotal in helping mitigate the impact of significant inflationary headwinds.

We have taken decisive action to protect profits, and better leverage our cost base. This has seen us consolidate our footprint in the UK, with the closure of two sites; consultation has completed, and the sites are due to close by the end of Q1 2023.

Strategic growth and change programmes

Link to our strategy **Risk trend**

Risk description

Investments in capital, resource and organisational change based on forecast financial returns are by their nature uncertain. Climate change, in terms of acute and chronic risks, also has the potential to impact future investments.

Risk mitigation

- Leverage the Group's Capital Allocation Policy to balance spend across capital expenditure, acquisitions and disposals, debt reduction and dividends.
- Maintain robust and standardised processes for evaluation and approval of capital expenditure, outlined in our Capital Expenditure Policy.
- Track and report regularly to the Management Board and Group Board on performance of significant projects against forecast metrics.

Developments in 2022

Against a challenging backdrop, the Group has taken decisive action to protect profits, resulting in changes to our UK operations and organisation structures. Off the back of efficiency gains and capacity enhancements, we have taken action to better leverage our cost base and consolidate our UK footprint with the closure of two sites. To streamline our structure, we have aligned our UK business around two sectors, Meals and Bakery, and moved to functional reporting for our HR and Finance teams.

We have been targeted in our approach to capital expenditure, focusing on our strategic projects and those that support efficiency improvements. As part of the actions we are taking to protect the business, we have reviewed our capital plans and, where necessary, re-prioritised or reduced.

In the UK, we remain committed to our strategic investment to enhance productivity and increase capacity at our Bakkavor Bread Crewe site on track to commission in H2 2023.

In China, despite delays due to Covid, our new replacement site in Xi'an was commissioned with production transferred in November 2022.

Investment to integrate all HR systems into one platform, SuccessFactors, is underway. **READ MORE** on pg 35.

Reliance on a small number of key customers

Link to our strategy **Risk trend**

Risk description

We work with a select number of customers in each of our markets. The loss of any of these customers, significant changes in commercial terms, and/or reputational damage could result in a significant impact on the Group's results.

Risk mitigation

- Maintain well-established multi-level relationships with key customers.
- Provide strong market/consumer insight, innovation, product and category expertise.
- Uphold a reputation for high-quality food safety and health and safety, service levels and overall scale.
- Operate a strategic partnership model and focus resource on our four largest customers in the UK.
- Provide customer-dedicated teams to support and manage relationships.

Developments in 2022

We have continued to strengthen our key customer relationships through 2022, supporting them during this challenging period. In the UK, we further consolidated our commercial and development structures; this enabled us to improve operational efficiency, keep our customer-centric approach and increase our category focus.

In the US, we have built on our existing relationships, expanded our product ranges and increased penetration, as well as securing the national supply of a range of ready meals to one of our strategic customers. We have, however, been in a contractual dispute with a customer at one site since November following the publication of findings from a routine inspection by the FDA (see 'Food safety and integrity' principal risk for further detail).

In China, we have continued to make progress against our strategy of diversifying our channels; retail now comprises almost 20% of revenue and is up over 60% year-on-year.

Food safety and integrity

Link to our strategy **Risk trend**

Risk description

Whilst it is our duty to make sure food is safe and clearly and correctly labelled, there are still risks of product contamination. This could affect consumer confidence, breach the trust of our customers, and lead to product withdrawal or recall, which could result in financial and/or reputational impact. Global supply chain disruption, pressure from shortages, and Covid restrictions in China increase the risk of product adulterations.

Risk mitigation

- Maintain industry-leading standards of food safety. Includes traceability procedures and processes, overseen by experienced central Technical function, and clear approach to Responsible Sourcing under our Trusted Partner ESG strategy.
- Use Hazard Analysis Control Point principles at all sites to identify and control food safety risks, with colleagues trained in these procedures.
- Monitor performance against established food safety metrics, managed via a team of technical/food safety experts at each site. Report metrics on a monthly basis to Management Board and Group Board.
- Conduct regular audits against recognised global food safety standards by our internal central Technical team, and independent bodies on an announced and unannounced basis.
- Perform regular industry-leading allergen testing to monitor our controls and raw materials at the Spalding laboratory.
- Continue to monitor emerging issues, in conjunction with other industry players, to ensure increasing compliance requirements are met, and to share information and take practical action around specific emerging risks.

Developments in 2022

The return of more normal working conditions in the UK and US following periods of Covid-related lockdowns, combined with a reduction in previously elevated levels of staff absence, has lowered the risk level; this is supported by our Internal Audit results. However, the findings from a routine inspection by the FDA at one of our US sites mean that, overall and at a Group level, the risk associated with food safety is unchanged. All of the recommendations from the FDA inspection have been implemented. Furthermore, we have expanded our food safety team to ensure we keep pace with supply challenges and the increasing volumes being manufactured by our US business.

Due to ongoing international and local travel restrictions in China, we have introduced regular video-based audits of each of our factories performed by a combination of local and UK technical experts.

We have heightened focus on management of allergens, with training and enhanced processes on food ingredient integrity and labelling, and ongoing participation in industry forums, including supporting our charity partner, the Natasha Allergy Research Foundation.

READ MORE on our progress on Responsible Sourcing on pg 42–43.

Health and safety

Link to our strategy **Risk trend**

Risk description

We have a duty to secure and protect the health and safety of our colleagues, contractors and visitors. Failure to maintain appropriate health and safety across the Group could result in a significant reputational, regulatory and/or financial impact on our business.

Risk mitigation

- Maintain strong health and safety processes and controls across all sites, supported by an established culture of engagement around accident prevention.
- Health and safety managed locally by colleagues at sites, supported by in-house health and safety experts.
- Review and share standards and best practice and support implementation of new processes and controls.
- Report and monitor performance at each site against key health and safety metrics on a regular basis.
- Report metrics to the Management Board and Group Board monthly, with any significant issues reported immediately.

Developments in 2022

Overall the risk has reduced, driven by the normalisation of working patterns post-Covid and sustained momentum in enhancing risk control and reduction. The risk was previously elevated due to the potential risk that Covid could lead to higher levels of accidents or claims, which it has not. Specific examples of activities in the year include:

- Embedding the Bakkavor CARE health and safety system at all UK sites, with a focus on risk reduction, recording accidents, near misses and environmental incidents, and new joiner onboarding;
- Conducting external assessments of ammonia system controls in UK installations;
- Trialling new forklift proximity and infrared detection technology to better protect colleagues on foot in our warehouses; and
- Performing risk assessment work on a new electrical panel fire suppression system.

READ MORE on our health and safety performance pg 4 and 49.

Supply chain

Link to our strategy **Risk trend**

Risk description

The loss and/or interruption from a major supplier could impact the Group through disruption in factory operations and customer service levels. External factors such as climate change, Covid and geo-politics, including the current war in Ukraine, will also expose suppliers to acute and chronic risks which could drive inflation and impact availability and quality, as well as recovery of inflation from our customers.

Risk mitigation

- Agile approach to maintaining a sophisticated supply chain and robust supplier selection, monitoring and management processes.
- Leverage scale, experienced central and regional procurement teams and strong customer partnerships to enhance buying power.
- Balance price, quality, availability and service levels to meet demand and supply forecast.
- Seek protection on forward-purchasing and price variations through agreements with customers. Raw material cost pass-through mechanisms in place with certain customers.
- Utilise internal levers to mitigate the impact of input cost price increases; drive productivity improvements, focus on value optimisation across product portfolios and tight cost control.
- Increase end-to-end control of our supply chains through Bakkavor Inbound Logistics ("BIL") team.

Developments in 2022

Due to global events, this risk has remained high. Supply chains remain fragile and are still seeing significant disruption after the impacts of the pandemic. Extreme weather, strikes and labour shortages have also impacted availability, quality and service. Inflation has also accelerated through the year and is expected to remain elevated through 2023.

Our well-established supply chain, scale and agile approach have enabled us to adapt to changes and helped mitigate disruption to our own business and for our customers.

Our cost pass-through mechanisms continue to work effectively, and we have been successful in recovering cost increases from our customers for those costs that sit outside these mechanisms, alongside efficiency improvements and tight cost control to help mitigate the impact.

Our approach to forward-purchasing of certain raw materials and energy has provided us with good visibility of costs through the year. On energy, we had 12 months of cover through to the end of March 2023. Beyond this, based on our daily monitoring of prices, we have contracts in place that provide us with a good level of cover for the remainder of 2023. We have also prioritised energy-saving investments.

We have shifted some supply away from China, to Europe and the UK, to help shorten our supply chain and mitigate the impact of distribution disruption.

The war in Ukraine has not impacted our supply directly, but we have seen an indirect impact on availability and cost of certain products such as flour derivatives, oils and energy.

Availability, recruitment and retention of colleagues

Link to our strategy | **Risk trend**

Risk description
Labour availability and cost could be affected by political, economic, legislative and regulatory developments. In addition, increasing competition from other similar businesses and/or local employers could reduce the availability of labour and increase cost pressure.

Risk mitigation
- Manage recruitment through central talent team, supported by regional Heads of HR to drive campaigns and initiatives tailored to the local market.
- Offer competitive remuneration and benefits packages.
- Invest in training and development to upskill colleagues and support career progression.
- Enhance and upgrade site facilities to make Bakkavor a better place to work.
- Conduct an Employee Engagement Survey ("EES") annually to gather feedback from colleagues.
- Seek to fill vacancies through direct recruitment, and utilise agency labour to provide short-term solutions to manage labour requirements.
- Ongoing engagement with employee representatives, including unions, to build relationship and understand key issues.

Developments in 2022
We have seen some easing in wider labour market pressures through the year, which supports the decrease in risk assessment, however overall the risk remains elevated. Positively, the availability of people has improved, with a reduced level of absences across our own workforce and in agencies. Inflationary wage pressures have, however, persisted and we have implemented in- and out-of-cycle pay increases across our sites. Staff turnover remains elevated, albeit the trend has shown some improvement in the second half of the year. **READ MORE** on our performance on pg 4.

We have deployed several initiatives to support the recruitment and retention of our colleagues including: embedding our new values across our business; increased flexibility in working patterns; referral bonus schemes; free transport to several UK sites; third-party audits of our agency labour providers to check compliance with our recruitment standards; and implementation of SuccessFactors software.

Going forward, the results of our EES, conducted in September 2022, have provided us with opportunities to make Bakkavor an even better place to work.

READ MORE on how we are working to make Bakkavor a better place to work for all our colleagues on pg 32.

Brexit disruption

Link to our strategy | **Risk trend**

Risk description
A failure to prepare for regulatory changes associated with the UK's departure from the EU could disrupt Group operations and impact our ability to supply customers.

Risk mitigation
- Maintain well-established Brexit Working Group to identify risks and issues and review mitigations regularly; e.g. organisational changes, systems development, customer plans, stock levels and employee retention.
- Continue to leverage the BIL team for all imports to the UK business, building on strong direct relationships with EU suppliers and hauliers.
- Reinforce professional standards of customs clearance administration through Bakkavor's Authorised Economic Operator ("AEO") status in the UK, UK Trader Scheme, and Scheme for Authorised Movements to Northern Ireland ("STAMNI") attestation arrangements.

Developments in 2022
Changes have been limited as the UK Government has delayed the implementation of import sanitary and phyto sanitary arrangements until later in 2023 as part of its digitalisation planning. As the Northern Ireland Protocol is still under negotiation between the UK and EU authorities, our current arrangements are unchanged.

We continue to develop and revisit our contingency and transition plans as uncertainty over potential disruption at ports of entry and trade with Northern Ireland remains. There is therefore a continuing risk of disruption when export protocols are finalised. In addition, the introduction of duty payable on the import and export of products could increase costs and result in products being de-listed.

Covid pandemic

Link to our strategy **Risk trend**

Risk description

The Covid pandemic has resulted in widespread and unprecedented challenges globally. Whilst the roll-out of vaccines has progressed, new variants may cause disruption to the markets in which we operate. Changes in governments' Covid policies, notably in China, could still affect our business.

Risk mitigation

- Remain focused on prioritising the health and safety of colleagues; living with Covid is now business as usual in the regions that we operate in.
- Maintain and evolve our rigorous Covid controls in China in line with latest guidance. Includes restricted visitor access, suspension of travel unless deemed business-critical, more rigorous return to work procedure, more frequent cleaning regimes at touchpoints, additional handwashing protocols, social distancing in factories and offices, thermal imaging temperature checks and safety screens on factory lines.

Developments in 2022

In the UK and US, this risk has decreased year-on-year due to the easing of government restrictions, and a reduction in case numbers and the risk profile of the virus. This, in turn, has lowered absenteeism and the health risk to our colleagues.

In China, local lockdowns continued to impact our business through 2022, and towards the end of the year high case numbers caused further disruption as the government removed their zero-tolerance Covid policy. Disruption to our sites and impact on our financial performance have also been caused by supply chain challenges affecting availability and quality of raw materials. Volatility in volumes also plays a part, as our customers have had to close stores periodically and face reduced demand due to mobility restrictions and depressed consumer sentiment/demand.

READ MORE on how we have continued to support our colleagues' wellbeing through this difficult period on pg 32.

IT systems and cyber risk

Link to our strategy **Risk trend**

Risk description

Group infrastructure becomes out-dated, inefficient and/or vulnerable to attack or malfunction.

Unauthorised access to the Company's Information Technology ("IT") systems could lead to breaches of data protection and release of market-sensitive information, which could have a reputational, financial and operational impact on the Group.

Any breakdown and/or failure in the Group's IT infrastructure and/or the Group's communication networks, including malicious cyber-attacks by third parties, could cause disruption to the business.

Risk mitigation

- Investment in IT system modernisation.
- Risk-based approach to managing cyber security.
- Actively identify risks and threats, design layers of control and implement controls to mitigate risk. The approach balances controls that prevent attacks, detect events and respond quickly to reduce impact. Includes business continuity planning and testing, phishing simulation, extended security detection and response.
- Evaluated independently against leading industry standards published by the US Department of Commerce (National Institute of Standards and Technology Cyber Security Framework), and partner with external expert advisers to actively reduce risks posed.
- Information risk and security are mitigated through delivery of a security programme, and managed and recalibrated periodically to ensure appropriate investment and business alignment.

Developments in 2022

The cyber security threat landscape faced by all organisations has significantly increased in 2022. To protect the Group from cyber-attack and mitigate this risk, we have continued to invest in enhancing our systems, controls and processes through our security programme. This includes increased investment in our international businesses through 2022.

We have taken a multi-step approach to managing the heightened risk, namely:

- Increased focus on security awareness, including Company-wide training;
- Segmented the UK network;
- Integrated our US IT function into the Group, to support growth and bring controls up to the same level as the UK;
- Enhanced monitoring with our partners, to track indicators of an attack; and
- Strengthened specific areas of security and reinforced good practice, including projects to make user compromise less likely.

Climate change and sustainability

Link to our strategy **Risk trend**

Risk description
A scenario-driven climate risk assessment of our business has identified four transition risks and two physical risks. The four transition risks are: costs of implementing low emissions technology; increased cost of raw materials; changing consumer preferences; and pricing of GHG emissions. The two physical risks are to our operations and supply chain.

In addition, we consider the potential reputational impact of failing to meet our ESG commitments as outlined under our Trusted Partner ESG strategy.

Legal and regulatory is a separate principal risk.
READ MORE on pg 86.

Risk mitigation
- Risk mitigation against the identified climate risks is detailed in the TCFD section.
- Trusted Partner, our ESG strategy, addresses our wider material ESG topics.
- Regularly monitor and report on non-financial KPIs, including net carbon emissions, food waste, packaging use and health and safety.
- Seek to integrate ESG factors into investment decisions and wider financial forecasts.

Developments in 2022
We continued to develop our climate transition plan to deliver on our commitment to reach Net Zero by 2040, with detail provided in the TCFD section.

We updated our ESG materiality assessment to ensure our Trusted Partner commitments and focus on key issues remain relevant.

We have implemented quarterly reporting of carbon emissions and monthly reporting for food waste, employee turnover and health and safety at Management Board level to better track progress and ensure senior accountability.

Established a dedicated Board-level ESG Committee to review, monitor and have ultimate ownership of our ESG strategy.

Delivered 18.9% reduction in Group net carbon emissions, and 110 basis point improvement in UK food waste to 8.05%.

READ MORE:

ESG: TCFD pg 56.
ESG: Trusted Partner pg 40.
Non-financial KPIs pg 4.

Disruption to Group operations

Link to our strategy **Risk trend**

Risk description
Damage to our sites by fire, flood, mechanical breakdown and natural disaster, or disruption from industrial action, could present a serious risk to our business operations and performance.

Risk mitigation
- Employ property management protocols to ensure safe operations and audit controls in conjunction with property insurers.
- Following site visits, regular and proactive reporting on progress of any identified improvements or issues to encourage timely resolution.
- Establish business continuity and disaster recovery plans for each site to identify/assess key risks, controls, actions and preparedness for an event.
- Detail the procedures to be followed in the event of different disruption scenarios, auditing plans biennially with insurance brokers.
- Support employee engagement in our factories through site representatives, employee forums and trade union engagement.

Developments in 2022
In 2021, we established a rolling two-year crisis management training programme at all UK sites, with a subsequent training refresh every two years.

We have continued to perform an audit of our properties, in conjunction with our insurers and insurance brokers. In 2022, this covered nine of our UK sites and two of our China sites. In the US, we completed fire safety investments in conjunction with our US insurer at two sites.

We concluded multi-year pay deals with recognised trade unions at two of our UK sites, Bakkavor Salads Spalding and Bakkavor Salads Tilmanstone. This gives our colleagues income security whilst mitigating the risk of business disruption that would have resulted from a trade dispute.

We have continued to develop and build out our business continuity plans, including in the event of system loss.

Treasury and pensions

Link to our strategy

Risk trend

Risk description
The Group's external financial risks include interest rate risk on borrowings and changes in exchange rates. Changes to the Group's financial performance could also result in breach of financing agreement covenants. This may impact the ability to maintain or secure finance, and could increase the cost of debt. Our defined benefit pension scheme (closed to future accrual in 2011) is also susceptible to movements in interest and inflation rates, the valuation of assets and changes in life expectancy for scheme members.

Risk mitigation
- Regular review of the Group's investment strategy and its potential impact on liquidity and leverage risk.
- Framework of Group Board approved policies and procedures for financial risk management; includes funding, liquidity, currency, interest rate and counterparty credit overseen by Treasury function.
- Monitor financial results and projections through weekly, monthly and quarterly reporting and forecasting; includes cash flow analysis and review, liquidity and covenant performance.
- Maintain regular dialogue with financial lenders, updating them on business performance and developments.
- Group Hedging Committee meets quarterly to review and ensure compliance with hedging policy for foreign currency.
- Regularly review defined benefit pension scheme's investment strategy. Engage with pension trustees to ensure the target returns and risk profile are appropriate for the scheme.
- Review performance of pension scheme's liability hedging strategy for interest and inflation rates. Discuss potential changes with pension trustees to ensure scheme deficit volatility is minimised.

Developments in 2022
In March 2022 we extended the maturity of £430m of our core debt facilities by 12 months to March 2026 to provide increased security of funding to the business.

Despite the challenging trading environment, we have continued to operate with significant liquidity headroom, over £200m against our debt facilities, and leverage was maintained within our target range at 1.9 times.

Whilst interest rates increased during the year, the Group has £150m of interest rate swaps in place through to March 2024. This helps mitigate the impact of the rate rises. In 2022, £30m of additional interest rate swaps were put in place from March 2024 to March 2026 to hedge against the impact of future rate rises.

We continued to apply our 18-month rolling hedging policy for purchases made in Euros to provide certainty on future foreign exchange rates.

Pension trustees made changes to the defined benefit pension scheme's investment strategy to lower the target return to reduce the overall risk profile of the scheme.

Following significant volatility in gilt markets in September/October 2022, the trustees were required to increase the level of collateral held for interest and inflation hedging strategies. This ensured that the market reduction in the value of the scheme assets was matched by equivalent reduction in liabilities. The increased collateral was provided by lowering the interest rate hedging level from 90% to 75% and by transferring cash deposits. The Group also provided a short-term credit line of £15m to the scheme, repaid in full by 31 December 2022. This allowed the trustees time to review the investment portfolio and determine what changes needed to be maintained to ensure appropriate levels of collateral are held going forward.

At 31 December 2022, scheme surplus under IAS 19 valuation principles was £12.8m, down £24.4m on the prior year (£37.2m surplus). Cash contributions to the scheme remained at £2.5m p.a. in line with the recovery plan and the prior year.

Legal and regulatory

Link to our strategy

Risk trend

Risk description
Failure to comply with local laws, regulations (including across food safety, health and safety, and TCFD), codes of practice, or breach of internal policies and standards, could risk impacting our reputation, resulting in financial penalties and causing operational disruption.

Risk mitigation
- Monitor relevant laws and regulations at Senior Executive level to ensure compliance across legal, financial, tax, HR, food safety, health and safety, and environmental matters.
- Engage Internal Auditors to provide assurance on risk management framework.
- Review and update key Group policies on standards and procedures via the Group Legal team on an annual basis.
- Maintain annual e-learning compliance programme to raise awareness of key risk areas for the Group and reinforce best practice within the business.
- Supplement training with an additional programme of external legal and governance training for relevant operational teams across the Group.

Developments in 2022
The Group continued with its e-learning training on anti-bribery and corruption, and data protection for all salaried colleagues, and facilitated additional training workshops for key stakeholders in Commercial, Operations, Procurement, Information Security and HR on UK GDPR, intellectual property, competition and employment via external legal advisers.

Organised ESG governance and oversight know-how and training for the Board ESG Committee. Reported in line with the recommendations of the TCFD (**READ MORE** on pg 120). The Company complied with the provisions of the Code for the period ended 31 December 2022, except for one provision. **READ MORE** on pg 89.

The Financial Conduct Authority introduced a new listing rule on diversity and inclusion disclosures (applying to financial periods commencing on or after 1 April 2022). We are pleased to report the early adoption of the rule where we have been able to in the year.

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 2025.

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 timeframe 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 within this three-year timeframe. 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 further lockdown restrictions as a result of Covid within China, and an increase in raw material and utility costs. In addition, the high level of inflation across the cost base would need to be recovered through price increases agreed with our customers which, in turn, could result in retail price inflation, and ultimately lead to lower sales volumes.

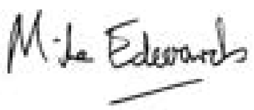
On 18 March 2020 the Group refinanced existing debt facilities of £410m with £455m of facilities that mature in March 2024 on similar terms to those in place under the previous financing structure. In March 2022 the maturity of £430m of these facilities was extended to March 2026. In addition, at the end of 2021 the Group had £31.3m of other debt facilities that will be repaid on an amortising basis by March 2028.

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. A downside scenario that is severe but plausible has been modelled, taking account of the potential financial impact of the specific risks outlined above, including further Covid restrictions in China, the potential impact of further raw material inflation and the resultant impact on sales volumes. The downside scenario model showed that, by reducing capital expenditure to maintenance levels but by taking no other mitigating action, the Group would not breach the financial covenants in its bank facilities agreement and would have significant liquidity headroom available.

Beyond the three-year timeframe of this viability statement, the Group would face transition and physical risks as a result of climate change; **READ MORE** on pg 85. The Group has a relatively low exposure from the transition to a low-carbon economy, and at this stage we do not expect the transition and physical risks to have a material impact on the business.

Having taken account of the sensitivity analysis, downside scenario modelling and 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 2025.

The Strategic Report was approved by the Group Board and signed on its behalf by:



Mike Edwards
Chief Executive Officer
7 March 2023

Ben Waldron
Chief Financial Officer and Asia Chief Executive Officer
7 March 2023

Chairman's letter on *corporate governance*

Dear fellow shareholders,

On behalf of the Group Board, I am pleased to present to you our corporate governance report for the year ended 31 December 2022. The UK Corporate Governance Code (the "Code"), which is available on the Financial Reporting Council's website (frc.org.uk), continues to be the standard against which we measure ourselves. The Group has complied with the provisions of the Code for FY22, except as noted in our compliance statement on pg 89, and this report sets out how we have applied the principles as set out in the Code.

An area of focus for the Group Board during the year was to accelerate Bakkavor's pursuance of its strategic priorities; this was through the Group Board's oversight of and approval for a clear plan to protect profits against sustained headwinds in 2023 and its approval of certain key capital projects: Bakkavor Bread Crewe and Bakkavor Salads Bourne.

These strategic priorities are underpinned by our relentless focus on operational excellence and our strong governance structures, which ensure we are a trusted partner for our stakeholders. **READ MORE** on our strategy on pg 22 and our approach to corporate governance, including the Group Board's activities, on pg 98.

Changes to our Group Board

The Group Board focused on executive succession planning during the year, with Agust Gudmundsson stepping down as Chief Executive Officer after 36 years at the helm. He remains on the Group Board as a Non-executive Director, and as a significant shareholder. I would like to express my, and the Group Board's, thanks to Agust for his vision, steadfastness, loyalty and high standards of professionalism.

As I noted in our recent announcement about the Chief Executive Officer change, one of the characteristics of a successful leader is the quality of the team they build around them, and there is no better testament to this than the appointment of Mike Edwards as our new Chief Executive Officer following a thorough search of the market to identify a successor. Mike has delivered operational excellence, strong customer relationships and consistent commercial performance in our UK business and the Group Board is greatly looking forward to working with him on the next stage of Bakkavor's development.

We also reviewed Committee responsibilities on the Group Board and recommended a number of changes, effective from 1 January 2023, to ensure the right balance of skills, experience and commitments amongst the Non-executive Directors.

Denis Hennequin stepped down from the role of Senior Independent Director and Chair of the Remuneration Committee, and has been replaced by Jill Caseberry. Sanjeevan Bala has taken over from Jill Caseberry as the Designated Workforce Engagement Non-executive Director. **READ MORE** on other Committee composition changes on pg 113.

New dedicated ESG Committee

The Group Board takes its responsibility to build a sustainable business seriously – for our colleagues, customers, investors, suppliers, communities, and all the consumers that choose our food. The expectations of investors and other stakeholders in this area have noticeably increased over the last year. **READ MORE** on the Group's progress and the steps it is taking to tackle climate change, sustainability challenges and other ESG issues under our Trusted Partner ESG strategy on pg 40.

In demonstration of our focus on Trusted Partner to monitor and oversee progress, the Group Board approved a dedicated ESG Committee, with its first meeting held in June, chaired by Umran Beba.

Effectiveness of the Group Board and Committees

During the year, a review of the effectiveness of the Group Board and Committees was undertaken. The evaluation process was internally facilitated by our Company Secretarial team and consisted of a questionnaire that was completed by each of Bakkavor's Group Board and Committee members.

> **The Group Board's role has been to provide oversight and guidance to management and support to the business as it performs robustly in these demanding conditions.**
>
> – Simon Burke, Chairman

The evaluation results were discussed at the Group Board and Committee meetings, and actions agreed. I am pleased to confirm that the review found that the Group Board and its Committees continue to perform effectively. **READ MORE** on pg 111–112.

Our stakeholders
The Group Board is responsible for leading stakeholder engagement in line with Section 172 of the Companies Act 2006 ("Section 172"). In light of this, I have sought to engage with our investors, and have had the opportunity in the last year to meet up and discuss with major shareholders of the Company, including a major institutional shareholder, about the performance of the business. **READ MORE** on how the Group Board has factored shareholder and wider stakeholder interests into its decision-making processes on pg 105–106.

AGM
I am pleased to confirm that this year's Annual General Meeting ("AGM") will be in person. The Group Board considers the AGM to be an important opportunity to engage with our shareholders.

Looking ahead
The governance priorities for 2023 include continued stakeholder engagement and oversight of the actions being taken by the Management Board; this is with a view to mitigate the impact of ongoing industry-wide challenges. We will also be focused on monitoring progress against our sustainability targets.

Simon Burke
Chairman
7 March 2023

Corporate governance compliance statement

The Company applied the principles of the UK Corporate Governance Code (the "Code"), which is available from frc.org.uk.

Except as outlined below, the Group Board believes that the Company complied with the provisions of the Code for the period ended 31 December 2022.

Provision 38 – Pension contribution rates
Provision 38 of the Code requires the pension contribution rates for Executive Directors to be aligned with those of the workforce. During the financial year, the Chief Executive Officer (Agust Gudmundsson) and the Chief Financial Officer (Ben Waldron)'s pension contribution rates were workforce aligned. However, as explained in last year's Directors' remuneration report, the Chief Operating Officer, Mike Edwards' pension remained higher temporarily to ensure that his fixed pay was not reduced because of his promotion to the Group Board.

Upon Mike Edwards' appointment to Chief Executive Officer on 1 November 2022, the Remuneration Committee took the opportunity to bring forward the alignment of his pension contribution rate with that of the general workforce with effect from 1 November 2022.

This report's key features
This governance statement, which includes the reports of the Nomination, ESG, Audit and Risk, and Remuneration Committees, explains how we have applied the principles and complied with the provisions of the Code.

Section 1: Board leadership and company purpose

pg 91–106

Code principles:

A. Effective and entrepreneurial Board to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.
B. Purpose, values and strategy with alignment to culture.
C. Resources for Bakkavor to meet its objectives and measure performance. Controls framework for management and assessment of risks.
D. Effective engagement with shareholders and stakeholders.
E. Consistency of workforce policies and practices to support long-term sustainable success.

- Chairman's letter on corporate governance 88
- Strategic report 2
- Section 172 statement and the Group Board's engagement with key stakeholders 66, 105
- Purpose, values and culture 98
- Group Board's key activities 101

Section 2: Division of responsibilities

pg 107–108

Code principles:

F. Leadership of Board by Chair.
G. Board composition and responsibilities.
H. Role of Non-executive Directors.
I. Company Secretary, policies, processes, information, time and resources.

- Group Board composition 109
- Roles and responsibilities 107
- Time commitment, external appointments, independence and tenure 107

Section 3: Composition, succession and evaluation

pg 109–121

Code principles:

J. Board appointments and succession plans for Board and senior management and promotion of diversity.
K. Skills, experience and knowledge of Board and length of service of Board as a whole.
L. Annual evaluation of Board and Directors and demonstration of whether each Director continues to contribute effectively.

- Group Board composition 109
- Nomination and ESG Committee report 113, 119
- Inclusion and Diversity 117
- Group Board, Committee and Director performance evaluation 111

Section 4: Audit, risk and internal controls

pg 125–131

Code principles:

M. Independence and effectiveness of Internal and External Audit functions and integrity of financial and narrative statements.
N. Fair, balanced and understandable assessment of the company's position and prospects.
O. Risk management and internal control framework and principal risks the company is willing to take to achieve its long-term objectives.

- Audit and Risk Committee report 124
- Risk management 76
- Fair, balanced and understandable assessment 127
- Going concern 157
- Viability statement 87

Section 5: Remuneration

pg 132–151

Code principles:

P. Remuneration policies and practices to support strategy and promote long-term sustainable success with executive remuneration aligned to company purpose and values.
Q. Procedure for executive remuneration, Director and senior management remuneration.
R. Authorisation of remuneration outcomes.

- Directors' remuneration report 132

Section 1: Board leadership and company purpose

Our governance framework

THE GROUP BOARD

- Collectively responsible for promoting the long-term sustainable success of the Group.
- Leads and directs the Group by setting the purpose and strategy of the Group, overseeing management and monitoring and assessing culture.
- Ensures the long-term sustainability of the business, for the benefit of our stakeholders: colleagues, customers, suppliers, investors and communities.

Chair: Simon Burke

GROUP BOARD COMMITTEES

- Assist the Group in the fulfilment of its duties and responsibilities.
- Review and oversee activities within each Committee's respective Terms of Reference.
- Report to the Group Board via Committee Chairs on the matters discussed at Committee meetings. Reports include information on each Committee's respective composition and activities in the year, and can be found in the sections relating to each Committee within this report.

DISCLOSURE COMMITTEE

- Comprises: Chairman, CEO, CFO and Group General Counsel and Company Secretary.
- Oversees the Company's compliance with its disclosure obligations.
- 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.

Chair: Simon Burke

READ MORE on pg 100.

NOMINATION COMMITTEE

- Reviews the structure, size and composition of the Group Board, ensuring that there is a balance of skills, knowledge, experience and diversity.
- Reviews succession plans for the Group Board, Management Board and Senior Executives.
- Previously responsible for governance and oversight of ESG matters until June 2022 when the ESG Committee was created as a standalone Committee.
- Meets not less than three times a year.

Chair: Simon Burke

READ MORE on pg 113.

ESG COMMITTEE

- Set up in June 2022 to have oversight of the Group's ESG strategy, Trusted Partner, and its execution.
- Oversees the communication of the Group's ESG activities with its stakeholders.
- Provides input and advice to the Group Board and its Committees on ESG matters as required.
- Meets not less than three times a year.

Chair: Umran Beba

READ MORE on pg 119.

AUDIT AND RISK COMMITTEE

- Assists the Group Board with the discharge of its responsibilities in relation to financial reporting, including reviewing the Group's annual and half-year Financial Statements, accounting policies, risk management, internal and External Audit reports, and internal controls.
- Meets not less than four times a year.

Chair: Jane Lodge

READ MORE on pg 124.

REMUNERATION COMMITTEE

- Recommends the Group's policy on Executive remuneration.
- Determines the levels of remuneration for Executive Directors, Non-executive Directors and the Chairman to ensure that these are in line with the long-term interests of the Group.
- Prepares an annual remuneration report for approval by the shareholders at the AGM.
- Meets not less than three times a year.

Chair: Jill Caseberry
(Until December 2022: Denis Hennequin)

READ MORE on pg 132.

THE MANAGEMENT BOARD

- Oversees the day-to-day running of the Group's businesses.
- Implements the strategic objectives set by the Group Board.
- Delegates the detailed planning and implementation of its objectives and policies to management, in accordance with appropriate risk parameters.

Chair: Mike Edwards

GROUP GENERAL COUNSEL AND COMPANY SECRETARY

- Supports both the Group Board and Management Board.
- Ensures effective communication of important information.
- Advises on all legal and corporate governance matters.

Annabel Tagoe-Bannerman

Meet our Group Board

Simon Burke
Non-executive Chairman

Committee membership:
NC

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.

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

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.

Mike Edwards
Chief Executive Officer

Committee membership:
None.

Skills and experience: With over 33 years' experience in the food industry, including United Biscuits and Heinz, Mike has extensive operational and commercial expertise. Since joining in 2001, he has held various senior operational roles across Bakkavor. He holds a degree from the Polytechnic of Portsmouth.

Appointment: Mike joined Bakkavor in 2001 and became Chief Operating Officer UK in 2014 and has served as Executive Director since December 2020. He was appointed as Chief Executive Officer in November 2022.

External appointments:
Mike currently has no external appointments.

Ben Waldron
Chief Financial Officer and Asia CEO
Group Board ESG Sponsor

Committee membership:
None.

Skills and experience: Prior to joining Bakkavor, Ben was an Assurance and Advisory Director at Ernst & Young London, bringing with him extensive experience in strategy, transactions and consulting. After joining Bakkavor as Group Financial Controller, he 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 into a high growth and profitable business. Ben holds a Bachelor of Science degree from the University of Birmingham.

Appointment: Ben joined Bakkavor in 2011 as Group Financial Controller. He has served as Chief Financial Officer and Executive Director to the Group Board since 27 December 2020, and his role expanded with the appointment as Asia CEO effective from December 2022.

External appointments:
Ben currently has no external appointments.

Group Board Committees

NC Nomination Committee pg 113
AC Audit and Risk Committee pg 124
ESG ESG Committee pg 119
RC Remuneration Committee pg 132
Committee Chair

Sanjeevan Bala

Independent, Non-executive Director Designated workforce engagement Non-executive Director since 1 January 2023

Committee membership:

ESG AC RC[1]

1 Member since 1 January 2023.

Skills and experience: Sanjeevan is a highly experienced multi-award-winning data and analytics professional with a proven track record of driving customer-centric business transformations through the strategic use of data resulting in EBIT and revenue growth. Sanjeevan has successfully operated across a range of sectors including media, retail, financial services, e-commerce and telecoms. He brings expertise in digital transformation, data and AI (both the science and development of new operating models and organisational structure to leverage the value of data), innovation and culture. Sanjeevan has had exposure to the food and beverage sector through his time consulting with PwC to Bestfoods, and through his time with Dunnhumby working with Tesco.

Appointment: Sanjeevan has served as a Non-executive Director of Bakkavor since August 2021.

External appointments: Sanjeevan is currently the Group Chief Data & AI Officer at ITV plc and a Member of the Scholars' Education Trust.

Umran Beba

Independent, Non-executive Director Designated Non-executive Director for ESG Matters

Committee membership:

ESG NC AC[2] RC

2 Member since 1 January 2023.

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.

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

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, Baltimore and as a trustee at the Purchase College Foundation.

Jill Caseberry

Independent, Non-executive Director Senior Independent Director since 1 January 2023

Committee membership:

RC[3] NC

3 Chair since 1 January 2023.

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 the food and beverage sector, where she has been involved in both turnaround and growth situations, in a range of branded and own label businesses.

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

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 and a member of the ESG Committee of Halfords Group plc. Jill is also a Non-executive Director and member of the Remuneration Committee and ESG Committee of C&C Group plc, and Senior Independent Director, Remuneration Committee Chair and a member of the Audit and Nomination Committees of St. Austell Brewery Company Limited.

Patrick L. Cook

Non-independent, Non-executive Director

Committee membership:
ESG

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

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

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.

Agust Gudmundsson

Non-independent, Non-executive Director

Committee membership:
None.

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

Appointment: Agust is one of the founders of Bakkavor and has served as Non-executive Director of Bakkavor since November 2022. He served as Executive Chairman of Bakkavor from 1986, the year Bakkavor Group plc was founded, through to May 2006 and served as Chief Executive Officer from 2006 through to November 2022.

External appointments:
Agust currently has no external appointments.

Lydur Gudmundsson

Non-independent, Non-executive Director

Committee membership:
NC

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

Appointment: Lydur is one of the founders of Bakkavor and has served as a Non-executive Director since January 2017. 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.

External appointments:
Lydur currently has no external appointments.

Denis Hennequin

**Independent,
Non-executive Director
Senior Independent Director
until 31 December 2022**

Committee membership:

RC[1] NC AC[2]

1 Chair until 31 December 2022.
2 Member until 31 December 2022.

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.

Appointment: Denis has served as a Non-executive Director of Bakkavor since February 2017.

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

Jane Lodge

**Independent,
Non-executive Director**

Committee membership:

AC ESG

Skills and experience: Jane spent 25 years at Deloitte & Touche LLP, 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.

Appointment: Jane has served as a Non-executive Director of Bakkavor since April 2018.

External appointments: Jane is currently a Non-executive Director and Chair of the Audit Committees of DCC plc and FirstGroup plc, and a Non-executive Director of Glanbia plc and TI Fluid Systems plc.

Annabel Tagoe-Bannerman

**Group General Counsel and
Company Secretary**

Committee membership:
None.

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.

Appointment: Annabel joined Bakkavor as Group General Counsel and Company Secretary in June 2019.

External appointments: Annabel is currently a Non-executive Director of Edinburgh Investment Trust plc.

Meet our Management Board

Mike Edwards

Group Chief Executive Officer

READ MORE on pg 92.

Ben Waldron

Chief Financial Officer and Asia CEO

READ MORE on pg 92.

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.

Pete Laport

President, Bakkavor USA

Pete joined Bakkavor in October 2020, and was part of the Management Board until his departure from the Group on 17 March 2023.

Shona Taylor

Managing Director – Bakery

Shona joined Bakkavor in 2003 and has served as Managing Director – Bakery since December 2022. Prior to this, Shona was Business Director of our Desserts Sector and, with over 24 years of experience in the food industry, has extensive cross-functional leadership experience, holding various project management, commercial, operations and general management roles within Bakkavor, Northern Foods and Rannoch Food Group. Shona holds a Bachelor of Food Technology and a Post-Graduate Diploma in Business Administration from Massey University in New Zealand.

Dave Selleck

Managing Director – Meals

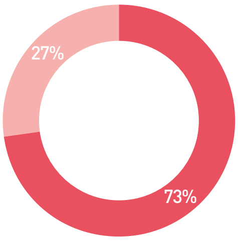
Dave joined Bakkavor in 2001 and has served as Managing Director – Meals since December 2022. Prior to this, he was Business Director of our Meals Sector. With almost 40 years' experience in the food industry, including United Biscuits and Heinz, Dave has held various operational and general management leadership positions within Bakkavor, including at our Pizza Harrow and Meals London sites.

Group Board diversity as at 7 March 2023

The Financial Conduct Authority introduced a new listing rule ("the Rule") on diversity and inclusion disclosures (applying to financial periods commencing on or after 1 April 2022) which forms part of the Listing Rules and Disclosure Guidance and Transparency Rules that will be required next year. We are pleased to report the early adoption of the Rule and we have provided this information voluntarily in the reporting tables for the Group Board and Management Board below.

Reporting table on sex and gender representation

Percentage of the Group Board

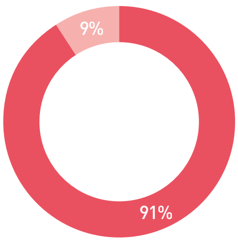


	Number of Group Board members	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number of Non-executives	Number of Executive Directors	Percentage of Executive Directors
Male	8	3	6	2	18%
Female	3	1	3	–	

By tenure[1] Number of Directors	<3 years	3–6 years	7–10 years	>10 years
	5	6	0	0

Reporting table on ethnicity representation

Percentage of the Group Board

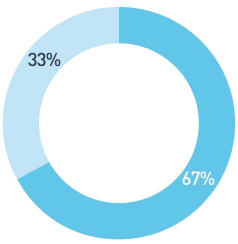


	Number of Group Board members	Number of senior positions on the Group Board (CEO, CFO, SID and Chair)	Number of Executive Directors	Percentage of Executive Directors
White British or Other White (including minority White groups)	10	4	2	18%
Mixed Multiple Ethnic Groups	–	–	–	
Asian/Asian British	1	–	–	
Black African/Caribbean/Black British	–	–	–	
Other Ethnic Group including Arab	–	–	–	
Not specified/Prefer not to say	–	–	–	

Management Board diversity as at 7 March 2023

Reporting table on sex and gender representation

Percentage of the Management Board

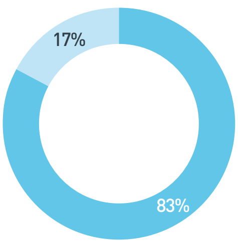


	Number of Management Board members	Number of Executive Directors	Percentage of Executive management
Male	4[2]	2	33%
Female	2[2]	–	

By tenure[1] Number of Directors	<3 years	3–6 years	7–10 years	>10 years
	3	3	0	0

Reporting table on ethnicity representation

Percentage of the Management Board



	Number of Management Board members	Number of Executive Directors	Percentage of Executive Directors
White British or Other White (including minority White groups)	5	2	33%
Mixed Multiple Ethnic Groups	1	–	
Asian/Asian British	–	–	
Black African/Caribbean/Black British	–	–	
Other Ethnic Group including Arab	–	–	

1 Since the Company's listing on the London Stock Exchange in November 2017.

2 See pg 113 for details on changes to the Management Board.

Responsible for promoting the long-term success of the Group through the creation and delivery of sustainable stakeholder value.

Board leadership and Company purpose

The Group Board challenges strategy, performance and the responsibility of management to: align our purpose, values, strategy and culture; promote the long-term success of the Group; and create value for all stakeholders.

The role and responsibilities of the Group Board

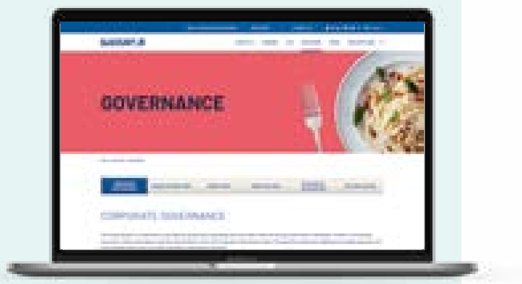
The Group Board provides effective and entrepreneurial leadership by setting the long-term strategic direction of the Group and overseeing and challenging management's implementation of the strategy, as well as establishing our purpose, vision and values which underpin the culture of the business.

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 Group Board takes into account the needs of all relevant stakeholders and its contribution to wider society.

The Group Board endeavours to ensure that workforce policies and practices are in line with our values and support the Group's 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 Group 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 Group Board also receives regular presentations from key 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 Group Board include approval of strategic plans and annual budgets, acquisitions and disposals, audited Financial Statements, and appointment of additional Directors. Its work also includes engagement with key stakeholders, including our shareholders. The powers of the Directors are set out in the Schedule of Matters Reserved for the Group Board which was updated in November 2022. This is available for review on our website (bakkavor.com/en/investors/governance).



Vision and purpose
The Group Board sets the Group's vision and purpose. Both are key to strengthening the Group's impact among its stakeholders and are supported by the Group's values and strategy.

Our *vision*:
To lead the way in bringing innovative, great-tasting, freshly prepared food to people across our markets.

Our *purpose*:
To delight our customers and consumers through the fresh, convenient and great-tasting food that we proudly create every day.

Our *culture*:
To empower and support all our stakeholders by living our values.

Respect and trust each other

Keep the customer at the heart of what we do

Get it right, keep it right

Be proud of what we do

Our values
Our refreshed values focus on trust and respect: working together, being open and honest with each other and ensuring that we treat all colleagues with equal respect. They are warmer, more personal and more people-focused. They are the foundation of our culture, guide our behaviours and reflect who we are today and aspire to be tomorrow.

Our customers and suppliers remain at the heart of what we do as we value and protect our partnerships, maintain our commitment to the highest standards of food safety, integrity and quality, innovate to help customers stay ahead and work together with our customers to anticipate future needs.

It is important that we get it right and keep it right, uphold our standards, stay safe and look after ourselves and each other and take responsibility for the impact of our actions on the environment and in our communities.

We are proud of what we do, inspire others to work with passion and enthusiasm, and look for ways to improve the way we work.

Assessing our culture
All Directors act with integrity and lead by example to promote the desired culture: to empower and support our stakeholders by living our values. The Group Board is responsible for assessing the Group's culture, ensuring it is closely aligned with our strategic priorities which are underpinned by our focus on operational excellence and being a responsible, caring and trusted partner for all our stakeholders.

The Group Board receives updates from the Chief People Officer ("CPO") and the designated workforce engagement Non-executive Director on colleague engagement through the annual Employee Engagement Survey ("EES") and the Site and Group Employee Forums. In 2022, we responded to feedback received through the 2021 EES by developing our employer brand, 'Proud to be Bakkavor', and in 2022, by refreshing our values. Employee engagement has improved and management responded to feedback from the 2022 survey which was completed in September 2022.

READ MORE:

Detail on our Employee Engagement Survey pg 32.

How the Group Board assessed the culture of the Company during the year pg 102.

Monitoring our culture

Throughout the year, the Group Board monitored the Group's culture and how our colleagues' feedback was being implemented, receiving regular updates from the CPO and an update from the designated workforce engagement Non-executive Director on two values feedback sessions held with Bakkavor's Group Employee Forum ("GEF") on the work being done to ensure the values underpin the Group's culture and support the delivery of our vision.

The Group Board reviewed the suggestions made during the values feedback sessions on how we can continue to embed the values and agreed that we should look to have a focus on each value, either on a monthly or quarterly basis, and the insight gained from these feedback sessions would be used to continue with initiatives to embed the values during 2023.

For further information on how the Group Board monitored the culture of the Company during the year, please see the Group Board activities section on pg 102.

The Management Board

The Group Board is supported by the Management Board, which implements the strategic objectives of the Group 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 include, but are not limited to, the following areas:

- Preparing strategic proposals, corporate plans and budgets.
- Executing the Group corporate strategy agreed upon by the Group Board.
- Executing the Trusted Partner ESG strategy.
- Executing actions in relation to key Group Board decisions on 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 Group Board.

Group Board Committees

During the year 2022, the Group Board retained its existing Committees (Audit and Risk Committee and Remuneration Committee) and split the Nomination and ESG Committee into two, by establishing a dedicated ESG Committee, with the Nomination Committee reverting to its previous 'Nomination Committee only' duties.

The Group Board now has four Committees: the Audit and Risk Committee, the ESG Committee, the Nomination Committee and the Remuneration Committee. All four Committees comprise only Non-executive Directors and each Committee has agreed Terms of Reference which are available on our website (bakkavor.com/en/investors/governance).

The Group Board also has a Disclosure Committee which comprises the Chairman, the Chief Executive Officer, Chief Financial Officer and Group General Counsel and Company Secretary. The Disclosure Committee has oversight of the Company's regulatory compliance with its disclosure obligations under the Market Abuse Regulation.

These Committees assist with the detailed oversight of Bakkavor's financial reporting, disclosure obligations, risk management, Internal and External Audit work, ESG matters, 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 Group Board, Management Board and Senior Executive positions.

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 disclosed and authorised by the Group 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 company law and the Company's Articles of Association, at each meeting, Directors declare any conflicts of interest in respect of the agenda items for the meeting and the Group Board is permitted to authorise potential conflicts that may arise and to impose such conditions or limitations as it deems fit. During the year, any potential conflicts were considered and assessed by the Group Board and approved where appropriate. The Group Board confirms that the procedures in place to deal with conflicts of interest are operating effectively.

Key activities in 2022

Board meetings are an important mechanism through which the Directors discharge their duties, particularly under Section 172 of the Companies Act 2006.

The next few pages describe the Group 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. **READ MORE** on how the Group Board discharges its responsibilities under Section 172 of the Companies Act 2006 and how it considers our stakeholders in its decision-making on pg 105–106.

For each Group Board and Committee meeting, a tailored agenda is agreed beforehand by the Chairman, Committee Chair, Chief Financial Officer and Asia CEO (as appropriate), and Group General Counsel and Company Secretary.

A typical meeting will comprise reports from the CEO and the CFO, as well as regional reports (US and China) on current trading and financial performance. There is also a report from the Chief People Officer ("CPO") at each Group Board meeting reviewing the colleague engagement plan, Company values and culture as well as the employer brand. Further, there will be two or three deep dives into areas of strategic importance.

At each meeting, the Group 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.

Our stakeholders:

Colleagues | Customers | Suppliers | Investors | Communities

Strategy and Company performance

The CEO and CFO led discussions focusing on recent trading, general business performance and the key strategic initiatives underway:

Group

- Approved a clear plan to protect profits against sustained headwinds in 2023 and underpin the delivery of the Group strategy. Three focus areas: leaner organisation structure, clear and focused regional priorities and enhanced focus on managing cash. **READ MORE** on pg 10.

UK

- Received updates on UK trading performance.
- Discussed industry-wide supply chain disruption, labour shortages and inflationary pressures and the mitigating actions.
- Discussed commercial landscape and competitor environment across the UK business.
- Approved capital investment in new equipment and capabilities to accommodate business wins, increase automation and reduce waste and energy consumption. **READ MORE** on pg 105.
- Approved the creation of our own brand, 'The Delicious Dessert Company', and the launch of a range of eclairs into two of our strategic retailers. **READ MORE** on pg 25.

US

- Discussed industry-wide labour shortages and inflationary pressures and the mitigating actions.
- Discussed future capital plans to deliver on the regions' strategic initiatives with regional updates on project speed and delivery.
- Discussed ways to grow and strengthen our existing customer relationships, approved strategic investment to increase our fresh meals capacity through new product development, range expansion and assessed potential new customer opportunities.
- Approved the launch of market-leading fresh meals offer at a new customer. **READ MORE** on pg 27.

China

- Discussed and agreed the forward-looking strategic priorities in China with a focus on building our scale in retail and foodservice channels.
- Approved the launch of a food-to-go fresh sushi offer with a strategic retail customer. **READ MORE** on pg 27.
- Discussed Covid disruption and continuation of delivering business priorities.
- Continued to discuss ways to grow and strengthen our relationship with our existing customers through new product development and expansion of our core offering with new product categories.
- Discussed the development of new channel opportunities in retail and office catering.

Culture

- Reviewed feedback from colleagues in response to the 2021 EES and approved the launch of Bakkavor's refreshed values (with a focus on respect and trust).
- Considered results of the 2022 EES and approved recommended areas for action in 2023, including ensuring colleagues feel confident that we are taking decisive action to protect our business; embedding our refreshed values; and continuing to focus on pay and the benefits that matter to our colleagues.
- Received reports on targeted recruitment efforts from early careers to senior levels through the launch of our new Bakkavor Careers Website.
- Approved the Group's employer brand with the launch of our refreshed values in early 2022 and supported Group-wide Values Celebration Week as a way to embed values into the business.
- Received updates from Jill Caseberry, designated workforce engagement Non-executive Director, and the CPO on the refreshed values and the feedback sessions with the GEF on embedding the values into the business.
- Approved the appointment of Sanjeevan Bala as designated workforce engagement Non-executive Director effective from 1 January 2023.
- Oversaw the launch of the Wellbeing Strategy and the Wellbeing Toolkit providing practical, emotional, physical and financial wellbeing support to colleagues, which in the opinion of the Group Board is critical during this time of increased inflation and the cost-of-living crisis.
- Approved enhanced benefit offering to factory-based colleagues, including implementation of an out-of-cycle pay increase for the majority of factory-based colleagues, continuing to pay above the National Living Wage in the UK.
- Approved enhanced training and development; including the launch of two cohorts on the Female Mentoring Programme, a central hub of learning content, and received updates on the Front-line Leaders Programme.
- Approved investment in the talent pipeline through award-winning apprenticeship and graduate programmes.

READ MORE on pg 32.

Technical risk management and mitigation – health and safety and food safety

- Received regular updates on the health and safety auditing of the business against both standard controls on both an announced and unannounced basis and our technical strategy through the year.
- Advocated for the standardising of health and safety and food safety across the business, which resulted in the implementation of global policies for health and safety and food safety.
- Oversaw the implementation of control measures based on guidance from the UK Government, Health Security Agency and wider industry.
- Reviewed health and safety key performance indicators ("KPIs"), noting as at year end, our major accidents reports show that Bakkavor consistently outperforms the HSE industry average.
- Approved the technical priorities for 2023: to maximise talent, develop the team, focus on succession planning, internal evolution through food safety governance and food integrity rigour, focus on ESG strategy priorities, SHE culture and evolution of internal brand.

Financial updates

- Reviewed financial KPIs and non-financial KPIs.
- Approved an interim dividend of 2.77 pence per Ordinary share on 14 October 2022 to shareholders and agreed to propose a final dividend of 4.16 pence per Ordinary share at the AGM on 31 May 2023.
- Discussed the balance sheet strategy, capital efficiency and leverage position of the Group.
- Reviewed financial performance in the UK, US and China.
- Received updates on performance against the prior year and against the budget.
- Approved the 2023 budget including material capital expenditure projects.
- Considered and approved the Group Tax Strategy and Policy and the Group Treasury Policy.
- Received regular updates from the Audit and Risk Committee Chair on the Committee's oversight of financial performance.
- Approved the viability and going concern statements.
- Approved the reappointment of PwC as the Company's External Auditors subject to shareholder approval at the 2023 AGM.
- Oversaw a disciplined approach to, and the implementation of, the capital allocation framework to enhance shareholder value.

READ MORE in the financial review on pg 72.

Governance and legal

- Considered and approved the appointment of Mike Edwards as CEO.
- Approved and effected the change in the composition of the Group Board Committees.
- Considered and approved the appointment of Jill Caseberry as the Senior Independent Director.
- Undertook an internal evaluation of the Group Board, Committees' and individual Directors' effectiveness and considered the output and recommendations from the evaluation as described on pg 111–112.
- Led by the Senior Independent Director, undertook an evaluation of the performance of the Chairman.
- Approved the Annual Report and Accounts and the half-year results, going concern and longer-term viability statement, Notice of AGM and the Modern Slavery Statement which can be viewed on the Bakkavor website (bakkavor.com/en/esg/policies-and-documents).
- Reviewed and approved the Schedule of Matters Reserved for the Board. This can be viewed on the Bakkavor website (bakkavor.com/en/investors/governance/).
- Reviewed and approved the Terms of Reference of the newly created dedicated ESG Committee.
- Reviewed and approved revisions to the Group's Whistleblowing Policy.
- Received governance updates and ongoing training on relevant matters throughout the year.
- Approved the set-up of the Bakkavor Group plc Employee Benefit Trust ("the Trust") and the purchase of the Company's Ordinary shares from the market to be held by the Trust to satisfy share awards under the Group's share schemes.

READ MORE on pg 113.

Investor engagement

- Received regular updates on Bakkavor's share price performance, analyst consensus, ratings and target prices, and summary of listed peer results.
- Received, reviewed and discussed draft financial results statements and accompanying presentations.
- Received investor feedback post roadshows and meetings, included in the Group Board pack, and in discussion with the CFO and the Company's brokers. Key areas of focus: inflation and supply chain impact, volumes and consumer behaviours, capital allocation approach (leverage, dividend, capital expenditure) and status and outlook on US and China growth opportunities.
- Reviewed investor relations calendar, including consideration of quarterly trading updates.
- Chairman actively seeks to engage with shareholders. Senior Independent Director and Committee Chairs available for direct meetings where required.

READ MORE on pg 70.

Risk

- Reviewed the Group's principal risks and agreed the Group risk appetite for each of the principal risks.
- Received technical updates at each meeting from the UK, US and China across health and safety, food safety and whistleblowing.
- Considered risk appetite in connection with major capital proposals and transformation projects (supported by detailed analysis to ensure the risks associated with each project are fully understood).
- Discussed the impact of climate change and sustainability risk on the Group.
- Assessed the impact of reputational cyber risk and approved strategies in place to scale technology, drive change and deliver change in cyber maturity within the UK and considered 2023 cyber risk priorities and a new wave of technology transformation, including the proposal to investigate the replacement of our ERP systems in the UK.
- Received regular updates from the Audit and Risk Committee Chair on the activities of the Audit and Risk Committee during the full-year 2022.

READ MORE on pg 76.

ESG

- Reviewed and approved the creation of a dedicated ESG Committee.
- Received updates from the ESG Committee, designated Non-executive Director for ESG matters and the Group Board ESG Sponsor on the execution of the Trusted Partner ESG strategy.
- Reviewed and considered the Group's community initiatives, how we are delivering these and our progress in doing so.
- Received updates on Task Force on Climate-related Financial Disclosures ("TCFD") requirements and reviewed overall outcomes of climate risk assessment.
- Approved the steps to the climate transition plan to meet the commitment to Net Zero in 2040.

READ MORE on pg 119.

Remuneration

- Determined and agreed with the Remuneration Committee, the 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 wider Company pay policy when setting the policy for Executive Director remuneration.
- Received regular updates from the Remuneration Committee Chair on the activities of the Remuneration Committee during 2022.

READ MORE on pg 132.

Customers and suppliers

- Received Procurement Director updates on centralised category procurement structure and Bakkavor Inbound Logistics ("BIL") centre of excellence.
- Oversight of our Responsible Sourcing strategy, commitments and progress through ESG Committee and Group Board ESG Sponsor.
- Received updates on the proactive engagement with suppliers and customers to review the potential risks within the supply chain due to labour and raw material shortages and inflationary pressures.
- Oversight of collaboration with customers on sourcing raw materials and discussions with customers in relation to our pricing models to enable us to secure price increases across our cost base to help mitigate inflation impact.
- Discussed and constructively challenged the management of labour requirements and oversaw the decision to focus on core ranges to ensure customer services levels are maintained.
- Approved value optimisation in the UK due to cost-of-living pressures, expansion of our range of fresh meals in the US and, in China, collaborating with plant-based specialists to meet demand for healthier, more sustainable products.
- Approved the consolidation of our UK commercial and development structures to improve operational efficacy, keep our customer-centric approach and increase category focus.
- Approved forward-purchasing of certain raw materials and energy to provide good visibility of costs through 2022.
- Reviewed sourcing plans to build further resilience in our inbound supply chain.
- Approved approach to Brexit-related changes, including contingency plans particularly in relation to disruption at ports and trade with Northern Ireland.
- Received updates on engagement with suppliers to ensure early identification of potential issues and the action taken to minimise disruption.
- Received updates on engagement with our customers on supply performance, collaborative buying and cost models.
- Approved plan to roll out Group Supplier Conduct Policy in 2023, adapting the UK Supplier Code of Conduct to support supply chain engagement on social issues within the US and China.
- Engaged with commercial consultants to understand the challenges and headwinds facing the sector.
- Considered UK market insight updates to understand consumers' needs, and how this is leveraged to inform category plans and new product pipelines.
- Reviewed market updates on latest developments and growth opportunities in US and China.

READ MORE on pg 68-69.

Group IT strategy

- Reviewed Group IT objectives, strategy and tactics to deliver business trust, value and security resilience.
- Monitored the progress made against the 2022 Group IT priorities.
- Reviewed the status of the UK cyber programme and Group IT international programme.
- Considered proposal to investigate the replacement of our ERP systems in the UK.

READ MORE on pg 84.

Key priorities for the Board in 2023

- Continuing to foster relationships and engaging with stakeholders, including colleagues, customers, suppliers, investors and communities.
- Oversight of the delivery of the strategy to protect profits and underpin the three focus areas; being a leaner organisational structure, clear and focused regional priorities, and enhanced focus on managing cash.
- Engaging with capital markets to drive share performance.
- Reviewing strategy and plan to enhance returns on capital.
- Aligning culture and values with strategy.
- Aligning colleague engagement and talent pipeline development.
- Focusing on the ESG framework and its implementation.

Governance *in action:* Capital investment and engagement initiatives at Bakkavor Salads Bourne

Background
As a result of Bakkavor securing new business with a strategic customer for the supply of stir-fry products, the Group Board approved a significant capital investment in our Bakkavor Salads Bourne site in the UK. This investment increased site capacity, improved performance and provided further headroom for future growth. Our new smart manufacturing system was also implemented, providing real time data, visual reporting and KPI standards to enhance operational efficiency.

As part of the transformation of the site, we introduced several initiatives to attract, retain and engage with colleagues, enhancing on-site benefits and facilities, and embedding the new Bakkavor values, promoting respect and trust and ensuring we keep the customer at the heart of what we do.

Following the completion of this investment, the Group Board visited the site in June 2022. It completed a site tour and received presentations from the site leadership and customer team on the site transformation and the initiatives implemented.

Section 172 factors considered
Prior to approval, the Group Board considered how the investment would promote the long-term success of the Group through the creation and delivery of sustainable stakeholder value, and, in doing so, considered the needs of all relevant stakeholders, including customers, suppliers and colleagues.

Long-term consequences of the decision
The Bourne site investment has delivered in line with expectations; operational efficiency has improved and the site is well-placed to capitalise on future opportunities with headroom for growth.

Fostering relationships with suppliers and customers
For our customers, it is imperative we maintain our high levels of service and continue to deliver high-quality products. Our forward-planning ensured disruption was minimised, and the factory improvements have resulted in improved health and safety and product safety standards, and enabled us to focus on the quality of the product and improve on our already low number of customer complaints.

Bakkavor's development teams delivered a best-in-class product approval process to the customer and customer feedback has been positive. The investment in the site has ensured that there is now additional capacity and infrastructure in place to accommodate further business wins.

Impact on the community and environment
As we strive to deliver progress under our Group Trusted Partner ESG strategy, the site transformation has helped lower its environmental impact. The investment included the replacement of packaging equipment to reduce plastic usage, with annualised saving of 465 tonnes of plastic. A factory waste-reduction programme was also introduced with surplus products sold in our staff shop, and noodle and coleslaw waste used for animal feed, in line with the waste-reduction initiatives we have at all our Group sites.

Acting fairly between shareholders
The Group Board believes the plans are in the interests of all shareholders. The investment was return enhancing, and delivered in line with the plan. It also creates more opportunities for further business wins, and financial performance at the site has improved.

Maintaining reputation for high standards of business conduct
The customer has strong trust and confidence in the Bourne site's capacity for future delivery and it is ideally placed for future growth opportunities.

Overall, the capital investment and introduction of colleague engagement initiatives at Bourne have had a positive impact on the business. We reshaped the relationships with our stakeholders whilst also creating capacity for further growth and improved the financial performance of the site.

Interests of our colleagues
Key initiatives were introduced to improve benefits and resources for colleagues:

- **Attraction:** improved pay offer, varied shift patterns, free staff bus facilities and recruitment open-days.
- **Retention:** New Starter Champions in place, improved PPE (shoes, wellies, jackets), and enhanced on-site facilities.
- **Engagement:** making time to listen, supporting front-line leadership development, improving communication, utilising the facilities to fundraise, supporting group-led events, additional management briefs and embedding the new Bakkavor values.

Governance *in action*: Protecting our profits against sustained headwinds into 2023

Background
Due to macro-headwinds persisting through 2022, the Group Board had oversight of the Management Board's decisive action to protect future profits which is focused on three areas: leaner organisation structure, clear and focused regional priorities, and enhanced focus on managing cash (**READ MORE** in the CEO review on pg 10).

Section 172 factors considered
When overseeing the action taken by the Management Board, the Group Board considered the respective interests of our stakeholders, recognising the challenge in balancing these competing interests to maximise the value for all those connected with the organisation.

Long-term consequences of the decision
The Group Board recognised that the implementation of the plan was crucial to protect future profits against ongoing headwinds, and provide significant long-term security for Bakkavor, thus having a long-term benefit for all of our stakeholders.

Interests of our colleagues
The introduction of a leaner leadership structure and the closure of two sites (Bakkavor Desserts Leicester and Bakkavor Salads Sutton Bridge) has been a difficult decision which has impacted many of our colleagues, and we have sought to engage with and support those affected. Consultation at the two UK sites has completed, with the sites due to close by the end of Q1 2023. The Group Board has been supportive of the actions the Management Board has taken to support colleagues including finding alternative roles and access to our wellbeing resources.

> **Despite the reduction in our UK footprint, we remain well-placed to accommodate future growth.**

Fostering relationships with suppliers and customers
We proactively engaged with our customers and suppliers on the proposed site closures, and have developed detailed plans to ensure the smooth transition of volumes to our other sites, seeking to mitigate any potential disruption. In the last few years, we have enhanced capacity across most of our sites through investment and we have flexed our manufacturing output by dynamically transferring business between sites in response to supply chain challenges. This means that despite the reduction in our UK footprint, we remain well-placed to accommodate future growth.

Along with the footprint rationalisation, the alignment of the UK business to two sectors will also drive further synergies and enable us to be more targeted on efficiency improvements, which helps to protect our business to continue to deliver for our customers, and create longer-term value for our investors.

Impact on the community and environment
The two sites due to close have provided employment opportunities and contributed to the local communities in which they operate. We have arranged job fairs and are working with the JobCentre and local businesses to support colleagues in finding alternative roles.

Acting fairly between shareholders
We updated the investor community and analysts on the above planned actions as part of our Q3 2022 trading update in November 2022. The news was well-received and investors were supportive of the need to take early action to address the ongoing macro challenges. The Group Board believes the plans are in the interests of all shareholders.

Maintaining reputation for high standards of business conduct
As part of the enhanced focus on managing cash, the Group Board commenced a review of capital plans for 2023 and remains committed to our strategic investment in bread at Crewe. Plans will also ensure all our sites continue with any critical compliance projects to maintain our high standards. Under the new senior leadership team there is a renewed drive to ensure that all communications are simple, consistent and focused for all of our stakeholders.

Section 2: Division of responsibilities

The Group Board is satisfied that there is a clear division of responsibility between the leadership of the Group Board and the Executive leadership of the business.

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

Key roles and responsibilities

Non-executive Chairman **Simon Burke**	The Chairman leads the Group Board. His leadership style fosters a culture of openness, active participation, dialogue and debate at the Board level. This promotes cohesion on the Group Board. He facilitates the right conditions to ensure effectiveness in all aspects of the role of the Group Board and its Committees. Working with the Chief Executive Officer and the Group General Counsel and Company Secretary, the Chairman sets the agenda for the Group Board meetings, taking cognisance of Group Board members' priorities. He ensures that Group Board papers are made available to all Directors in good time before meetings and allows sufficient time for robust and constructive discussions at meetings. He encourages and facilitates active engagement by all Directors, drawing on their skills, knowledge and experience. Each Director contributes and constructively reviews management's updates and requests, thereby holding management accountable. The Chairman promotes effective communication between the Group Board, Senior Executives, shareholders and other key stakeholders. Through regular investor relations updates and investor engagement feedback, the Chairman ensures that the Group Board, as a whole, has a clear understanding of investors' views, and how those views have influenced the Group Board's decisions. He maintains close working relationships with the Chief Executive Officer and the Group General Counsel and Company Secretary to ensure that the strategies and actions agreed by the Group 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 Group Board as a whole, the Committees and the interaction between the Executive and Non-executive Directors.
Chief Executive Officer **Mike Edwards**	The Chief Executive Officer has specific responsibility for recommending the Group's strategy to the Group Board, for the execution of strategy once approved and for overseeing the day-to-day running of the business. In undertaking such responsibilities, the Chief Executive Officer is supported by the Management Board and his Senior Executive team. Together with the CFO and Asia CEO, the Chief Executive Officer monitors the Group's operational efficiency and financial performance as he directs the daily business of the Group. The Chief Executive Officer is also responsible for the recruitment and development of the Group's Senior Executive team below Group Board level.
Chief Financial Officer and Asia CEO **Ben Waldron**	The CFO and Asia CEO is an Executive Director and 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, Investor Relations, Risk and Information Systems functions.

Non-executive Directors **Sanjeevan Bala** **Umran Beba** **Simon Burke** **Jill Caseberry** **Patrick L. Cook** **Agust Gudmundsson** **Lydur Gudmundsson** **Denis Hennequin** **Jane Lodge**	The role of the Non-executive Directors is to offer guidance and advice to the Group 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. The roles and responsibilities of each Non-executive Director are approved by the Group Board and set out in their letters of appointment. Of the nine Non-executive Directors, six are Independent Non-executive Directors whilst three are Non-independent Non-executive Directors. **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 appetite and governance structures agreed by the Group Board. As Group Board Committee members, they also review the integrity of the Group's Financial Statements, recommend appropriate succession plans, monitor Group 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 each Non-executive Director 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 agenda items. They also have the option to dial-in for meetings. **External appointments** In advance of any new Group Board appointments, each potential new Non-executive Director is asked to disclose details 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). Prior to undertaking any additional external appointments, Directors must seek prior approval of the Group Board. Before approving any additional external appointments, the Group Board shall consider the time commitment required for the role, as well as the experience, skills and other commitments of the Director. Each proposed external appointment shall be reviewed independently. The Company recognises that external appointments enable Directors to broaden their knowledge and experience. However, they must not interfere or conflict with their roles on the Group Board. **Monitoring Non-executive Director independence** During the Group Board and Committees' annual effectiveness review, the Nomination Committee and the Group Board review the independence of the Non-executive Directors, giving consideration to the circumstances which are likely to impair, or could appear to impair, a Non-executive Director's independence, as set out in provision 10 of the UK Corporate Governance Code ("the Code"). With the exception of Agust Gudmundsson, Lydur Gudmundsson and Patrick L. Cook, the Group Board considers the remaining Non-executive Directors to be independent and the Chairman was considered to be independent on appointment. **Tenure** 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 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 Code.
Senior Independent Director **Denis Hennequin** until 31 December 2022 **Jill Caseberry** from 1 January 2023	The Senior Independent Director ("SID") acts as a sounding board for the Chairman and serves as a trusted intermediary for the other Directors when necessary. The SID is also available to shareholders if they are unable to resolve any concerns through communication with the Chairman, the Chief Executive Officer or other Executive Directors, or when shareholders prefer to speak to the SID directly. The SID is responsible for evaluating the performance of the Chairman on behalf of the other Directors. Led by the SID, the Non-executive Directors meet without the Chairman at least annually to appraise the Chairman's performance, and on other occasions as necessary.
Group General Counsel and Company Secretary **Annabel Tagoe-Bannerman**	The Group General Counsel and Company Secretary supports the Group Board, its Committees and the Management Board. She advises the Chairman, the Executive Directors and the Group Board Committee Chairs in setting agendas for meetings of the Group Board and its Committees, and supports the accurate, timely and clear flow of information to and from the Group Board and its Committees, and between Directors and the Management Board and Senior Executives. She leads the Legal function and the Group Company Secretariat and advises the Group Board on corporate governance matters and is responsible for administering Bakkavor's Share Dealing Code and organising the AGM.

Section 3: Composition, succession and evaluation

The Group Board continuously evaluates the balance of skills, experience, diversity, knowledge and independence among the Directors.

Group Board composition

The Group Board consists of a total of 11 Directors – two Executive Directors and nine Non-executive Directors – and collectively is well-resourced, with a combination of skills, experience and knowledge. The biographical details of each of the Directors, along with each of their individual dates of appointment, are set out on pg 92–95.

Meeting attendance

The Group Board held eight scheduled meetings during the year and the meeting 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

	Group Board	Annual General Meeting
Total number of meetings in 2022	9	1
	Meetings attended/scheduled meetings eligible to attend	
Executive Directors		
Agust Gudmundsson[1]	9/9	1/1
Mike Edwards[2]	8/9	1/1
Ben Waldron	9/9	1/1
Non-executive Directors		
Simon Burke (Chairman)	9/9	1/1
Sanjeevan Bala[4]	9/9	1/1
Umran Beba[4]	9/9	1/1
Jill Caseberry[4]	9/9	1/1
Patrick L. Cook[3]	8/9	1/1
Lydur Gudmundsson	9/9	1/1
Denis Hennequin[4]	9/9	1/1
Jane Lodge[4]	9/9	1/1

1 Agust Gudmundsson attended all meetings in his capacity as Chief Executive Officer, with the exception of 17 November 2022, when he attended as Non-executive Director, following his resignation as Chief Executive Officer on 1 November 2022.

2 Mike Edwards did not attend the Group Board meeting on 28 September 2022 in relation to the approval of his appointment as Chief Executive Officer.

3 Patrick L. Cook could not attend the Group Board meeting on 29 June 2022 due to personal commitments.

4 Considered to be independent.

Group Board Committee composition as at 1 January 2023

Director	Audit and Risk Committee	Remuneration Committee	Nomination Committee	ESG Committee	Other
Sanjeevan Bala	Committee member	Committee member		Committee member	Designated Workforce Engagement NED
Umran Beba	Committee member	Committee member	Committee member	Committee Chair	
Simon Burke			Committee Chair		
Jill Caseberry		Committee Chair	Committee member		Senior Independent Director
Patrick L. Cook				Committee member	
Lydur Gudmundsson			Committee member		
Agust Gudmundsson					
Denis Hennequin			Committee member		
Jane Lodge	Committee Chair			Committee member	

Committee Chair   Committee member

Group Board skills and expertise

In light of the current and future needs of the Group Board, part of the role of the Chairman and the Nomination Committee is to maintain a balance of skills and expertise on the Group Board and to make recommendations to the Group Board where changes are required to maintain that balance. When doing so, they take account of the Group Board knowledge and skills matrix, which identifies key areas of diversity, skill or experience that add to the effectiveness and reach of the Group Board.

Collectively and individually, the Directors are highly experienced with a wide range of skills, understanding and expertise which facilitates effective and entrepreneurial leadership. The Group Board comprises individuals from a varied range of backgrounds, each of whom brings a different perspective on a number of key issues for the Group, including strategy, performance, operations, culture, sustainability, health and safety, data analytics, leadership, ethics and regulation, diversity, finance, risk and IT. This range of backgrounds and expertise is invaluable to both the Group Board and the Group as a whole.

Group Board skills and experience	Number of Directors
Non-executive Director of Listed Company Experience	7/11
Audit and/or Risk Committee Membership Experience	9/11
Remuneration Committee Membership Experience	6/11
Nomination Committee Membership Experience	7/11
Senior Management Experience (CEO, CFO, COO)	9/11
General experience	
Strategic Planning/Oversight	9/11
Corporate Development/M&A	9/11
Manufacturing, Food Production, Food Retail	7/11
Operational, Food Safety and Hygiene	8/11
Qualified Accountant/Auditor (financial expertise)	8/11
IT, E-commerce, Technology & Innovation	5/11
HR & Talent Development	7/11
Legal & Regulatory	4/11
Experience Leading Diversity & Inclusion Initiatives	6/11
Public Relations/Media/Investor Relations	8/11
Operation of an International Business	8/11
Environmental/Sustainability	7/11

For further information on the skills and experience of each Director and appointments to the Group Board, see the Group Board biographies on pg 92–95.

Group Board succession and changes to the Group Board

For information about Group Board succession and changes to the Group Board, **READ MORE** on pg 114–116 of the Nomination Committee report.

Group 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 and 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 and skills training

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. Directors will continually update and refresh their skills and knowledge and seek independent professional advice when required. During the year, the Group Board received dedicated training on climate issues and the ESG Committee received dedicated training focusing on developing skills in climate and Net Zero; responsible sourcing, including biodiversity and deforestation; food waste and packaging. The Group Board received presentations throughout the year from various departments within the business on key topics including financial performance, human resources, legal, audit, risk and compliance, food safety, health and safety, sustainability, investor relations, corporate governance and corporate finance.

Annual re-election of the Group 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 Reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Group Board.

In compliance with the Code, all Directors will retire and offer themselves for election or re-election, as appropriate, on an annual basis. At our fifth AGM, held on 25 May 2022, each Director offered himself or herself for election or re-election as a Director. All Directors will retire at the 2023 AGM to be held on 31 May 2023 and offer themselves for election or re-election, as appropriate.

Internal Group Board and Committee evaluation

1 **STAGE 1**
Group Board to complete questionnaires

2 **STAGE 2**
Results collated, reported and evaluated

3 **STAGE 3**
Presentation to the Group Board and discussion

4 **STAGE 4**
Action plan agreed

Process

The Code requires us to undertake a formal and rigorous annual evaluation of the performance of the Group Board, its Committees, the Chairman and individual Directors and that the Group Board should have an externally facilitated evaluation, carried out by an independent consultant, at least once every three years.

The Group Board operates a three-year cycle of evaluations. Year one of the cycle comprises an externally facilitated evaluation, carried out by an independent consultant. Our externally facilitated evaluation was carried out in 2020 by Clare Chalmers Limited, an independent provider of Board evaluations, with no connections to the Group or any individual Directors. The evaluation covered areas including Group Board composition and expertise, succession planning, the Company's long-term business strategy, stakeholders, culture, risk management and managing through Covid.

The evaluation process comprised interviews with all Group Board members and a wide range of other stakeholders including Management Board and Senior Executives and external advisers such as the External Auditors. The input of each participant was kept confidential by the external consultant, allowing for honest and in-depth feedback and a report on the findings was presented to the Group Board in November 2020. The report concluded that the Group Board and its Committees was operating effectively and as well as recognising the Group Board's strengths, the report also contained some recommendations to further enhance the Group Board's effectiveness. The recommendations and resulting actions were followed up in 2021 and progress was reviewed again as part of the 2021 Group Board and Committee evaluation process which was conducted internally. The Group Board and Committee evaluations were conducted internally in 2021 and 2022 and there will be an externally facilitated evaluation in 2023.

The 2022 internal evaluation of the Group Board and its Committees was undertaken in November 2022 based on a questionnaire which covered the following topics:

- **Board Composition and Culture:** Composition, Leadership, Dynamics and Decision-making.
- **Role of the Chairman**
- **Board Oversight:** Strategy, Performance, Risk and People.
- **Engagement with our Stakeholders:** Shareholders, Customers and Suppliers, Other Stakeholders, Purpose, Values and Culture.
- **Board Efficiency:** Board Meetings, Agendas, Minutes and Secretariat.
- **Committees:** Audit and Risk Committee, ESG Committee, Nomination Committee and Remuneration Committee and role of Committee Chairs.

The internal review was facilitated by the General Counsel and Company Secretary and the questionnaire was completed by all Group Board members. A report on the outcome of the evaluation exercise was prepared by the General Counsel and Company Secretary and presented to the Group Board.

Group Board and Committee evaluation insights

The report concluded from the feedback to the questionnaire that Bakkavor operated an efficient and effective Group Board and Committees and that the Group Board's composition is well-balanced in terms of the skills, knowledge, experience and expertise required in order to perform its role appropriately. The new values, linked to the Group strategy, will continue to be a central focus of the Group Board.

The insights and action points from the evaluation exercise were noted by the Group Board.

The Group Board Committees were also evaluated and, overall, were considered to function well in terms of their effectiveness, decision-making and the rigorous way they addressed all issues brought to their attention. The performance of each Director was effective, and both the Group Board and its Committees continued to provide effective leadership and exert the required levels of governance and control and the Chairman was considered to provide robust leadership for the Group Board.

The Group Board will continue to review its procedures, effectiveness and development in the year ahead.

As well as considering the results of this year's performance evaluation, the Group Board also reviewed performance against the areas identified in the 2021 internal evaluation report. The recommendations are summarised below:

2021 recommendations	Actions taken during 2022
Group Board and Committee composition	Group Board Committee composition was reviewed to ensure the Company has the appropriate balance of Independent Non-executive Directors on the Group Board and its Committees and that the roles of the Non-executive Directors were balanced, taking into consideration their respective time commitments. A number of changes to Group Board Committee membership were approved by the Group Board effective from 1 January 2023.
Focus on ESG matters	A dedicated ESG Committee was established in June 2022 to have oversight of ESG matters and the execution of the Trusted Partner strategy.
Arrange additional site visits for Group Board members	The Group Board visited the Bourne Salads site in June 2022. The Chairman and the designated Non-executive Director for Workforce Engagement visited sites during the course of the year.
2022 recommendations	**Actions to be taken in 2023**
Group Board and Committee Composition	In light of changes to the Group Board Committee membership approved by the Group Board effective from 1 January 2023, keep under review the composition and skills of the Group Board and its Committees.
Succession planning	A key focus area for the Nomination Committee will be on clear succession plans for the Group Board and Management Board (and their direct reports two levels down).
Management and Senior Executives are included in meetings currently. It would be good to have in addition, regular presentations from other senior leaders and management (e.g. Heads of Group roles, Divisional Managing Directors, Functional Heads and their direct reports) over the next year.	As well as the Management Team, presentations from a wider selection of Senior Executives will be included on the 2023 agenda.
It is clear how the Company's purpose cascades down into the strategy, values and target culture, which will need to be reiterated under the new leadership to ensure continuity.	Discussion and review of Company purpose will continue to feature on the 2023 agenda. To include regular Group Board updates from the Chief People Officer to report back on actions being taken within the business to embed the values and culture as well as feedback from colleague engagement.

NOMINATION COMMITTEE REPORT

> During 2022, the Committee oversaw the selection process for the appointment of our new CEO, reviewed the composition of the Group Board Committees and oversaw a number of initiatives in response to feedback received in the Employee Engagement Surveys of the last two years.
>
> – Simon Burke, Chair of the Nomination Committee

Committee *purpose:*

To review the structure, size and composition of the Group Board, and make recommendations on new appointments of Executive and Non-executive Directors.

Committee meetings and membership

The Committee consists of three Independent Non-executive Directors, one Non-independent Non-executive Director, and the Chair of the Committee who is also the Group Board Chair. **READ MORE** on the experience, skills and qualifications of the Committee members on pg 92–95.

3
meetings were held during the year:

100%
meeting attendance by all Committee members

Details of members' attendance at the meetings are set out below:

Member	Member since	Meetings attended/Total meetings held	% of meetings attended
Simon Burke (Chair)	19 October 2020	3/3	100%
Umran Beba	1 September 2020	3/3	100%
Jill Caseberry	13 August 2021	3/3	100%
Lydur Gudmundsson	20 October 2017	3/3	100%
Denis Hennequin	20 October 2017	3/3	100%

Main duties of the Committee

The role of the Committee is to review and report on the leadership and succession needs of the Group and ensure that appropriate procedures are in place for nominating, training, evaluating and succession planning for the Group Board, Management Board and Senior Executives; and to consider the benefits of diverse senior leadership, including gender, social and ethnic backgrounds, cognitive and personal strengths. The Committee remains vital in ensuring that the Group has a strong, diverse and effective Board and executive leadership team, with a broad range of relevant professional backgrounds, skills and experience to deliver our long-term strategic objectives.

The Committee discharges its responsibilities appropriately through a series of scheduled meetings during the year, linked to the Committee's Terms of Reference, which are available on the Bakkavor website (bakkavor.com/en/investors/governance). The Terms of Reference were last updated in June 2022. Following each Committee meeting, the Committee Chair reports to the Group Board on its activities and makes recommendations to the Group Board as appropriate.

The Group General Counsel and Company Secretary attends all Committee meetings to record minutes and provide advice to the Directors. The Chief People Officer ("CPO") is invited to regularly attend and provide updates on matters such as succession planning, talent acquisition, learning and development, and colleague engagement. No Director attends discussions relating to their own appointment.

The Committee's 2022 *activities*

There were four focus areas for the Committee:

1 Executive succession planning

On 29 September 2022, we announced that Agust Gudmundsson, the Chief Executive Officer and co-founder, was retiring from the business. The Committee undertook a robust recruitment and selection process, which led to the appointment of Mike Edwards as Chief Executive Officer, the details of which are outlined further below. The process was supported by Russell Reynolds Associates, who were engaged as independent external search agents.

2 Group Board Committee changes and change to our designated Workforce Engagement Non-executive Director

The Committee reviewed the composition of the Group Board Committees to ensure that the roles of the Non-executive Directors were balanced, taking into consideration their skills, experience and respective time commitments. The Committee recommended a number of changes to the Group Board Committee membership for Group Board approval. The changes were announced on 18 November 2022, with an effective date of 1 January 2023. Further, Sanjeevan Bala was appointed as the new designated Workforce Engagement Non-executive Director effective 1 January 2023.

3 Workforce engagement and Employee Engagement Survey ("EES")

The Committee received updates from Jill Caseberry, the designated Workforce Engagement Non-executive Director, and oversaw actions taken in response to the feedback from our 2021 EES, notably the introduction and embedding of Bakkavor's refreshed values.
The Committee discussed the results and recommended areas for action arising from the 2022 EES which will be carried out in 2023.

4 Board and Committee performance evaluation

The Code and the recommendations of the Financial Reporting Council's Guidance on Board Effectiveness, require us to undertake a formal and rigorous annual evaluation of the performance of the Group Board, its Committees, the Chairman and individual Directors and that the Group Board should have an externally facilitated evaluation, carried out by an independent consultant with no connections to the Group or any individual Directors, at least once every three years. The Group Board and Committee evaluation was externally facilitated in 2020 and conducted internally in 2021 and 2022. There will be an externally facilitated evaluation in 2023.

The 2022 internal evaluation of the Group Board and its Committees was undertaken in November 2022 based on a questionnaire about Board composition and culture, the role of the Chairman, Board oversight, engagement with our stakeholders, Board efficiency and the Group Board Committees and roles of Committee Chairs.
A report on the outcome of the internal evaluation was prepared by the Group General Counsel and Company Secretary and was presented to the Committee and the Group Board in November 2022.

The report concluded from the feedback to the questionnaire that Bakkavor operated an efficient and effective Group Board and Committees, and that the Group Board's composition was well-balanced in terms of the skills, knowledge, experience and expertise required in order to perform its role appropriately.

A key focus area for 2023 for the Committee is on clear succession plans for the Group Board and Management Board (and their direct reports two levels down).

READ MORE on pg 111–112.

Details of *key activities*

Chief Executive Officer succession planning

> **I am delighted that, following a thorough recruitment and selection process, the Group Board appointed Mike Edwards as the new Chief Executive Officer. Mike has delivered operational excellence, strong customer relationships and consistent commercial performance since joining Bakkavor 20 years ago.**

– Simon Burke, Chairman

On 29 September 2022, it was announced that Agust Gudmundsson would be retiring from the role of Chief Executive Officer after 36 years at the helm, and would be replaced by Mike Edwards effective 1 November 2022.

The search process for our new CEO was led by the Group Board Chairman and extensively supported by the Committee. Russell Reynolds Associates, having supported the Group Board in recruiting other Non-executive Directors and therefore having a good understanding of the Group's operations, was best placed to support the Committee in the process, completed in accordance with the Committee's Terms of Reference. Russell Reynolds Associates is an independent search consultant, which has no other affiliation to the Group or any individual Director.

The Committee is responsible for ensuring that the Company has a formal, rigorous and transparent process in place for Board appointments. At the start of the process in June 2022, the Committee evaluated the experience, skills, knowledge and profile of the potential candidate suitable for the CEO role. A role profile, including the candidate job specification, was prepared on the basis of the requirements stipulated by the Committee and shared with Russell Reynolds Associates, which undertook a comprehensive search and rigorous assessment of potential candidates suitable for the role. Their search resulted in an international longlist of potential candidates being presented to the Committee, which then calibrated the individuals against the agreed specification. This led to a shortlist of four candidates – three external as well as the internal candidate, Mike Edwards – and the Committee interviewed all four candidates.

Following the interviews, the Committee unanimously favoured Mike Edwards as the candidate and potential successor to Agust Gudmundsson and made a recommendation accordingly to the Group Board. It was noted that Mike had joined Bakkavor in 2001 and had been promoted into a series of challenging and demanding roles before becoming Chief Operating Officer, UK, in 2014. His leadership of the UK business had been exceptional, and his insight and commercial experience had made an invaluable contribution to the Group Board (joined in December 2020). The Group Board concluded that Mike was the best candidate for the role when compared to the other shortlisted candidates and unanimously approved his appointment on 28 September 2022. See the RNS announcement of 29 September for comments from Agust Gudmundsson and Mike Edwards regarding the Chief Executive Officer change.

Group Board appointments

More generally, prior to making new appointments to the Group Board, the role profile for proposed new Directors is prepared on the basis of the criteria laid down by the Committee, taking into account the Group Board knowledge and skills matrix which identifies key areas of diversity, skill or experience that would add to the effectiveness and reach of the Group Board. For detailed information on the Group Board knowledge and skills matrix, **READ MORE** on pg 110.

In all Director recruitment activity, a formal and rigorous selection process is followed and the Committee employs the services of an experienced independent search consultant (who has no affiliation with the Group nor any individual Director and who has adopted the Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice). A longlist of candidates is 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 Group Board for formal approval.

Board and leadership succession planning

The Committee plays a vital role in promoting effective Board and leadership succession. During the year, it reviewed succession planning at Group Board, Management Board and Senior Executive level to ensure a diverse pipeline for succession, considering the skills and expertise required by the business.

The review included contingency arrangements relating to sudden and unforeseen exits, to ensure orderly replacement, and medium- to long-term planning for identifying potential candidates within the Group. It also considered areas where external recruitment may be required. This work highlighted that we have robust plans for our key roles across the business, supported by our Senior Executive Development Programme. High-performing senior colleagues are sometimes invited to attend Group Board or Committee meetings to present on specific matters, projects or their divisions' performance. This serves as good exposure for our colleagues and is also an opportunity for the Group Board to assess the Group's talent pool.

Committee composition changes

In 2022, the Committee reviewed the composition of the Group Board Committees to ensure the roles of the Non-executive Directors were balanced, taking into consideration their respective time commitments, and recommended a number of changes which were approved by the Group Board.

Group Board changes as announced on 18 November 2022 and effective on 1 January 2023:

- Denis Hennequin stepped down from his role as Senior Independent Director and Chair of the Remuneration Committee, to be succeeded by Jill Caseberry in both roles.
- Denis also stepped down from, and Umran Beba became a member of, the Audit and Risk Committee.
- Jill Caseberry stepped down as Designated Workforce Engagement Non-executive Director and was succeeded by Sanjeevan Bala, who also joined as a member of the Remuneration Committee.

Time commitment of Non-executive Directors

The Group Board Committee composition changes have resulted in ensuring the responsibilities of the Non-executive Directors are sufficiently balanced. When reviewing the composition, the Committee considered the Non-executive Directors' time commitment, the number of Group Board and Committee meetings held during the year, and the preparation required for and attendance at those meetings, and is pleased to report that there are no over-boarding concerns at the current time. It believes that the Non-executive Directors have devoted sufficient time to be effective representatives of stakeholders' interests.

Independence of Non-executive Directors

The Committee considered the continued independence of the Non-executive Directors, giving consideration to the circumstances which are likely to impair, or could appear to impair, a Non-executive Director's independence, as set out in provision 10 of the Code.

The Committee concluded that all Non-executive Directors remained independent. This excludes: Agust Gudmundsson, appointed Non-executive Director effective from 1 November 2022, and still a significant shareholder of the Company; Lydur Gudmundsson, a Non-executive Director and significant shareholder of the Company; and Patrick L. Cook, who is the Group Board representative of the Baupost Group, a significant shareholder of the Company.

Board division	Committee action
Group Board	• Used Group Board knowledge and skills matrix to inform the Group Board recruitment criteria. • Ensured the Group Board has the necessary mix of skills and experience to contribute to the Group's strategic objectives.
Management Board	• Looked at succession planning for the Management Board, identifying future successors using our performance rating scale/high-potential framework and aligned to our talent principles (to encourage the development of leaders at all levels, invest in those with high potential, develop capabilities required three years into the future and promote those who are 80% ready for a new role).
Senior Executives	• Considered longer-term planning for two levels below Management Board, focused on identifying potential candidates within the Group for progression and areas where external recruitment may be required.

Feedback from our 2021 EES

The feedback from colleagues in response to the 2021 EES had resulted in:

- The introduction of Bakkavor's refreshed values, with a focus on respect and trust; and
- The launch of a new Front-line Leaders Programme and Executive Development programme.

During the year, the Committee monitored the embedding of the values across the business, with a focus on talent and leadership training and development. It received regular updates from the Chief People Officer ("CPO") on the progress made in these areas. Jill Caseberry presented to the Committee on two feedback sessions with the Site and Group Employee Forums ("SEF" and "GEF"). This looked at how the refreshed values had been received across Bakkavor and the ongoing initiatives that had been agreed in order to continue to embed the values.

Feedback from our 2022 EES
The Committee considered the results of the 2022 EES conducted in September 2022 and discussed the following recommended areas for action which it will continue to oversee during 2023:

- Reassuring colleagues that we are taking decisive action to protect our business;
- Embedding our refreshed values;
- Continuing to focus on pay and the benefits that matter to our employees; and
- Giving colleagues the opportunity to develop and grow their careers.

READ MORE on pg 32.

Engagement and wellbeing in our workplaces and communities
The Committee received regular updates from the CPO on the 'Engagement and Wellbeing in our Workplaces and Communities' pillar of our Trusted Partner ESG strategy, which addresses five material issues:

- Inclusive and diverse workplaces;
- Colleague wellbeing, health and safety;
- Responsible recruitment and employment;
- Engagement, development and retention; and
- Local causes and community engagement.

READ MORE on pg 40.

Inclusive and diverse workplaces
The success of our business relies on the skills, experience and commitment of the diverse range of people who work for Bakkavor. Therefore, all appointments, including recruitments and internal promotions, are based on merit, qualification and abilities. The Committee considers the importance and benefits of greater diversity, social and ethnic background and cognitive and personal strengths.

However, simply having a diverse workforce is not enough. We strive to create an equal and inclusive workplace where colleagues feel valued, included and inspired to perform their best.

Our Inclusion and Diversity Policy has three main objectives:

1. To live the Bakkavor core values;
2. To build an inclusive and diverse workforce across all levels of the organisation; and
3. To provide opportunity for colleagues to succeed.

These objectives support the delivery of the 'Trust' element of our Group strategy as we seek to provide our people with a great place to work where they feel valued, included and inspired to perform at their best. A copy of our Inclusion and Diversity Policy can be found on the Bakkavor website (bakkavor.com/en/investors/governance).

The Committee received regular updates on the work of the Inclusion and Diversity Forum chaired by the Group General Counsel and Company Secretary throughout the year including:

- A focus on collection and analysis of gender data by function, site and the Group as a whole to inform initiatives being undertaken in the year, such as the Female Mentoring Programme designed to develop and progress female talent within Bakkavor;
- Targeted recruitment efforts from early careers to senior levels through the launch of our new Bakkavor Careers Website (jobs.bakkavor.com) with a breadth of content to help prospective candidates understand our business, including career stories from current colleagues and a one-stop-shop for all Bakkavor job opportunities;
- The development of the Group's employer brand with the launch of our refreshed values in early 2022; and
- The Group-wide Values Celebration Week where teams came together to learn about our values and celebrate what it means to work at Bakkavor.

The Forum also supported a calendar of events throughout 2022 to promote inclusive behaviours, including:

- International Women's Day and World Cultural Day;
- Communicating the theme and value of allyship through Pride Month; and
- Celebrating Black History Month by highlighting the contributions of Black culture and raising awareness around issues including microaggressions and unconscious biases.

The Committee reviewed and agreed the Inclusion and Diversity focus areas for 2023 which are: to continue to embed the values, enhance leadership development, EES action planning, launch a values-based recognition programme and plan the 2023 Inclusion and Diversity engagement calendar.

Colleague wellbeing, health and safety
The Committee received regular updates on wellbeing during the year, overseeing the Wellbeing Strategy launch, the re-launch of Bakkavor's Wellbeing Toolkit, the launch of Wellbeing Champions and the Wellbeing engagement calendar. This year, the Wellbeing Toolkit provided practical emotional, physical and financial wellbeing support, resources and benefits to colleagues. Several articles and resources have been made available to colleagues on financial literacy and emotional wellbeing considering the current high cost of living. To deliver our promise on the Wellbeing Toolkit, we have fully trained Wellbeing Champions on site at each location to help colleagues access these resources and support.

Responsible recruitment and employment
The Committee considered updates covering the training received by our colleagues on modern slavery, to drive awareness and action on this issue, rolling out campaigns and training to raise colleagues' awareness of the indicators and how to report them. The Committee also considered updates in relation to rolling out the new Self-Assessment Questionnaire and risk assessment at sites; this ensures that we work only with UK Labour Providers that are Gangmasters and Labour Abuse Authority (GLAA) licensed, and commit to work towards the standards of the Responsible Recruitment Toolkit.

For more information, see our Modern Slavery Statement on Bakkavor's website (bakkavor.com/en/esg/policies-and-documents).

The Chief People Officer updated the Committee and received support on the following issues:

- Over 670 factory-based UK colleagues completed our Front-Line Leaders Programme, giving them the skills to reach their potential and support them as leaders in our business. In the US, we engaged with external consultants to develop the coaching skills of our Front-line Managers and rolled out a high-potential leadership development programme;
- Enhanced our benefit offering to factory-based colleagues and implemented an out-of-cycle pay increase for the majority, continuing to pay above the National Living Wage in the UK;
- Launched a new online learning portal to support more flexible ways of working, offering Group Services colleagues over 100 courses in 17 languages for self-directed learning; and
- Continued to invest in our talent pipeline through our award-winning apprenticeship and graduate programmes. For the third year Bakkavor was voted the top FMCG company for apprentices by TheJobCrowd, and our graduate programme took second place.

Local causes and community engagement

The Committee received updates and had oversight of our work with our charity partner, GroceryAid, and our Employee Assistance Programme, where we have provided: free flu jab vouchers for 548 colleagues and their families, cashback and discounts on purchases at some high street shops and supermarkets and an onsite fast-track physio referral programme at Bakkavor Pizza Holbeach and Bakkavor Meals Spalding, with continuing roll-out across other UK sites.

Group Board diversity

The Committee recognises the importance of diversity and understands the significant benefits and balance that come with having a diverse Board. All Group Board succession discussions take place in consideration of this. The Committee is proud of its progress in this area and is pleased that Bakkavor is compliant with the recommendations of the Parker Review. The Group Board will continue to appoint on merit, based on the skills and experience required, being mindful of the Hampton-Alexander and Parker Reviews when considering future appointments, and considering all forms of diversity when the Committee reviews the Group Board's composition.

The Company ensures that during the recruitment of Non-executive Directors, the lists of potential candidates reflect the Group Board's diversity commitments in respect of gender and ethnicity. All 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 Group Board, the Company uses executive search consultants who have signed up to the Voluntary Code of Conduct for Executive Search Firms, setting out the key principles of best practice in the recruitment process. These principles include a recommendation that search firms should consider gender diversity.

The Financial Conduct Authority introduced a new listing rule ("the Rule") on diversity and inclusion disclosures, applying it to financial periods commencing on or after 1 April 2022. We are pleased to report the early adoption of the Rule with the appointment of Sanjeevan Bala to the Group Board in August 2021 and Jill Caseberry as Senior Independent Director, effective 1 January 2023. With respect to the requirement that at least 40% of the individuals on the Board are female, it is our aim to meet this requirement when there is suitable opportunity to do so. Currently, there are three women out of the 11 members on the Group Board. We have provided this information voluntarily in the reporting table on pg 97.

The Committee considered the gender balance of the Management Board, Senior Executives and their direct reports and received regular updates on this from the CPO throughout the year. **READ MORE** on the gender balance of Senior Managers and their Direct Reports on pg 53.

Corporate governance

The Committee received regular updates on corporate governance developments from the Group General Counsel and Company Secretary and know-how training from external legal advisers.

Overall, there has been good progress made this year. I would like to express my thanks to my colleagues on the Committee for their ongoing support.

Simon Burke
Chair, Nomination Committee
7 March 2023

ESG COMMITTEE REPORT

> The Committee recognises the positive progress made on our Trusted Partner commitments during the year and is confident that our ESG agenda complements our Group strategy.
>
> – Umran Beba, Chair of the ESG Committee

Committee *purpose:*

To reflect the escalating importance of ESG at all levels of the business and the increased focus on ESG by our stakeholders, we formalised a dedicated Group Board ESG Committee. This was set up in June 2022 to have oversight of the Group's ESG strategy, Trusted Partner, and its execution.

Specifically, the Committee recognises that our Group-wide commitment to Net Zero by 2040 is a significant challenge that requires a multi-faceted approach across our functions and operations, supported by financial investment. The Committee will oversee work already underway to get a full and detailed understanding of where we stand, and what we need to do in the years to come to set and achieve our climate transition plan.

Committee meetings and membership

The Committee consists of three Independent Non-executive Directors and one Non-independent Non-executive Director. **READ MORE** on the experience, skills and qualifications of the Committee members on pg 92–96.

3
meetings held during the year

100%
meeting attendance by all Committee members

The Committee held three scheduled meetings during the year in accordance with its Terms of Reference and will continue to hold three scheduled meetings a year (in addition to any unscheduled meetings required from time to time). Details of members' attendance at the meetings are set out below:

Member	Meetings attended/Total meetings held
Umran Beba (Chair)[1]	3/3
Sanjeevan Bala[2]	2/3
Patrick L. Cook[2]	2/3
Jane Lodge[2]	2/3

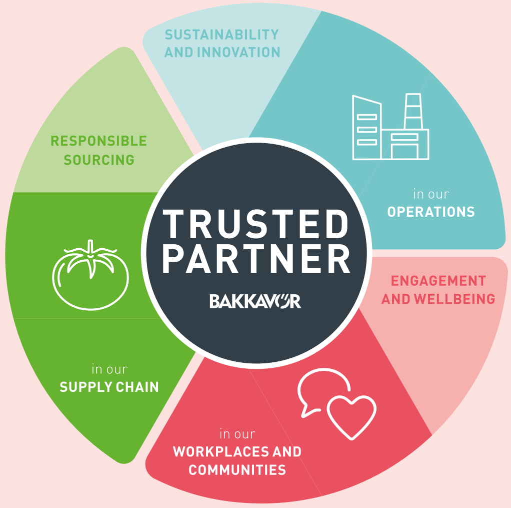
1 One of the meetings was attended earlier on in the year as part of the Nomination and ESG Committee.
2 Member of the Committee since June 2022.

Main duties of the Committee

The role of the Committee is to have oversight of the Group's ESG strategy, Trusted Partner, and its execution. It also oversees the communication of the Group's ESG activities with its stakeholders and provides input and advice to the Group Board and its Committees on the Group's performance against ESG metrics and on the setting of ESG targets and other ESG matters as required.

The Committee discharges its responsibilities appropriately through a series of scheduled meetings during the year, linked to the Committee's Terms of Reference, which are available on the Bakkavor website (bakkavor.com/en/investors/governance). The Terms of Reference were last updated in June 2022. Following each Committee meeting the Committee Chair, who is also the designated Non-executive Director for ESG matters, reports to the Group Board on the activities of the Committee and makes recommendations to the Group Board as appropriate.

The Group General Counsel and Company Secretary attends all Committee meetings to record minutes and provide advice to the Directors. The Chief Financial Officer, who is the ESG Group Board Sponsor, the Chief People Officer, the UK Finance Director and the Head of Group ESG Strategy are standing attendees at the Committee meetings.



> **Trust is embedded in our Group strategy and values, and our action to ensure we deliver progress across the environmental and social issues that matter most to our stakeholders and is shaped by the focus areas of our Trusted Partner ESG strategy.**
>
> – Umran Beba, Chair of the ESG Committee

The Committee 2022 *activities*

1 Set up as a dedicated ESG Group Board Committee in June 2022
The Terms of Reference were approved, responsibilities and priorities were agreed and the Committee determined the direction for our oversight of ESG strategy and implementation.

2 Reviewed and signed off the Group's 2022 ESG materiality assessment and updated our Trusted Partner strategy
Its focus areas, priority issues and commitments include:

- Responsible Sourcing;
- Sustainability and Innovation; and
- Engagement and Wellbeing.

3 Received a dedicated training session from our Head of Group ESG Strategy
This sought to develop skills in the following areas: climate and Net Zero, sourcing standards including biodiversity and deforestation, food waste and packaging.

4 Oversaw the steps taken to develop the Group's climate transition plan
This included work required to stress test this plan.

5 Received updates from management on non-financial KPIs: UK food waste, UK accidents, Group net carbon emissions and UK employee turnover
These are considered to be material issues for the whole business and would impact our overall Group strategy. The Committee will receive quarterly updates on these KPIs.

Group Board and Committee evaluation
During the year, the Committee undertook an internal evaluation of its effectiveness in accordance with the requirement of the Code and recommendations of the Financial Reporting Council's Guidance on Board Effectiveness.

The resulting report indicated that whilst this is a newly formed Committee, it is considered to be operating effectively and efficiently. It also showed that the Committee's membership is well-balanced in terms of the skills, knowledge, experience and expertise required to perform its role appropriately.

The cadence of meetings and the annual cycle of reports and deep-dives will be fine-tuned as is necessary.

READ MORE about the internal Group Board and Committee evaluation process on pg 111–112.

Details of *key activities*

Oversight of Trusted Partner ESG strategy and materiality assessment
The Committee reviewed the Trusted Partner priority issues and approved:

- Our updated Trusted Partner ESG strategy, which included refreshed commitments for launch in 2023.
- The ESG-related sections in the Annual Report and Accounts; **READ MORE** on pg 40 and pg 56.
- A separate ESG report will be available in April on our website: bakkavor.com/esg, with more detailed information for specialist audiences.

Non-financial KPIs
Reducing food waste, accidents and carbon emissions in a challenging year for the business demonstrates the resilience and embeddedness of our ESG objectives. The Committee received updates from the CFO and the Head of Group ESG Strategy on the following non-financial KPIs: UK food waste, UK accidents, Group net carbon emissions and UK employee turnover. **READ MORE** on our KPIs on pg 4 and the year-on-year trends on pg 40.

Environmental
This year has seen a major focus on our Group-wide Net Zero commitment. This is clearly a significant challenge that requires cross-functional support and teamwork. The Committee has received updates on detailed work undertaken to start developing our long-term climate transition plan, climate risk assessment, short-term priorities and next steps to build out and achieve the transition plan. This continues to involve bringing together key stakeholders from across the business to:

- Understand what this commitment means for our long-term strategy;
- Energise thinking around our response; and
- Plan the roll-out of the roadmap across the business and to support delivery.

Our approach is a work in progress, but will provide us with the structure we need to push on and work towards our goal – **READ MORE** on pg 56.

The Committee received regular updates on environmental issues under the Trusted Partner strategic focus areas including:

- Responsible Sourcing: supply chain human rights and environmentally sustainable sourcing, including deforestation and biodiversity topics; and
- Sustainability and Innovation: food waste, resource efficiency and emissions, impact of packaging and product innovation.

We are pleased with the improvements made to support our progress towards achieving The UK Plastics Pact's 2023 industry goals: eliminated 2,429.3 tonnes of plastic across our UK product ranges and the average recycled content of our plastic packaging was 52.9%, up from 45.6% in 2021 well above the goal of 30%, as well as a reduction in food waste by 110 basis points to 8.05%.

READ MORE on pg 59.

Social – engagement and wellbeing
The Committee received updates from the CPO and the Head of Group ESG Strategy on the ESG impacts on our Communities and Colleagues stakeholder groups, including:

- Updates on colleague safety, wellbeing and engagement, development and retention;
- Information on our risk-based approach managing human rights issues in both our supply chain and own operations;
- Succession planning; and
- Inclusion and Diversity initiatives and activities undertaken at local sites.

Governance
Given the increased focus on ESG matters, the Group Board agreed to separate the ESG Committee from the Nomination Committee for a dedicated ESG Committee to be formed in June 2022. New Terms of Reference were approved, and agreement reached on the Committee's responsibilities and priorities.

Looking ahead, it is likely to be another highly challenging year in many ways. However, the Committee remains confident that our ESG agenda strengthens and complements Bakkavor's business strategy and helps the Company to fulfil its purpose and grow in a positive and sustainable way.

READ MORE:

The ESG governance framework pg 41.

The governance framework in relation to climate pg 57.

Umran Beba
Chair, ESG Committee
7 March 2023

Audit, risk and internal control

Accountability
Disclosure Guidance and Transparency Rules (DTR) 7.2.6 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

Disclosures required under DTR 7.2.6 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), providing information on major interests in shares, the Company's Articles of Association, share capital and capital structure, restrictions attaching to shares and the powers of the Company issuing or buying back shares. **READ MORE** on pg 154 of the Directors' report.

Audit, risk and internal control
READ MORE on the Group's approach to risk management, risk management framework, and principal risks and uncertainties on pg 76–86. The principal risks and uncertainties form part of the Directors' report on pg 152–157.

Risk management and internal control
The Group 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 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 Group Board has established procedures to:

- Manage risk, oversee the internal control framework and determine the nature and extent of the principal risks that Bakkavor is willing to take in order to achieve its long-term strategic objectives; and
- Ensure the maintenance of the Group's risk management and internal control systems, reviewing them annually.

The risk management framework is supported by a system of internal controls designed to embed the effective management of the key business risks throughout the Group.

The Group Board receives presentations on Group risk twice a year. This includes a comprehensive review and consideration of changes to both existing and emerging risks, with particular attention to appetite across the principal risks. Detailed risk and control reviews are conducted for each of the principal risks, with additional presentations from the Group IT Director covering cyber security and the Group Technical Director covering health and safety and food safety.

As delegated by the Group Board, the Audit and Risk Committee is responsible for establishing procedures to oversee the internal control framework. It 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 include: the risks that are relevant to business activity; the effectiveness of internal controls in dealing with these risks; and an update on any necessary corrective actions.

The Group Board receives regular reports from the Audit and Risk Committee and verbal updates from the latter's Chair after each meeting. This enables an evaluation of how the Group can continue to improve the effectiveness of its approach to risk management.

Day-to-day risk management is led by Senior Management, with ownership of individual risks per the Risk Register assigned to members of the Senior Management team. Management of risk is embedded in daily working practices and underpinned by Bakkavor's policies, 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 by the Audit and Risk Committee as part of a structured business review, and reported back to the Group Board.

The process for identifying, evaluating and managing the principal risks has been in place throughout the financial year. Up to the date of approval of the Annual Report and Accounts, the process accords with the Financial Reporting Council ("FRC")'s guidance on risk management, internal control and related financial and business reporting. It is regularly reviewed by the Group Board and the Audit and Risk Committee.

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

In analysing and reviewing risk and the Group's system of internal controls, the Audit and Risk Committee and the Group 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 that they regard as desirable or acceptable for the Group to bear;
- The likelihood that the risk concerned will materialise, and the associated impact of this as a consequence;
- The Group's ability to reduce the incidence and impact on its business for 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 Group Board has carried out a robust assessment of the principal 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 Group 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 UK-adopted 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
  - 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.

The Committee focused its core responsibilities on supporting the Group Board and protecting the interests of shareholders in relation to financial reporting and internal control.

– Jane Lodge, Chair of the Audit and Risk Committee

Committee *purpose:*

The Committee's remit covers accounting and financial reporting, the effectiveness of internal controls, identification and management of risks, and the External and Internal Audit processes.

Committee meetings and membership

The Committee currently comprises three Independent Non-executive Directors. Jane Lodge has recent and relevant financial experience, having spent 25 years at Deloitte & Touche LLP, and the Committee as a whole has competence relevant to the sector in which Bakkavor operates. **READ MORE** on the experience, skills and qualifications of the Committee members on pg 93–95.

4
meetings were held during the year:

92%
meeting attendance of Committee members

Details of members' attendance at the meetings are set out below:

Member	Member since	Meetings attended/Total meetings held	% of meetings attended
Jane Lodge (Chair)	3 April 2020	4/4	100%
Sanjeevan Bala	1 August 2021	4/4	100%
Denis Hennequin[1]	20 October 2017	3/4	75%

1 Denis Hennequin was unable to attend the meeting on 16 November 2022 due to travel disruption.

On 1 January 2023, Denis Hennequin stepped down from the Committee. We wish to thank Denis for his dedication and contributions during his tenure and are delighted to welcome Umran Beba, who was appointed as a member of the Committee on 1 January 2023.

Main duties of the Committee

The role of the Committee is to monitor the integrity of the Group's Financial Statements and announcements, review internal financial controls and risk management systems, monitor and review the Internal Audit function, recommend the appointment of the External Auditors, review the effectiveness of their work and to develop and implement policy on the use of the External Auditors for non-audit services.

The Committee discharges its responsibilities appropriately through a series of scheduled meetings during the year, linked to the Committee's Terms of Reference, which are available on the Bakkavor website (bakkavor.com/en/investors/governance). The Terms of Reference were last updated in February 2021. Following each Committee meeting, the Committee Chair reports to the Group Board on the activities of the Committee and makes recommendations to the Group Board as appropriate.

Only Committee members have the right to attend meetings, but the Chief Financial Officer, the Group Financial Controller, the Group 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 the Committee Chair meets with the External and Internal Auditors, without management present, on a regular basis in order to discuss any issues which may have arisen.

Section 4: Audit, risk and internal controls

Key activities in 2022

1 Ensured that the Group can manage its risks and has the processes needed to enable going concern and make viability confirmations, through:

- A robust and consolidated risk management process.
- An effective internal control framework.

2 Conducted in-depth reviews of our risk management and mitigation in health and safety, food safety and environment, Group IT, tax compliance, treasury and pensions.

3 Continued to focus on ensuring the integrity, quality and compliance of the Group's external financial reporting.

4 Focused its attention on challenging and supporting management's response to a tough operating environment with significant inflation and supply chain disruption. This was done by ensuring that the ongoing risks and the relevant mitigating actions have been appropriately modelled and managed.

5 Continued to oversee the alignment of ESG focus areas and ESG material issues with the Group's principal risks. This was done in conjunction with the ESG Committee.

6 Reviewed the Group's financial reporting approach to the recommendations of the TCFD.

Group Board and Committee evaluation:
During the year, the Committee undertook an internal evaluation of its effectiveness in accordance with the requirement of the Code and recommendations of the Financial Reporting Council's Guidance on Board Effectiveness.

The evaluation indicated that:

- The Committee continues to operate effectively and efficiently and has the skills and expertise required in order to perform its role appropriately.
- The Committee possesses the skills, competence and relevant financial and commercial expertise to enable it to discharge its responsibilities robustly and independently.
- The Committee's composition should be reviewed, taking into consideration the respective time commitments of the Non-executive Directors. Taking this into account, effective 1 January 2023, Denis Hennequin stepped down from, and Umran Beba became a member of, the Committee.
- The Group Board is satisfied that the Chair, Jane Lodge, has significant financial experience in the UK listed environment, and the necessary qualifications, skills and experience, to fulfil the role as the Committee Chair.

READ MORE on the experience, skills and qualifications of the Committee members on pg 93–95, and on the internal evaluation process on pg 111–112.

Details of key activities during the year

How the Committee has discharged its responsibilities during 2022

Key areas of focus
The Committee has an extensive agenda which focuses on the audit, assurance and risk management processes within the business. During 2022, the work of the Committee principally fell under the following key areas:

KEY AREAS OF FOCUS AND MATTERS CONSIDERED

Financial reporting
The Committee reviewed the form and content of the Annual Report and Accounts 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 the highly inflationary environment and the potential for weaker consumer demand on the full-year Financial Statements, including the recognition and presentation of the relevant exceptional costs.
- Reviewed and challenged management on the appropriateness of estimates and judgements made in the preparation of the Financial Statements, including financial reporting and disclosure considerations in respect of climate change.
- Reviewed the critical judgements and key sources of estimation uncertainty disclosed in the Financial Statements to ensure they fairly reflected the potential financial impact on the business.

KEY AREAS OF FOCUS AND MATTERS CONSIDERED

Monitoring the integrity of the 2022 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 2022. Before recommending their release to the Group 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 Group Board, the Annual Report and Accounts for the period ended 31 December 2022.

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 Accounts.

Going concern

- The Committee reviewed the Group's assessment of going concern which is for a period of 12 months from the date of approval of the Financial Statements. Management presented a number of stress scenarios to the Committee which considered historical forecasting inaccuracy and the implications of further inflation, weaker sales volumes from lower consumer demand due to the level of retail price increases and the potential for future Covid restrictions in China. In assessing going concern, the Committee also reviewed the steps taken by management to ensure adequate liquidity is available to the Group. The Committee concluded that under the scenarios presented, the Group would have sufficient financial resources available to continue to operate through to at least March 2024 and it was therefore appropriate to recommend the adoption of the going concern basis in preparing the Financial Statements.

Impairment of goodwill and intangible assets

As at 31 December 2022, 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 forecasts used and the discount rate to be applied for the purpose of the value-in-use calculation. The impairment review allowed for the forecasted costs and expenditure required from 2030 for the Group to meet its Net Zero carbon commitment. The paper also considered downside scenarios if financial performance was below the forecasted amounts. The impairment review indicated that no impairment provisions were required for the period ended 31 December 2022.
- Reviewed and approved the associated disclosure in the Financial Statements including the sensitivity analysis in respect of the UK and US CGUs given the lower level of headroom this year.

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 31 December 2022. 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 31 December 2022.
- Acknowledged that this was a highly subjective area but concurred with the rationale applied by management to determine the value of these accruals.

Recognition and presentation of exceptional costs

The Group undertook significant restructuring activity towards the end of 2022 to protect its ongoing profitability in light of the challenging economic environment. The closure of two UK operating sites by the end of Q1 2023 combined with other restructuring activity, has resulted in costs of £36.6m. In addition, the value of the Group's investment in associated undertakings based in Hong Kong has been written down in the period by £9.7m due to the ongoing impact of Covid on trading performance, and an ongoing contractual dispute with a US customer resulted in a £3.8m impairment of inventory and receivables related to this customer. This has resulted in total exceptional charges of £50.1m in 2022 as set out in Note 7 to the Consolidated Financial Statements.

The Committee has reviewed a paper prepared by management that sets out the rationale for the restructuring and calculation of the associated costs. The Committee challenged management on the assumptions used and concurred with managements reporting of these costs as exceptional.

KEY AREAS OF FOCUS AND MATTERS CONSIDERED

Fair, balanced and understandable reporting
Each year, in line with Provision 25 of the Code and the Committee's Terms of Reference, the Committee is asked by the Group Board to assess, 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 and whether or not the disclosures provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

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 their 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 period ended 31 December 2022, 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.

Risk management and internal control
The Committee is required to assist the Group Board in the annual review of the effectiveness of the Company's risk management process and internal control systems. **READ MORE** on Audit, Risk and Internal Control on pg 122.

In order to fulfil these duties, during the year under review, the Committee:
- Received regular reports and assessments of the current and emerging risks that might threaten the Group's business model, future performance or liquidity.
- Received reports on the risk management and mitigation for health and safety, environment, and food safety, IT risks (cyber security risks and business continuity), climate change and sustainability risks, treasury and pensions, and tax (including approval of the Group Tax Strategy and Policy).
- Considered and challenged management on the overall effectiveness of the risk management and internal control systems in accordance with the Group Board's risk appetite and recommended steps to be taken to enhance the systems of risk management and internal control.
- Reviewed relevant disclosures within the 'Audit, risk and internal control' section of the corporate governance report of the Annual Report and Accounts. **READ MORE** on pg 98.
- Reviewed and approved the Internal Audit Plan for 2023, which sets out the planned activities for the year ahead.

In light of the above, the Committee continues to be satisfied that the Group control environment remains appropriate and effective and that the risk management and internal control procedures comply with the requirements of the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the FRC. The Committee has reported this opinion to the Group Board.

Principal risks and viability
The Committee reviewed and approved the principal risks and uncertainties disclosures on pg 79–86 of the Annual Report and Accounts and the viability statement on pg 87 of the Annual Report and Accounts.

The Committee evaluated a report from management that set out the view of the Group's longer-term viability and the forecasts over the Group's three-year planning horizon, taking account of the potential risks faced by the business over that period.

Taking the management assessment into account and having considered other relevant information in terms of the risk profile of the Group, the Committee agreed to recommend the Viability Statement to the Group Board for approval. **READ MORE** on pg 87.

KEY AREAS OF FOCUS AND MATTERS CONSIDERED

TCFD

The Group has reported under the TCFD framework for 2022. The Committee, in conjunction with the ESG Committee, reviewed the Group's financial reporting approach to TCFD.

The Committee:

- Challenged management's approach to reporting under the TCFD framework for 2022.
- Reviewed the TCFD report prepared by management, including the Scope 3 emissions and carbon emissions data for 2022, to ensure it was prepared and disclosed on a consistent basis.
- Considered the impact of future carbon tax on the Group's impairment review assumptions.

The Committee was satisfied that the TCFD report prepared by management adequately summarised the progress the Group has made under the TCFD framework and that the impact of TCFD had been considered in the Group's annual impairment review.

External Audit

Following a competitive tender carried out in 2018, PwC have been the Group's External Auditors since the appointment in 2019. The current External Audit partner is Sandeep Dhillon who has held this role since October 2021 and will continue in this role in 2023. 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 2022 Audit Plan and agree areas of focus.
- Assessed regular reports from PwC on the progress of the 2022 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 2022 year-end and was briefed by PwC on their approach to the audit of critical accounting estimates and areas where significant judgement is needed.
- Approved the Audit Plan and the main areas of focus, including valuation of customer deduction accruals and impairment reviews for goodwill and intangible assets.
- Reviewed and discussed with PwC its Audit and Risk Committee report on the 2022 Financial Statements which highlighted any matters arising from the audit work undertaken by the External Auditors and no significant issues were identified.

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 2022 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.
- Total audit fees of £1.1m were paid to the External Auditors in 2022.

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 which is reviewed on an annual basis.

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:

- Subscription to PwC's online technical portal (Viewpoint) which is a generic accounting subscription service. Management confirmed this platform met their requirements.
- The half-year review of the Financial Statements. The Committee provided prior approval for this, having noted that the External Auditors' knowledge of the business made them the preferred choice.
- Non-audit fees of £41,000 were paid to the External Auditors for these services.

Further information on the Audit and non-audit fees can be found in Note 6 of the Notes to the Consolidated Financial Statements on pg 185.

The Committee confirms that it has complied with the requirements of the CMA Order 2014 regarding audit tendering, Auditors' appointment, negotiation and agreement of audit fees and approval of non-audit services.

KEY AREAS OF FOCUS AND 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. The Committee reviewed the FRC's practice aid on assessing audit quality 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 2022 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 full-year 2021 Annual Report and Accounts 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 full-year 2022 External Audit and these were reflected in the approach to the management of the full-year 2022 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 and the presentation of costs as exceptional. In addition, PwC challenged management's assumptions around downside scenarios including the impact of further inflation, lower consumer demand following retail price increases, and the potential for future Covid restrictions in China 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, Sandeep Dhillon, has held this role since October 2021.

Following consideration of the performance and independence of the External Auditors, the Committee recommended to the Group Board that the reappointment of PwC as the Company's External Auditors should be proposed to shareholders at the 2023 AGM.

KEY AREAS OF FOCUS AND MATTERS CONSIDERED

Our Internal Audit

The Committee oversees the performance, resourcing and effectiveness of the Internal Audit's activity.

Internal audit services have been outsourced to KPMG, who were 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 Group Head of Risk, who reports to the Committee. The Internal Audit provides assurance over the effectiveness of key internal controls, as identified as part of the risk assessment process. KPMG reports to the Group 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 2022. The proposed plan represents the 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; and iii) coverage of information security/cyber controls and the continued importance of infrastructure, network and data security to the Group.
- Reviewed and approved the Internal Audit Charter.
- Assessed the Audit quality.
- Reviewed and monitored management's responsiveness to the findings and recommendations of the Internal Audit's activity.
- Reviewed the satisfactory findings following a full compliance review for UK food safety activities with on-site visits and detailed testing as well as desktop reviews for the US and China.
- Received all reports from the Internal Audit reports and, in addition, received summary reports on the results of the work of the Internal Audit on a periodic basis.

The Committee reviewed and approved the IA Plan for 2023 and is actively engaged in strengthening the Internal Audit's activity and extending its scope during 2023.

Our Internal Audit's 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 the 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 and noted that for 2023, the Internal Audit function would continue to cultivate relationships within the business to have more impact and influence in the Company.

Whistleblowing

The Committee considered the adequacy of the Group's arrangements by which colleagues may, in confidence, raise concerns about improprieties in matters of financial reporting or other matters.

There are several confidential modes for colleagues and third parties to communicate any improprieties in matters of financial reporting or other areas. Moreover, whistleblowing is monitored by the Group Board at each Group Board meeting. The Whistleblowing Policy is reviewed annually and recommended by the Committee for approval by the Group Board.

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 Anti-Bribery and Business Ethics Policy which applies across the Group.

The Committee concluded that the Anti-Bribery and Business Ethics Policy remains adequate.

In 2022, as part of our annual legal and governance compliance programme, UK colleagues undertook their mandatory refresher training module on anti-bribery and corruption.

KEY AREAS OF FOCUS AND MATTERS CONSIDERED

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.

In the past three years the Company has rapidly scaled technology, driven change and delivered some major successes at an operational, people and security level and 2022 delivered a step-change in our cyber maturity within the UK, with our key technology-based mitigations being delivered. USA Maturity, Privilege Access and Security Controls/Operations are our 2023 priorities.

During the year, the Group implemented a new HR system, SuccessFactors, and made further progress in respect of a new payroll system planned to go live in the second quarter of 2023. Further work has taken place in relation to technology transformation, including approving a proposal to investigate the replacement of our ERP systems in the UK.

Treasury and pensions risk
The Committee received an update from the Group Treasurer on the Group's pension schemes and the Group's interest and exchange rate exposure and the impact on these as a result of the volatility in the financial markets during 2022.

Priorities for 2023

The Committee's key priorities for 2023 include the following:

- Continue to focus on the integrity, quality and compliance of the Group's external reporting including disclosures in respect of going concern and viability statement.
- Provide challenge in respect of significant judgements and critical estimates that impact financial reporting.
- Detailed monitoring of the Group's principal risks including receiving and challenging in-depth reviews of the risk management and mitigation of the Group's principal risks.
- Review the Group's financial reporting relating to TCFD with particular focus on the actions to address the two areas where the Group is only partially compliant, this includes details of the Group's climate transition plan.
- Reviewing current capability of IT systems and the current framework of controls.
- Once the expected changes to the internal control reporting requirements for UK listed companies have been finalised, reviewing management's practical plans to address these points in light of the system and control framework review.

Jane Lodge
Chair, Audit and Risk Committee
7 March 2023

> **The Committee reviewed Executive Director pay and incentive performance and received feedback from colleagues on remuneration via our workforce engagement Non-executive Director.**
>
> – Denis Hennequin, Chair of the Remuneration Committee

Committee *purpose:*

The Remuneration Committee ("the Committee") designs and implements the Directors' Remuneration Policy (the "Remuneration Policy"), setting the framework and parameters within which Directors are paid, ensuring this is in line with the long-term interests of the Group.

Committee meetings and membership

4
meetings were held during the year

100%
meeting attendance by all Committee members

The Committee comprised three Independent Non-executive Directors.

Member	Member since	Meetings attended/Total meetings held	% of meetings attended
Denis Hennequin (Chair)	20 October 2017	4/4	100%
Jill Caseberry	1 March 2021	4/4	100%
Umran Beba	1 September 2020	4/4	100%

On 1 January 2023, Denis Hennequin stepped down from the role of Chair of the Committee and has been succeeded by Jill Caseberry. On the same date Sanjeevan Bala, an independent Non-executive Director, became a member of the Committee. Therefore from 1 January 2023, the Committee comprised Jill Caseberry (Chair), Sanjeevan Bala and Umran Beba.

READ MORE:
Committee member biographies on pg 93–95.

Main duties of the Remuneration Committee

The role of the Committee is to set remuneration for the Executive Directors, Chairman and key management personnel, ensuring that decisions are taken with a clear understanding of the Company's wider remuneration principles and practices. The Committee is key in ensuring that the Group's approach to remuneration attracts and motivates Executives and aligns with the long-term interests of shareholders.

The Committee discharges its responsibilities appropriately through a series of scheduled meetings during the year, linked to the Committee's Terms of Reference and Remuneration Policy, which are available on the Bakkavor website at bakkavor.com/en/investors/governance. The Terms of Reference were last updated in January 2023 and the Remuneration Policy was approved by shareholders at the 20 May 2021 AGM. Following each Committee meeting, the Committee Chair reports to the Group Board on the activities of the Committee as appropriate.

Section 5: Remuneration

Key activities in 2022

- Determining the CEO's and CFO's base salary increases, effective from 1 January 2022, in the context of increases across the wider Bakkavor workforce.
- Reviewing performance against the FY21 Annual Bonus Plan and FY19 LTIP targets and determining the payout/vesting.
- Determining the measures and performance targets for the FY22 Annual Bonus Plan and LTIP awards.
- Consideration of developments in market trends, good practice and updated investor and proxy agency guidance.
- Received updates from the CPO on employment and pay and conditions across the wider workforce and how wider workforce incentives are aligned with Bakkavor's culture and those applying to senior colleagues.
- An update and Q&A session with Jill Caseberry (our Non-executive Director tasked with workforce engagement and bringing colleague views to the Group Board) at our Group Employee Forum 'workforce engagement session' in February 2022 on how executive remuneration aligns with Bakkavor's wider pay policies.
- Approving the measures and targets applying to LTIP awards granted to key US management.
- Agreeing the terms of the new CEO's remuneration upon his promotion from COO, UK on 1 November 2022.
- Determining the increase for the CFO's salary from December 2022 following a leadership restructure leading to significant additional responsibilities being added to the role, now being CFO and Asia CEO.

This report comprises:

- **Annual Statement**: A summary of the work of the Committee during the year and our approach to remuneration – **READ MORE** on pg 133–135.
- **Summary of the 2021 Directors' Remuneration Policy:** Details the framework and parameters within which Directors are paid – **READ MORE** on pg 136–142.
- **Annual remuneration report:** Sets out the pay and incentive outcomes for the year under review and how the Remuneration Committee intends to implement the Remuneration Policy in 2023 – **READ MORE** on pg 143–151.

There will be an advisory vote at the AGM on 31 May 2023 on this Directors' remuneration report, excluding the Directors' Remuneration Policy.

Annual Statement

FY22 business performance

Through 2022 the operating environment remained tough as the business faced significant inflationary headwinds and ongoing supply chain disruption due to global events. Against this backdrop we have delivered a solid performance, with 10.6% growth in like-for-like revenue. We have been able to largely offset the impact of unprecedented inflation through our multi-faceted approach and delivered Group adjusted operating profit in line with market expectations at £89.4m, albeit down £12.6m year-on-year. The Group's balance sheet remains in a strong position, with leverage within the target range and significant liquidity headroom against debt facilities. A number of initiatives were also put in place to focus on reducing employee turnover, a key measure for the Group. These included: a thorough review of the new joiner experience resulting in the implementation of a new 13-week induction process; the recruitment of New Starter Champions at sites to support with colleague onboarding; and a review of pay rates and subsequent increases for our weekly paid colleagues.

READ MORE:
Chairman's statement pg 6.
Chief Executive's overview pg 10.

Remuneration outcomes for FY22

Variable pay – Annual Bonus Plan

The Annual Bonus Plan for 2022 was based on two measures:

Element	Weighting	Metric	Outcome
Financial	75%	Group adjusted EBIT, also referred to as Group adjusted operating profit	No bonus payable: FY22 Group adjusted EBIT of £89.4m versus threshold of £102m
Non-financial	25%	Colleague engagement measured through UK employee turnover	Full bonus payable: FY22 UK employee turnover of 28.1%, versus threshold of 31.8% and maximum of 28.6%

The Committee is aware of the sensitivity of paying out a bonus based on non-financial performance when the profit threshold has not been achieved, and carefully considered whether a payment was appropriate or whether any adjustment or use of negative discretion was required to reflect the overall performance of the business and the impact on broader stakeholders. On balance, the Committee felt that a bonus outcome of 25% of maximum was appropriate in the circumstances as employee turnover is a critical metric for Bakkavor in a challenging labour market and that the initiatives undertaken by management to maintain a stable workforce in a company with over 18,500 employees should be rewarded. In addition, the employee turnover measure applies to all c.1,300 middle and senior managers and to not pay out on this measure would discredit the design of our employee bonus scheme. Furthermore, the 25% payout fairly reflects the resilient performance of the business during 2022. In arriving at this decision, the Committee took into account the following factors:

- The Group delivered a solid financial performance against a challenging backdrop, with significant inflation across the cost base and on household budgets, which has impacted consumer behaviour;

- The balance sheet remains robust, with leverage within the target range and significant liquidity headroom on debt facilities;
- Total FY22 dividend of 6.93 pence per Ordinary share, an increase of 5% on FY21; and
- Implementation of an out-of-cycle pay increase across the majority of our UK sites at the start of 2022 to support weekly paid colleagues, in addition to the standard, negotiated annual increase.

Variable pay – performance and restricted share awards
Mike Edwards and Ben Waldron were granted performance share and restricted share awards under the LTIP in October 2020, prior to their joining the Group Board. These awards were delayed from the usual April grant date as the Board and the Remuneration Committee prioritised their efforts on dealing with the emergence of the pandemic.

The performance share awards are subject to a relative total shareholder return ("TSR") condition which will be measured to October 2023. As the vesting outcome is unknown at this time, we will report it in the 2023 remuneration report, together with the outcome of the performance share awards granted in April 2021. The restricted share awards are due to vest in October 2023 subject to continued service only.

Change of CEO

As announced on 29 September 2022, Agust Gudmundsson gave notice of his intention to retire from the role of CEO, effective 31 October 2022. Agust remains a significant shareholder of the Company and became a Non-executive Director on 1 November 2022. Up until the date of his retirement as CEO, he continued to receive his salary, benefits and pension and he will receive a pro rata bonus for this period. As a Non-executive Director from 1 November 2022, he received a fee (pro rata) of £73,903 per annum in line with our Remuneration Policy and the fee rate applied to other Non-executive Directors.

Mike Edwards was appointed as CEO, effective from 1 November 2022. This followed a thorough market search to identify a successor. Mike joined Bakkavor in 2001 and was promoted into a series of challenging and demanding roles before becoming Chief Operating Officer, UK in 2014. His exceptional insight and commercial experience saw him promoted to the Group Board in December 2020.

In Bakkavor's 2018 remuneration report, the first post IPO, we explained how base salaries of the Executives in situ at the time were positioned at competitive levels prior to IPO and therefore the Committee decided not to change fixed pay levels after listing in 2017 or in 2018, being the first full year post IPO. This context is helpful as it emphasises how Bakkavor's remuneration philosophy, spanning the period as a private and listed company, has been to have a relatively high level of fixed pay relative to variable pay.

As such, consistent with this philosophy, the Committee has retained the fixed to variable remuneration balance and set Mike's base salary as CEO at £700,000 p.a. to reflect his promotion and the additional responsibilities associated with this. In determining Mike's base salary, the Committee took into account several factors:

- Mike's 20 plus years' experience at Bakkavor and being the outstanding candidate for the role, having completed a thorough market search.
- There should be an appropriate premium for taking on the role of CEO. Mike's fixed pay (comprising salary, benefits and pension) as CEO will be £747,000 which is 20% higher than his previous fixed pay as COO, UK (£624,000).
- A £700,000 base salary is lower than the previous CEO's base salary of £789,891 although noting that the previous CEO's incentive opportunities were lower.
- Bakkavor's scale, complexity and geographic reach with FY22 revenue of £2.14bn (akin to a large FTSE 250 business), over 18,500 employees, international footprint across UK, US, Spain and China, 45 sites and a complex supply chain and customer network, albeit these factors are not currently reflected in the market capitalisation of the business.

Overall, the Committee believes his base salary has been positioned competitively against the market (when considered against companies of a similar market capitalisation) and is fair given the complexity of the business and taking into account a broader range of metrics.

Mike's employer pension contribution rate will reduce from 20% to 3% of salary from 1 January 2023 to align to the workforce rate, a year earlier than originally scheduled under the Remuneration Policy approved by shareholders. His salary will next be reviewed in January 2024.

There will be no change to his incentive opportunities which remain at 125% of salary under the bonus scheme and 150% of salary under the LTIP. This is notwithstanding the higher annual bonus (150% of salary) and LTIP (200% of salary) opportunities available under the shareholder-approved Remuneration Policy.

CFO's additional responsibilities

The scope of the CFO's role has increased significantly since he became CFO & Asia CEO on 1 December 2022. In addition to taking responsibility for Bakkavor's Asia business, Ben Waldron has taken accountability for the climate transition plan and ESG, ownership of the Procurement function and delivering our Finance transformation agenda, which includes a review of our IT capability. Reflecting his exceptional performance over 2022, his importance to the Group and the expanded breadth of his responsibility, the Committee increased Ben's salary by 10.8% to £450,000 with effect from 1 December 2022. This move coincided with the timing of a significant restructure which impacted our senior leadership team and has resulted in annualised overhead (people-related cost) savings of c.£8m. Benchmarking was used as a secondary reference point and the Committee takes comfort that Ben's salary, total fixed pay and total remuneration are not out of line with comparable sector peers. The Committee is acutely aware of the importance of alignment with wider workforce pay, noting this is also the CFO's second consecutive above workforce rate salary increase. However, we are satisfied that the increase is warranted given his significant additional responsibilities. His next salary review will be in January 2024.

Executive Director total remuneration in FY21 and FY22

£000s

Agust Gudmundsson[1]

Total remuneration

837

£000s	2022	2021
● Base salary	659	769
● Benefits	26	22
● Pension entitlements	20	26
● Bonus	132	461
○ LTIP	0	0
Total	837	1,278

£000s

Mike Edwards[2]

Total remuneration

796

£000s	2022	2021
● Base salary	529	481
● Benefits	26	31
● Pension entitlements	76	85
● Bonus	165	451
○ LTIP	0	0
Total	796	1,048

£000s

Ben Waldron[3]

Total remuneration

573

£000s	2022	2021
● Base salary	410	370
● Benefits	23	12
● Pension entitlements	12	11
● Bonus	128	347
○ LTIP	0	0
Total	573	740

1 Agust Gudmundsson's FY22 remuneration is for his 10 months in his role as CEO and excludes the two months during which he was a Non-executive Director.

2 Mike Edwards' FY22 remuneration includes 10 months as COO, UK and two months as CEO.

3 Ben Waldron's FY22 remuneration includes 11 months as CFO and one month as CFO and Asia CEO.

How the Committee will apply the Remuneration Policy in 2023

The Committee intends to operate the Remuneration Policy for Executive Directors for 2023 as follows:

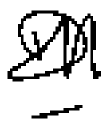
- The Committee has set the CEO's salary at £700,000, effective from appointment on 1 November 2022, and set the CFO's salary at £450,000, effective 1 December 2022, to coincide with his change of role to CFO and Asia CEO. These salaries will remain unchanged in 2023.
- Upon his promotion to CEO, Mike Edwards' pension contribution rate has been reduced from 20% to 3% of salary. Both Mike Edwards and Ben Waldron have employer pension contributions aligned with the workforce rate.
- Annual bonus opportunities will remain at 125% of salary for the CEO and CFO and Asia CEO. The Annual Bonus measures will be in line with 2022: 75% based on Group adjusted EBIT and 25% on UK employee turnover. These criteria also apply to the broader workforce in the UK, covering c.1,300 colleagues. Regional profit performance is assessed where relevant in the US and China.
- It is expected that LTIP awards will be granted in 2023 at 150% of salary to the CEO and CFO and Asia CEO. As in previous years, the award will be split 50/50 between TSR performance and EPS targets.

Alignment with the Code and shareholder feedback

In designing the 2021 Remuneration Policy, the Committee considered the key themes set out in the Code – clarity, simplicity, risk, predictability, proportionality and alignment to culture. The Committee has addressed each of these in determining the remuneration outcomes for 2022 and the approach to paying our Executives in 2023.

The Remuneration Committee was pleased to note the very high level of shareholder support for the 2021 remuneration report at the 2022 AGM, with 99.8% of votes in favour. The current Remuneration Policy is in its third and final year and therefore the Committee intends to review Directors' remuneration in 2023 and bring a Remuneration Policy to shareholders for approval at the AGM in 2024. In anticipation of the review, if you have any comments on our current approach to remuneration, please contact me via the Company Secretary (email: company.secretariat@bakkavor.com).

This 2022 remuneration report will be subject to the usual advisory shareholder vote at the 2023 AGM and I hope you will be supportive of the resolution.



Denis Hennequin
Chair, Remuneration Committee
7 March 2023

Summary of the 2021 Directors' Remuneration Policy

The Remuneration Policy for the Group was prepared in accordance with Schedule 8: The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the UK Listing Authority's Listing Rules. This Remuneration Policy was put to a binding shareholder vote at the AGM on 20 May 2021 and is effective for three years from approval. No changes have been made to the Remuneration Policy.

Below is a summary of the key terms of the Remuneration Policy, and a full copy is included in the 2020 Annual Report and Accounts which can be found in the 'Investors' section of the Company's website: bakkavor.com/en/investors/annual-reports.

As mentioned above, the Directors' Remuneration Policy has not changed. However, as a result of our change in CEO in 2022, a supporting comment has been added to the pension, annual bonus and LTIP policy disclosures below to clarify the policy that applies to the new CEO, Mike Edwards.

The Policy considered the principles of the 2018 UK Corporate Governance Code and the voting guidelines of major UK institutional investor bodies. Under the Code, the Remuneration Committee is asked to address six factors in determining the 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 Remuneration 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.

Remuneration Policy table

A summary of how remuneration is structured and how it supports the Group'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 colleague 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 colleague pay throughout the organisation. Base salary increases are awarded at the discretion of the Remuneration 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 whilst 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.
Pension			
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. The current COO's UK pension contribution rate will continue at the level in place prior to his joining the Group 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. **Update:** following Board changes in 2022, from 1 November 2022, the new CEO's (Mike Edwards) pension provision upon his promotion from COO, UK has been set at 3% of salary. It was previously 20% of salary until 1 January 2024.	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 Plan			
The Annual Bonus Plan 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 Remuneration 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 for three years under the Deferred Annual Bonus Plan. At the discretion of the Remuneration 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 CEO's bonus opportunity is lower, at 80% of his base salary. The normal maximum for the CFO and COO, UK is 125% of salary, although this may be increased in line with the maximum 150% of salary limit. **Update:** as part of the Board changes in 2022, the new CEO's (Mike Edwards) bonus opportunity upon his promotion from COO, UK remains subject to the Policy limit, being a maximum of 150% of salary limit.	Performance measures are determined by the Remuneration 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 Remuneration 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 Remuneration 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 Remuneration 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 Remuneration 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' 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 or exercise. At the discretion of the Remuneration 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 individual plan limit is 200% of base salary in any financial year. The award policy for the CFO and COO, UK is set at 150% of base salary, although the Remuneration Committee has the discretion to make an award of up to 200% of base salary. **Update:** as part of the Board changes in 2022, the new CEO's (Mike Edwards) LTIP award limit following his promotion from COO, UK remains subject to the Policy limit, being a maximum of 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 Remuneration 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 Remuneration 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-colleague share schemes			
Encourage colleague 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.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
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.
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 Remuneration Committee (without the Chairman present). Fee levels for the Non-executive Directors are determined by the Chairman and Executive Directors. In exceptional circumstances if there is a temporary, yet material, increase in the time commitments for Non-executive Directors, the Group 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, Group Board Committee responsibilities and ongoing time commitments. Actual fee levels are disclosed in the annual remuneration report for the relevant financial year.	Not performance-related. No recovery or withholding provisions apply.

Notes to the Remuneration Policy table

Recovery and withholding

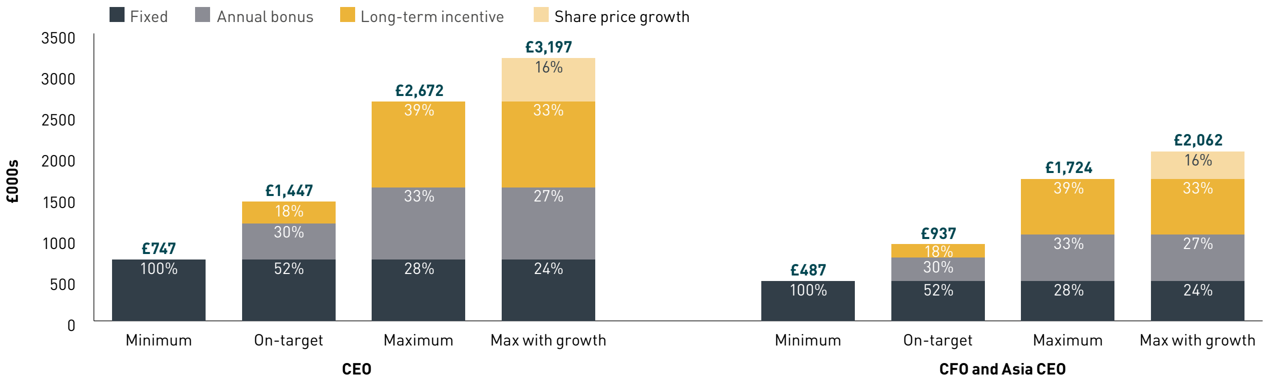
Awards under the Annual Bonus Plan, the Deferred Annual Bonus Plan (DABP) and the Long-Term Incentive Plan (LTIP) are subject to recovery and withholding provisions which permit the Remuneration Committee, at its discretion, to reduce the size of any future bonus or share award granted to the colleague, to reduce the size of any granted but unvested share award held by the colleague, or to require the colleague 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 colleague, or 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 DABP and the LTIP, 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.

Executive Director remuneration scenarios

The charts below show an estimate of the 2023 remuneration package for each Executive Director under four performance scenarios, which are based on the Remuneration Policy set out above.



Assumptions:

	Performance scenario			
	Minimum	Target	Maximum	Maximum with share price growth
Base salary	As at 1 January 2023			
Benefits	Estimated value for 2023			
Pension	3% of salary			
Bonus	0% of maximum	50% of maximum	100% of maximum (being 125% of salary)	
LTIP	0% of maximum	25% of maximum	100% of maximum (being 150% of salary)	As per the maximum, plus a 50% share price increase over three years is assumed

Executive Director 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 colleagues 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
Mike Edwards	4 September 2001	28 September 2022	12 months either party
Ben Waldron	1 June 2011	12 October 2020	12 months either party

Non-executive Directors' terms of engagement

Each of the Non-executive Directors are 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
Sanjeevan Bala	1 August 2021	5 July 2021
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
Agust Gudmundsson[1]	1 August 1986 (founder)	28 September 2022
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

1 Agust Gudmundsson retired as CEO on 31 October 2022 and became a Non-executive Director from 1 November 2022.

The Chairman, in consultation with the Executive Directors, is responsible for proposing changes to the Non-executive Directors' fees. The 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 Group Board as a whole. Individual Non-executive Directors do not take part in discussions in relation to their own remuneration.

Annual report on remuneration

This section 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 31 May 2023.

This part of the report comprises five sections:

A. Remuneration for 2022

B. Directors' share ownership and share interests

C. Pay comparison

D. Remuneration Committee membership, governance and voting

E. Implementation of Remuneration Policy in 2023

A. Remuneration for 2022

Single total figure of Directors' remuneration (audited)

The total remuneration of the individual Directors who served during the financial year is shown below.

£000s		Base salary/fee	Benefits[5]	Pension	Total fixed remuneration	Bonus	LTIP[6]	Total variable remuneration	**Total remuneration**
Executive Directors									
Mike Edwards[1]	**2022**	**529**	**26**	**76**	**631**	**165**	**–**	**165**	**796**
	2021	481	31	85	596	451	–	451	1,048
Ben Waldron[2]	**2022**	**410**	**23**	**12**	**445**	**128**	**–**	**128**	**573**
	2021	370	12	11	394	347	–	347	740
Agust Gudmundsson[1]	**2022**	**659**	**26**	**20**	**705**	**132**	**–**	**132**	**837**
	2021	769	22	26	817	461	–	461	1,278
Non-executive Directors									
Simon Burke (Chairman)	**2022**	**211**	**1**	**–**	**212**	**–**	**–**	**–**	**212**
	2021	206	–	–	206	–	–	–	206
Sanjeevan Bala[3]	**2022**	**74**	**–**	**–**	**74**	**–**	**–**	**–**	**74**
	2021	30	–	–	30	–	–	–	30
Umran Beba	**2022**	**74**	**5**	**–**	**79**	**–**	**–**	**–**	**79**
	2021	72	1	–	73	–	–	–	73
Jill Caseberry[3]	**2022**	**74**	**1**	**–**	**75**	**–**	**–**	**–**	**75**
	2021	60	–	–	60	–	–	–	60
Patrick L. Cook[4]	**2022**	**0**	**–**	**–**	**–**	**–**	**–**	**–**	**0**
	2021	0	–	–	–	–	–	–	0
Agust Gudmundsson[1]	**2022**	**12**	**–**	**–**	**12**	**–**	**–**	**–**	**12**
	2021	–	–	–	–	–	–	–	–
Lydur Gudmundsson[5]	**2022**	**277**	**1**	**–**	**278**	**–**	**–**	**–**	**278**
	2021	267	1	–	268	–	–	–	268
Denis Hennequin	**2022**	**74**	**–**	**–**	**74**	**–**	**–**	**–**	**74**
	2021	72	–	–	72	–	–	–	72
Jane Lodge	**2022**	**74**	**2**	**–**	**76**	**–**	**–**	**–**	**76**
	2021	72	1	–	73	–	–	–	73
Total	**2022**	**2,468**	**85**	**108**	**2,661**	**425**	**–**	**425**	**3,086**
	2021	2,399	68	122	2,589	1,259	0	1,259	3,848

Notes to the remuneration table:

1 Agust Gudmundsson retired as CEO on 31 October 2022 and became a Non-executive Director of the Group from 1 November 2022. Mike Edwards was promoted from COO, UK to CEO from 1 November 2022. On promotion, his base salary was increased from £494,326 p.a. to £700,000 p.a.

2 Ben Waldron changed role and salary with effect from 1 December 2022.

3 Jill Caseberry and Sanjeevan Bala joined the Group Board on 1 March 2021 and 1 August 2021 respectively.

4 Patrick L. Cook receives no fee for his services.

5 Lydur Gudmundsson's Non-executive Director base fee is £73,903 p.a. In addition, given his unique expertise and insight into the Company's business as a founder of the Bakkavor Group plc, 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 continued 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:€1.13 (2021: £1:€1.18). This agreement ceased with effect from 31 December 2022.

6 For Executive Directors, taxable benefits comprised car allowance, benefit allowance and private medical cover. For Non-executive Directors, benefits values are for reasonable expenses related to business-related travel and accommodation only, with the exception of Lydur Gudmundsson who was also entitled to medical cover in the UK for the benefit of his family (ceasing with effect from 31 December 2022).

7 The 2020 performance share awards were granted in October 2020 under the LTIP and are due to vest in October 2023 based on a relative TSR condition measured over a three-year period from the date of grant. Therefore, there were no LTIPs capable of vesting based on performance to December 2022 or shortly after. The outcome of the October 2020 LTIP awards will be reported in next year's remuneration report alongside the vesting outcome of the April 2021 LTIP award.

2022 Annual Bonus Plan outcome (audited)

In 2022, c.1,300 colleagues 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 2022, the Annual Bonus Plan targets and performance-related outcomes were as follows:

Metrics	Weighting	Threshold (0%)	Maximum (100%)	Actual performance	% outcome
Group adjusted EBIT	75%	£102m	£114m	£89.4m	0%
UK employee turnover	25%	31.8%	28.6%	28.1%	25%
Total (% of max)					25%

As set out in the Annual Statement, the Committee considered carefully the appropriateness of paying a bonus in a year when the profit threshold was not achieved. For our business, employee turnover is a critical metric in a challenging labour market and the benefits of maintaining a stable workforce in a company with over 18,500 employees is a key goal for us with clear related financial benefits. The business has placed significant attention on reducing employee turnover and has performed admirably in achieving the demanding 2022 target set by the Committee. Reflecting on this, and the experience of our wider stakeholders, the Committee believes a total bonus payout of 25% of maximum is warranted.

The Committee took into account the following factors in making its decision on 2022 bonuses:

- The Group delivered a solid financial performance against a challenging backdrop, with significant inflation across the cost base and on household budgets, which has impacted consumer behaviour;
- The balance sheet remains robust, with leverage within the target range and significant liquidity headroom on debt facilities;
- Total FY22 dividend of 6.93 pence per Ordinary share, an increase of 5% on FY21; and
- Implementation of an out-of-cycle pay increase across the majority of our UK sites at the start of 2022 to support weekly paid colleagues, in addition to the standard, negotiated annual increase.

Furthermore, the employee turnover measure applies to all c.1,300 middle and senior managers and to not pay out on this measure would discredit the design of our employee bonus scheme.

	Maximum bonus opportunity (% of salary)	Bonus payout (% of maximum)	Bonus earned (£000s)
Mike Edwards[1]	125%	25%	165
Ben Waldron[1]	125%	25%	128
Agust Gudmundsson[2]	80%	25%	132

1 Mike Edwards' and Ben Waldron's bonuses have been calculated on a pro-rata basis on their salaries in their different roles during the year.

2 Agust Gudmundsson's bonus has been pro-rated to reflect his time as an executive from the start of the financial year to 31 October 2022.

Two-thirds of the bonus earned will be paid in cash and the remaining one-third will be deferred in shares under the DABP for the new CEO (Mike Edwards) and CFO and Asia CEO for three years. There are no performance conditions attached to the vesting of deferred shares and these awards vest subject to continued employment. The previous CEO (Agust Gudmundsson) will receive a pro-rated cash bonus for the 10 months he served as an Executive in 2022.

2020 LTIP update

Prior to their joining the Group Board, Mike Edwards was granted awards over 460,121 performance shares and 230,060 restricted shares and Ben Waldron was granted awards over 208,333 performance shares and 104,166 restricted shares under the LTIP on 14 October 2020 which are capable of vesting on 14 October 2023. The performance share awards are based 100% on relative TSR targets measured over a three-year period ending on 13 October 2023 and the restricted share awards are subject to a service condition only.

The outcome of the TSR assessment for the performance share awards will be provided in next year's remuneration report alongside the vesting of the LTIP awards granted on 26 April 2021. As a consequence of the pandemic the 2020 LTIP awards were granted later than the usual April grant date, and therefore there is no value assigned in respect of the 2020 LTIP in the 2022 single total figure of remuneration.

Payments to former Directors and loss of office payments (audited)
There were no payments to former Directors or payments for loss of office during the year.

On 31 October 2022, Agust Gudmundsson retired from his role as CEO and became a Non-executive Director of the Group. Agust received his salary, benefits and pension until the point of ceasing to become an Executive. Agust received a pro-rated cash bonus for the 10 months he served as an Executive in 2022. Agust holds DABP awards in the form of cash conditional awards which will vest on their normal vesting dates (14 October 2023 and 13 April 2025). Following his move to Non-executive Director, Agust received a pro rata fee for his services in line with the NED fee rate for other serving Non-executive Directors (£73,903 p.a.).

Peter Gates retired from the Group Board on 26 December 2020. He was granted awards over 1,118,051 performance shares under the LTIP on 15 September 2020 based 100% on relative TSR targets measured over a three-year period ending 14 September 2023. The outcome of the TSR assessment will not be known until after the end of the performance period.

B. Directors' share ownership and share interests

LTIP and deferred bonus awards granted in 2022 (audited)
On 13 April 2022 the following awards, structured as nil-cost options, were made under the LTIP to Executive Directors:

	Date of grant	Basis of award (% of salary)	Face value of awards at grant[1]	Number of shares under award	Date of vesting
Mike Edwards	13 April 2022	150%	£741,488	680,889	13 April 2025
Ben Waldron	13 April 2022	150%	£608,999	559,228	13 April 2025

1 Based on the three-day average share price of £1.089 to 12 April 2022. 25% vests for delivering threshold performance.

The awards will ordinarily become exercisable on the third anniversary of grant subject to continued service and to the extent to which adjusted earnings per share ("EPS") and total shareholder return ("TSR") performance conditions are satisfied that each apply with equal weighting. The performance period for both measures ends in December 2024.

Relative TSR[1]	Earnings per share (for FY24)	Portion of award vesting
Below median	Less than 12.0p	0%
Median	12.0p	25%
Between median and upper quartile	Between 12.0p and 13.8p	Pro-rata on straight-line basis between 25% and 100%
Upper quartile	13.8p	100%

1 TSR is measured over the three-year period commencing from the start of the 2022 financial year against the following companies: Associated British Foods, A.G Barr, Britvic, Coca-Cola HBC, Compass Group, Cranswick, Devro, Diageo, Domino's Pizza Group, DP Eurasia NP, Fuller Smith Turner, Greencore Group, Greggs, Hilton Food Group, JD Wetherspoon, J Sainsbury, Marston's, McColls Retail Group, Mitchells Butlers, Ocado Group, Premier Foods, Restaurant Group, SSP Group, Tate Lyle, Tesco, Unilever and Whitbread.

Awards will be subject to a two-year post-vesting holding period following vesting as well as malus and clawback provisions.

On 13 April 2022, deferred bonus awards were granted under the Deferred Annual Bonus Plan calculated as one third of the FY21 annual bonus as follows:

	Date of grant	Form of award	Face value of awards at grant[1]	Number of shares under award	Date of vesting
Mike Edwards	13 April 2022	Nil cost option	£150,343	138,055	13 April 2025
Ben Waldron	13 April 2022	Nil cost option	£115,625	106,175	13 April 2025
Agust Gudmundsson	13 April 2022	Cash conditional award	£153,750	141,184	13 April 2025

1 Based on the three-day average share price of £1.089 to 12 April 2022.

Outstanding LTIP and deferred bonus awards

Details of all outstanding performance share awards ("PSAs"), restricted share awards ("RSAs") and deferred annual bonus awards ("DABPs") held by Executive Directors:

	Award type[1]	Ex. price	Grant date	Interest at December 2021	Awards granted in year	Awards vested in year	Awards lapsed in year	**Interest at December 2022**	Date of vesting
Mike Edwards	LTIP 2017	£0	1 July 2017	600,000				**600,000**	1 April 2020
	LTIP 2017	£0	1 July 2017	400,000				**400,000**	1 April 2022
	LTIP 2018 RSA	£0	9 April 2018	81,385				**81,385**	9 April 2021
	LTIP 2019 PSA	£0	9 April 2019	236,188			236,188	**–**	9 April 2022
	LTIP 2019 RSA	£0	9 April 2019	118,094		118,094		**118,094**	9 April 2022
	LTIP 2020 PSA	£0	14 Oct 2020	460,121				**460,121**	14 Oct 2023
	LTIP 2020 RSA	£0	14 Oct 2020	230,060				**230,060**	14 Oct 2023
	LTIP 2021 PSA	£0	26 Apr 2021	545,872				**545,872**	26 Apr 2024
	LTIP 2022 PSA	£0	13 Apr 2022		680,889			**680,889**	13 Apr 2025
	DABP 2022	£0	13 Apr 2022		138,055			**138,055**	13 Apr 2025
Ben Waldron	LTIP 2017	£0.764	1 July 2017	134,163				**134,163**	1 April 2020
	LTIP 2019 PSA	£0	9 April 2019	96,852			96,852	**–**	9 April 2022
	LTIP 2019 RSA[2]	£0	9 April 2019	48,426		48,426		**48,426**	9 April 2022
	LTIP 2020 PSA	£0	14 Oct 2020	208,333				**208,333**	14 Oct 2023
	LTIP 2020 RSA	£0	14 Oct 2020	104,166				**104,166**	14 Oct 2023
	LTIP 2021 PSA	£0	26 Apr 2021	419,818				**419,818**	26 Apr 2014
	LTIP 2022 PSA	£0	13 Apr 2022		559,228			**559,228**	13 Apr 2025
	DABP 2022	£0	13 Apr 2022		106,175			**106,175**	13 Apr 2025

1 Ben Waldron and Mike Edwards received restricted share awards in their roles as Senior Executives prior to joining the Group Board.

2 Award exercised during FY22.

Statement of Directors' shareholdings and share interests (audited)

The share interests of each Director as at 31 December 2022 (together with interests held by connected persons) are set out in the table below. To align Executives with the interests of shareholders, the Remuneration Committee has implemented shareholding guidelines for Executive Directors and key senior colleagues. 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 LTIP awards (net of any taxes due) until this guideline is met.

Shareholdings for Directors who have held office during the year ended 31 December 2022 are set out as a percentage of salary or fees in the table below. There were no options exercised during the year by Directors. During the period from 31 December 2022 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 31 December 2022	Vested but unexercised share awards	Unvested share awards – LTIP	Unvested share awards – DABP	**Total interests held at 31 December 2022**	Shareholding as a % of salary[2]
Executive Directors						
Mike Edwards	**–**	1,199,479	1,916,942	138,055	**3,254,476**	24.6%[1]
Ben Waldron	**59,902**	182,589	1,291,545	106,175	**1,640,211**	30.3%[1]
Non-executive Directors						
Simon Burke (Chairman)	**50,000**	–	–	–	**50,000**	n/a
Sanjeevan Bala						
Umran Beba						
Jill Caseberry						
Patrick L. Cook						
Agust Gudmundsson[3]	**142,103,505**				**142,103,505**	
Lydur Gudmundsson	**142,303,505**				**142,303,505**	
Denis Hennequin						
Jane Lodge	**50,000**				**50,000**	

1 Calculation based on share price of £0.961 as at 31 December 2022.

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 restricted share awards are excluded. 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.

3 Agust Gudmundsson has retained his shareholding since retiring as CEO and there has been no change in his shareholding between 31 December 2022 and the date this report has been signed off.

C. Pay comparison

Percentage change in Directors' remuneration versus employee pay

The table below shows the percentage change in salary, benefits and annual bonus earned between the 2022 financial year and the prior year for the Group Board compared to the average earnings of all of the Group's other UK colleagues. The change in remuneration is also shown for the previous two years. Whilst the regulations require comparison against employees of the Company (being Bakkavor Group plc), the Remuneration Committee chose the Group's UK salaried colleagues for pay comparison with the CEO as the most meaningful comparator group as the Company itself does not have any employees.

	2022			2021			2020		
	Salary/ Fees	Benefits	Annual bonus	Salary/ Fees	Benefits	Annual bonus	Salary/ Fees	Benefits	Annual bonus
Mike Edwards	**2.75%**	**-16.1%**	**-66.7%**	n/a	n/a	n/a	n/a	n/a	n/a
Ben Waldron	**9.7%**	**91.7%**	**-66.7%**	n/a	n/a	n/a	n/a	n/a	n/a
Agust Gudmundsson[1]	**2.75%**	**18.2%**	**-66.7%**	0.00%	1000%	n/a	0%	-75%	-100%
Simon Burke (Chairman)[1]	**2.75%**	**0%**	**n/a**	2.75%	-100%	n/a	0%	100%	n/a
Sanjeevan Bala	**2.75%**	**n/a**	**n/a**	n/a	n/a	n/a	–	–	–
Umran Beba[1]	**2.75%**	**400%**	**n/a**	2.75%	100%	n/a	0%	n/a	n/a
Jill Caseberry	**2.75%**	**100%**	**n/a**	n/a	n/a	n/a	–	–	–
Patrick L. Cook	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	0%	n/a	n/a
Lydur Gudmundsson[1]	**2.75%**	**0%**	**n/a**	2.75%	-50%	n/a	0%	-50%	n/a
Denis Hennequin[1]	**2.75%**	**0%**	**n/a**	2.75%	0%	n/a	0%	n/a	n/a
Jane Lodge[1]	**2.75%**	**100%**	**n/a**	2.75%	-66.7%	n/a	0%	100%	n/a
Colleague average	**2.75%**	**0%**	**-66.7%**	2.75%	0%	300%	0%	n/a	n/a

1 As part of the swift actions taken by the Group Board to preserve cash at the onset of the pandemic, the Group Board agreed on voluntary reductions in salary/fees for three months from April to June 2020. The Chairman and Non-executive Directors took a 50% reduction in fees, whilst the Group's founders (CEO at the time, Agust Gudmundsson and Non-executive Director, Lydur Gudmundsson) did not take a salary or fee during this period. These temporary salary and fee reductions have been excluded to enable easier like-for-like comparisons between 2020 and 2021.

Given the makeup of our 18,500+ colleagues, the majority of UK colleagues 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.

CEO pay ratio

In line with the reporting regulations, set out below is the ratio of CEO pay compared to the pay of UK full-time equivalent colleagues of the Group for the financial year ended 31 December 2022. We expect the pay ratio to vary from year to year, driven largely by variability in incentive outcomes for the CEO, which will significantly outweigh any other general employee pay changes at Bakkavor. The CEO single total figure remuneration of £998k (based on the total remuneration paid to the previous and new CEOs in relation to the period they were each undertaking the role of CEO) is used in the table below. The Remuneration Committee is satisfied that the pay ratio is reasonable and consistent with the Company's wider policies on colleague pay, reward and progression.

	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	Option B	49:1	40:1	40:1
2021	Option B	69:1	59:1	46:1
2020	Option B	41:1	34:1	28:1
2019	Option B	56:1	39:1	36:1

The key reason for the significant decrease in the pay ratio from full-year ended 2021 is the lower payment for annual bonus in 2022 (25% of the maximum) compared to 2021 (75% of the maximum). The calculation is further complicated by the fact that there were two different CEOs during the reporting period. For this reason, the Group believes the median pay ratio for the relevant financial year is consistent with the pay, reward and progression policies for the Group's UK colleagues taken as a whole.

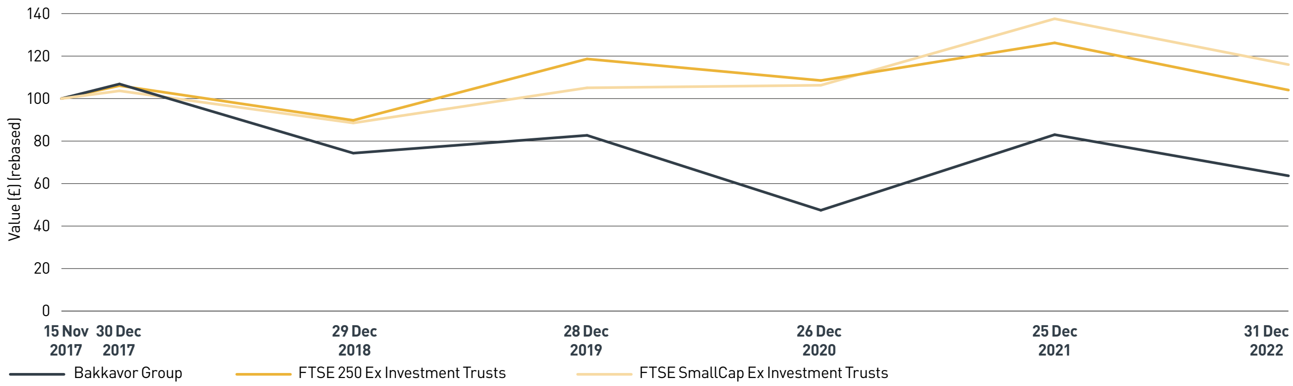
Bakkavor has calculated the pay ratio using Option B alongside its gender pay data, as it involved the simplest method of calculation, given our large number of colleagues. The gender pay gap data from the pay date of 8th April 2022 was used to identify colleagues at the 25th, 50th and 75th percentiles. Data was analysed for a number of colleagues around each quartile figure to ensure that there were no anomalies and to ensure an appropriate representation of P25, P50 and P75. Remuneration for each of these individuals was then re-calculated for FY22, in line with the methodology for calculating the CEO's remuneration. The Remuneration 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	£19,695	£24,032	£24,506
Total pay and benefits	£20,317	£24,751	£25,242

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 31 December 2022. The FTSE 250 and SmallCap indices are considered by the Group 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 history

	CEO	CEO single figure of total remuneration £'000	Annual bonus payout as a proportion of maximum	LTIP vesting as a proportion of maximum
2022	Mike Edwards	£161	25%	n/a
2022	Agust Gudmundsson	£837	25%	n/a
2021	Agust Gudmundsson	£1,278	75%	n/a
2020	Agust Gudmundsson	£694	0%	n/a
2019	Agust Gudmundsson	£987	12.4%	n/a
2018	Agust Gudmundsson	£864	0%	n/a

The 2022 figures for Mike Edwards and Agust Gudmundsson are based on the period in post as Chief Executive during the 2022 financial year. For Mike Edwards, there was no LTIP capable of vesting based on performance ending in December 2022 and Agust Gudmundsson did not participate in the LTIP.

Relative importance of the spend on pay

The following table shows the Company's actual spend on pay for all Group colleagues relative to dividends:

	2022	2021	% change
Staff costs[1]	£594.7m	£539.2m	10.3%
Dividends	£38.8m	£38.5m	0.8%

1 Note 8 of the Financial Statements.

D. Remuneration Committee membership, governance and voting

Remuneration Committee membership

The Remuneration Committee in 2022 comprised Denis Hennequin as Chair of the Committee, Umran Beba and Jill Caseberry, all independent Non-executive Directors. The Committee met four times during the year and all Committee members were present. On 1 January 2023, Denis Hennequin stepped down from the role of Chair of the Committee and has been succeeded by Jill Caseberry. On the same date Sanjeevan Bala became a member of the Committee. Therefore from 1 January 2023, the Committee comprised Jill Caseberry (Chair), Sanjeevan Bala and Umran Beba. The biographies of the Remuneration Committee members are set out on pg 93–95.

Members of management, including the CEO, the CFO and Asia CEO, the CPO, the Group Head of Reward and the independent adviser to the Remuneration Committee, are invited to attend meetings where appropriate. The Group Company Secretary and General Counsel is the secretary to the Remuneration 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 Remuneration Committee takes account of information from both internal and independent sources, including FIT Remuneration Consultants LLP ("FIT") which acts as the Remuneration Committee's independent adviser. FIT was appointed by the Remuneration Committee as a result of a tender process and advised the Remuneration 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 Remuneration Committee reviews the performance and independence of its advisers on an annual basis. The Remuneration Committee was satisfied that FIT's advice was independent and objective. Bakkavor incurred fees of £57,218 excluding VAT during 2022 relating to Remuneration Committee advice. FIT billed on a time and materials basis and did not provide any other services other than share plan implementation advice to Bakkavor during 2022.

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 25 May 2022 in respect of the Directors' remuneration report for the year ended 25 December 2021 and at the AGM on 20 May 2021 in respect of the current Directors' Remuneration Policy:

	Remuneration report	
At AGM 25 May 2022	Total number of votes	% of votes cast
For and Discretionary[1]	564,080,140	99.79%
Against	1,194,447	0.21%
Total votes cast (excluding withheld votes)	**565,274,587**	**100.0%**
Total votes withheld	88,269	0.0%
Total votes cast (including withheld votes)	**565,362,856**	**100.0%**

1 There were no discretionary votes.

	Remuneration Policy	
At AGM 20 May 2021	Total number of votes	% of votes cast
For and Discretionary[1]	560,488,633	99.72%
Against	1,552,056	0.28%
Total votes cast (excluding withheld votes)	**562,040,689**	**100.0%**
Total votes withheld	625	0.0%
Total votes cast (including withheld votes)	**562,041,314**	**100.0%**

1 13,951 were based on discretionary votes.

E. Implementation of Remuneration Policy in 2023

	Mike Edwards	Ben Waldron
Annual base salary	• 2023: £700,000. • From 1 November 2022: £700,000 (upon promotion to CEO). • From 1 January 2022: £494,326.	• 2023: £450,000. • From 1 December 2022: £450,000 (upon promotion to CFO and Asia CEO) and to reflect additional responsibilities. • From 1 January 2022: £406,000.
	• The average 2023 increase for the UK salaried workforce is c.4% with increases ranging from 3% to 5%.	
Benefits and pension	• Pension contribution reduced from 20% of salary to 3% of salary upon his promotion from COO, UK. • Benefits are provided in line with the approved Remuneration Policy.	• Pension contribution is workforce aligned at 3% of salary. • Benefits are provided in line with the approved Remuneration Policy.
Annual bonus	• 2023 annual bonus maximum is 125% of salary. • For 2023, the annual bonus for the Executive Directors will comprise two measures, consistent with the approach taken in 2022, namely Group adjusted EBIT (75%) and colleague engagement measured through employee turnover (25%). • Specific targets have not been disclosed in advance as this would give a clear indication of the Group's business objectives, which are commercially sensitive. Full details of the targets and performance against them will be disclosed in the 2023 Annual Report and Accounts. • 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.	
Long-Term Incentive Plan awards	• The Remuneration Committee intends to grant awards of nil-cost options under the LTIP in April 2023 to the CEO and CFO & Asia CEO in line with the Remuneration Policy. • Awards will have a face value of up to 150% of salary, with the exact number of shares to be granted to be determined with reference to the prevailing share price around the date of grant. • The awards will be subject to EPS and relative TSR (measured against a bespoke group of food and drink companies) measures, each with equal weighting. • The adjusted EPS target requires a minimum performance of 10.0p to trigger threshold vesting (25% of that element) with performance of 11.5p to achieve maximum. For performance outcomes between threshold and maximum, the vesting percentage will be determined on the basis of a straight line sliding scale. In setting these targets, the Committee took into account the Group's strategic plan; the expected impact of the change in the Group's underlying tax rate from 21.5% (in 2022) to c. 26%; and market expectations based on analyst forecasts. Whilst the Committee recognises the EPS range is lower than the previous award, it is confident that the targets are stretching for the three-year performance period. • The Relative TSR performance condition is unchanged from the FY22 award with performance assessed over the period FY23 to FY25, relative to the following bespoke group of sector peers: A.G. Barr, Associated British Foods, Britvic, Coca-Cola HBC, Compass Group, Cranswick, Devro, Diageo, Domino's Pizza Group, DP Eurasia NV, Fuller Smith & Turner, Greencore Group, Greggs, Hilton Food Group, JD Wetherspoon, J Sainsbury, Marston's, Mitchells & Butlers, Ocado Group, Premier Foods, Restaurant Group, SSP Group, Tate & Lyle, Tesco, Unilever (UK) and Whitbread. Performance will need to be median to trigger threshold vesting (25% of that element) and at least upper quartile to trigger full vesting of that element. For performance outcomes between threshold and maximum, the vesting percentage will be determined on the basis of a straight line sliding scale. • In line with our usual approach, a windfall gain assessment will be made at the time of grant. In addition, before an award vests the Remuneration Committee must be satisfied that the underlying performance of the Group is satisfactory. The Remuneration Committee believes that having a performance override is an important feature of the plan as it mitigates the risk of unwarranted vesting outcomes. • Awards will be subject to a two-year holding period following vesting as well as malus and clawback.	

Non-executive Directors' fees for 2023

Fees for the Non-executive Directors and Chairman have not been increased for FY23 and remain as follows:

	Fee
Chairman	£211,151
Base Non-executive Director fee	£73,903

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 Bakkavor Group plc, 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 has historically been employed to provide consulting services to the Group for a fee of €230,000 per annum and has also been entitled to private medical cover in the UK for the benefit of his family. This agreement ceased with effect from 31 December 2022 after which Lydur will be entitled to the standard Non-executive Director fee and reasonable expenses only.

No additional fee is payable to any Non-executive Directors for additional responsibilities such as serving on a Committee of the Group Board. Each Non-executive Director is also entitled to reimbursement of reasonable expenses, including international travel expenses.

On behalf of the Group Board

Denis Hennequin
Chair, Remuneration Committee (during FY22)
7 March 2023

The Directors present their report, together with the audited Group Financial Statements, for the year ended 31 December 2022.

Principal activities and business review
Bakkavor Group plc produces fresh prepared food in its three markets, the UK, US and China. The Company employs over 18,500 colleagues worldwide and is headquartered in London, UK.

Directors' report content
For the purposes of the Companies Act 2006, the strategic report, the corporate governance report and the Directors' remuneration report are all incorporated by reference into, 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 number 10986940. Bakkavor Group plc's registered office is Fitzroy Place, 5th Floor, 8 Mortimer Street, London, England, W1T 3JJ.

Our registrars are Equiniti Limited, located at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

Corporate governance statement
In compliance with the Financial Conduct Authority("FCA")'s Disclosure Guidance and Transparency Rules ("DTRs") Rule 7, the corporate governance statement, Board Committees' reports, and Directors' remuneration report are included in this Directors' report. **READ MORE** on the corporate governance statement, and how the Group complies with the 2018 UK Corporate Governance Code ("the Code") on pg 89 and a description of the composition and operation of the Group Board and its Committees on pg 92–95.

All required disclosures have been made. Other than the area of non-compliance identified on pg 89, the Group has complied with the Code throughout the accounting period.

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 colleagues and key stakeholders is contained within the Section 172 statement in the strategic report on pg 66.

Strategic report
Section 414A of the Companies Act 2006 ("the Act") requires the Directors to present a strategic report in the Annual Report and Accounts. **READ MORE** on pg 2–87. The Directors are satisfied with the Group's net asset position as at 31 December 2022.

Management report
For the purposes of DTR Rules 4.1.5R (2) and 4.1.8, the Directors' report and the strategic report on pg 2–87 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 pg 2–87; it encompasses our ESG strategy, Trusted Partner.

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 pg 219–220 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 in the Directors' report. This is as follows:

	Page
Important events since the financial year end	213
Likely future developments in the business	22–31
Research and development	156
Use of financial instruments	18
Colleague engagement	67
Greenhouse gas emissions	64
Risk management and risks	76–86
Details of subsidiaries	219–220

Listing Rule 9.8.4 Disclosures
In accordance with Listing Rule 9.8.4 of the FCA's Listing Rules, the table below sets out the location of the following sections/information within the Annual Report and 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 31 to the Financial Statements and pg 136–151 of Directors' remuneration report
(5)	Waiver of emoluments by a Director	Pg 136–151 of Directors' remuneration report
(6)	Waiver of future emoluments by a Director	Pg 136–151 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	Pg 154 of Directors' report
(11)	Provision of services by a controlling shareholder	Pg 155 of Directors' report
(12)	Shareholder waivers of dividends	Not applicable
(13)	Shareholder waivers of future dividends	Not applicable
(14)	Agreements with controlling shareholders	Pg 155 of Directors' report

Results

READ MORE on the results for the year ended 31 December 2022 on pg 72 and 169.

Dividend

An interim dividend of 2.77p per Ordinary share was paid on 14 October 2022 to shareholders whose names were in the register of members as at 16 September 2022. The Group Board will propose a final dividend of 4.16 pence per Ordinary share at the Company's AGM on 31 May 2023. This will result in a total dividend for the financial year 2022 of 6.93 pence per Ordinary share. Subject to shareholder approval, the final dividend declared at the AGM will be paid on 5 June 2023 to shareholders on the register of members as at close of business on 28 April 2023.

The Group's profit after tax for the financial year amounts to £12.5m (2021: £56.8m).

Board of Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are set out below and their profiles are set out on pg 92–95 of this report.

An agreed list of matters for the Directors' consideration is set out in the Schedule of Matters Reserved to the Group Board, which is reviewed and updated annually and is available on the Bakkavor website at bakkavor.com/en/investors/governance/.

Appointment and retirement of Directors

The rules governing the appointment and replacement of Directors can be found in the Articles, the Code, the Act and related legislation. Under the Terms of Reference of the Nomination Committee, the appointment of Directors must be recommended by the Nomination Committee for approval by the Group Board. The process for appointment and removal of Directors is captured in the Terms of Reference of the Nomination Committee. Pursuant to the provisions of the Code, at each AGM, all Directors will retire and stand for election or re-election to the Group Board. Directors' individual biographies are set out on pg 92–95.

Directors' dates of appointment are shown in the table below:

Name	Role	Effective date of appointment
Sanjeevan Bala	Independent Non-executive Director	1 August 2021
Simon Burke	Chairman	20 October 2017
Umran Beba	Independent Non-executive Director	1 September 2020
Jill Caseberry	Independent Non-executive Director	1 March 2021
Patrick L. Cook	Non-independent Non-executive Director	12 July 2018
Mike Edwards	Chief Executive Officer	27 December 2020[1]
Agust Gudmundsson	Non-independent Non-executive Director	28 September 2017[2]
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
Ben Waldron	Chief Financial Officer and Asia CEO	27 December 2020

1 Mike Edwards was appointed as Chief Executive Officer on 1 November 2022.

2 Agust Gudmundsson stepped down as Chief Executive Officer on 31 October 2022 and was appointed as a Non-independent Non-executive Director on 1 November 2022.

Subject to applicable law, the Articles and any directions given by special resolution, the business of the Company will be managed by the Group Board, which may exercise all powers of the Company.

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 and Accounts. 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.

Service contracts

The Company's policy regarding Directors' service contracts and appointment terms takes account of market practice and their notice periods are not excessive. No Director has a service contract with a notice period in excess of one year.

Directors' interests in Company shares

Directors' direct and indirect shareholding interests which have been notified to the Company as of 31 December 2022 and as at the date of the publication of this report, are set out in the table below. There were no changes to the shareholding interests between 31 December 2022 and the date of publication:

	31 December 2022		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	142,303,505	24.56%	142,303,505	24.56%
Jane Lodge	50,000	0.01%	50,000	0.01%
Ben Waldron	59,902	0.01%	59,902	0.01%

Articles of Association

The Company's Articles of Association set out the objects and powers of the Company. 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, bakkavor.com/en/investors/governance.

Share capital and capital structure

The Company's issued share capital as at 31 December 2022 comprised a single class of shares 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 colleague share schemes are set out in Note 31 to the Consolidated Financial Statements.

Restrictions attaching to shares

In line with the Articles of Association of the Company, 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 regarding the control of the Company.

Powers for the Company issuing or buying back shares

Under the Articles, the Group 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 2022 AGM to make market purchases of up to 10% of its issued share capital as permitted under the Articles. This standard authority is renewable annually; the Directors will seek to renew this authority at the AGM on 31 May 2023.

During 2022, the Company began purchasing its own Ordinary shares from the market through an Employee Benefit Trust called The Bakkavor Group plc Employee Benefit Trust ("the Trust"). These shares are held to satisfy share awards under the Group's share scheme plans. Own shares are recorded at cost and are deducted from equity. The number of Ordinary shares of £0.02 each held by the Trust at 31 December 2022 was 2,940,514 and as at the date of publication of this report remains at 2,940,514. This represents 0.51% of total called up share capital at 31 December 2022. Total cash purchases made through the Trust during the year amounted to £3.1m. No own shares held of the Company were cancelled during the periods presented.

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 AGM on 31 May 2023.

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 colleague share plans. During the year under review, there were no contracts of significance impacting on the business of the Group as a whole involving a Director (except as explained below).

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 colleagues that provide for compensation for loss of office or employment that occurs because of a takeover bid.

There are no colleague 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 holding structure of Lydur Gudmundsson) and their concert party group (the "controlling shareholders") is 50.19%. 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 Group 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.

There were no contracts for the provision of services to the Group by a controlling shareholder, other than under their service contract or letter of appointment as set out on pg 142 of the Directors' Remuneration Report.

Substantial shareholding

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.

		31 December 2022		Date of publication	
Name	Nature of holding	Number of Ordinary shares	% of voting rights	Number of Ordinary shares	% of voting rights
Carrion Enterprises Limited (corporate holding structure of Agust Gudmundsson)	Indirect	142,103,505	24.52	142,103,505	24.52
Umbriel Venture Limited (corporate holding structure of Lydur Gudmundsson)	Indirect	142,303,505	24.56	142,303,505	24.56
BP-PE5 L.L.C. (corporate holding structure of the Baupost Group)	Indirect	143,832,928	24.82	143,832,928	24.82
Aberforth Partners LLP	Indirect	42,508,445	7.34	42,508,445	7.34
FIL Investment Advisors (UK) Limited	Indirect	40,633,413	7.01	41,958,071	7.24
Ruffer LLP	Indirect	18,466,613	3.19	17,940,565	3.10

Engagement with shareholders

In accordance with the Code and the UK Stewardship Code, the Group Board promotes engagement and interaction between the Group and its major shareholders.

Opportunities are created for investors and shareholders to engage directly with the Chairman, Senior Independent Director, Audit and Risk and Remuneration Committee Chairs, CEO and CFO and Asia CEO. An appropriate range of investor relation conferences and events were held in the year 2022 following the publication of the half-year and full-year financial results.

Annual General Meeting

Bakkavor's AGM provides the Group Board with the opportunity to communicate with private and institutional investors, with time 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 last AGM were duly passed. As recommended by the 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.

This year's AGM on 31 May 2023 will be in person. Full details of the 31 May 2023 AGM are set out in the Notice of AGM, including: general arrangements; the resolutions to be proposed; shareholders' rights with respect to attendance; participation in the meeting; and the process for submission of proxy votes in advance of the meeting.

The Notice of AGM and additional information for shareholders can be found on our website at bakkavor.com/en/investors.

Research and development

Developing innovative new products remains core to our 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 desire. 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. **READ MORE** on how we have responded to changes in consumer behaviour on pg 79, and progress under our strategy on pg 22, and Note 2 to the Group Financial Statements.

Colleagues with disabilities

Applications for employment by prospective colleagues with disabilities are given full and fair consideration having regard to candidates' aptitudes and abilities. On occasions where existing colleagues develop a disability, every effort is made to ensure that their employment with the Group continues, and any reasonable adjustments are made to accommodate them. Appropriate training is also provided.

It is the policy of the Group that the training, career development and promotion of colleagues with disabilities should, as far as possible, be the same as that of our other colleagues.

Colleague engagement

Open and constructive communication allows us to hear views from all levels of the business, keeping our over 18,500 colleagues informed and updated on economic and financial factors. Regular updates are posted on the intranet and engagement events are hosted with members of the Management Board. Colleagues are provided with information on matters of concern to them in their work through regular briefing meetings and internal publications.

Colleagues have regular performance reviews, with their goals aligned to supporting business performance and their individual career development. Certain colleagues are eligible to receive a bonus, which is typically linked to certain financial and non-financial metrics.

We perform a Group-wide Employee Engagement Survey annually and our latest survey, completed in September 2022, had a response rate of 86%. The 2022 survey provided valuable insights that were analysed at local, site, business and Group level and have fed into localised action plans and informed our colleague priorities.

Additionally, our UK Group Employee Forum ("GEF") and Site Employee Forum ("SEF") create an open and regular channel of communication between colleagues and management. Outputs are shared back in Management Board and Group Board meetings to ensure colleagues' interests are considered in key decisions. SEF representatives are elected by peers and play a vital role in sharing best practices across sites, supporting local causes and charities, providing support and seeking advice. The GEF comprises SEF representatives at Group level. We have continued to seek feedback from the UK GEF, SEF and our office-based colleagues to evolve our ways of working. Certain initiatives introduced through Covid have remained or evolved, such as increased flexibility in shift patterns, part-time work and working from home.

This year, Jill Caseberry, the Company's designated workforce engagement Non-executive Director, held a number of workforce engagement sessions, including meeting with the GEF to discuss the alignment of Executive remuneration with the wider company pay policy and how Bakkavor's refreshed values had been received across the Company and the ongoing initiatives that had been agreed in order to continue to embed the values. Jill stepped down from the role and Sanjeevan Bala was appointed with effect from 1 January 2023. Sanjeevan will continue this valuable work and has a number of engagement sessions with the GEF scheduled for 2023.

READ MORE on pg 67.

Greenhouse gas emissions, energy consumption and energy efficiency action

READ MORE on the Task Force on Climate-related Financial Disclosures on pg 56. All data shown is for the calendar year 2022 and at a Group level, unless specified.

Charitable donations

Bakkavor believes in giving back to the communities in which we operate. Our Charity and Political Donations Policy sets out ways to channel charitable giving: through monetary and product donations, supporting our colleagues in their fundraising efforts and advocating skills and volunteering events. 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. **READ MORE** on pg 55.

Political donations

Bakkavor does not give financial donations nor support to political individuals, representatives, parties or causes in any country in which we operate. No political donations were made during the financial year.

Financial instruments

Please refer to Note 27 to the Group Financial Statements.

Financial risk management

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 2024.

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. The Directors have carried out a robust assessment of the significant risks currently facing the Group. This has included scenario planning on the implications of further inflation and the potential impact of lower sales volumes from reduced consumer demand in response to increasing retail prices.

Having taken these factors into account under the scenario, which is 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.

READ MORE on principal risks and uncertainties on pg 76 and Note 2 of the Financial Statements.

Viability statement
In line with Provision 31 of the Code, the Group 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 2025. **READ MORE** on pg 87 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 34 to the Group Financial Statements.

The Directors' report was approved by the Group Board on 7 March 2023.

By order of the Group Board

Annabel Tagoe-Bannerman
Group General Counsel and
Company Secretary Bakkavor Group plc
7 March 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and Accounts 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 UK-adopted International Accounting Standards and 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 applicable UK-adopted International Accounting Standards have been followed for the Group Financial Statements 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 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 also 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 and Accounts and the Financial Statements, taken as a whole, are fair, balanced and understandable, and provide 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 Annual Report and Accounts and the Financial Statements, confirm that, to the best of their knowledge:

- The Group Financial Statements, which have been prepared in accordance with UK-adopted International Accounting Standards, 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 and financial position 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.

Approved on behalf of the Group Board by:

Mike Edwards

Mike Edwards
Chief Executive Officer
7 March 2023

Ben Waldron
Chief Financial Officer and
Asia Chief Executive Officer
7 March 2023

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 31 December 2022 and of the Group's profit and the Group's cash flows for the 53 week period then ended;
- the Group Financial Statements have been properly prepared in accordance with UK-adopted International Accounting Standards as applied in accordance with the provisions 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, including 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 2022 (the "Annual Report"), which comprise: the consolidated statement of financial position and the Company statement of financial position as at 31 December 2022; the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the Company statement 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.

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.

Other than those disclosed in the Audit and Risk Committee report, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- Full scope audit procedures performed over the complete financial information of seven components and specified procedures over a further four components
- Central audit procedures performed by the Group audit team which included the audit of the recoverability of goodwill, the audit of current and deferred income taxes, the audit of share based payment schemes, the audit of the UK defined benefit pension scheme and the audit of the consolidation
- Audit coverage from full scope procedures of 70% 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 UK and US cash generating units (Group)
- Presentation and disclosure of exceptional items (Group)
- Recoverability of shares in Group undertakings and loans to Group undertakings (Company)

Materiality

- Overall Group materiality: £6.8m (2021: £4.0m) based on 1% of total revenues capped at 10% of profit before tax on underlying activities (2021: 5% of profit before tax on underlying activities).
- Overall Company materiality: £4.0m (2021: £4.1m) based on 1% of total assets.
- Performance materiality: £5.1m (2021: £3.0m) (Group) and £3.0m (2021: £3.1m) (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.

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.

Recoverability of goodwill has been updated to include the UK cash generating unit (Group) and the presentation and disclosure of exceptional items (Group) is a new key audit matter this period. Otherwise, the key audit matters below are consistent with last period.

Key audit matter	How our audit addressed the key audit matter
Completeness and accuracy of customer deduction accruals (Group)	
Refer to the accounting policies in Note 2 of the Group Financial Statements.	At the planning stage of the audit, we assessed the design and implementation of controls over the customer deduction process.
As described in Note 2 of the Group 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. 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 also required when assessing if unclaimed historical deduction accruals are no longer required.	We understood and assessed the Group's revenue recognition accounting policies, including the recognition of customer deductions. We performed risk assessment analytics by reviewing the customer deductions as a percentage of revenue by customer. We also performed gross margin analysis period-on-period to identify any unusual or unexpected trends.
We performed a detailed risk assessment on each of our in-scope components to determine the inherent risk level for the two key assertions of completeness and accuracy and tailored the extent of our audit procedures accordingly. We deemed two components to contain a significant risk over the accuracy and completeness of customer deduction accruals because of the number and variety of contractual arrangements and the inherent uncertainty in future outcome. Testing to address these significant risk assertions was performed to a high level of assurance. 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 coterminous), estimated consumer uptake (in relation to promotional funding) and ongoing negotiations with customers.	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 period by comparison to the amounts subsequently settled during the current period and challenged management if any amounts had not been adjusted; • For a sample of customer deductions recorded in the period, we agreed to third party support such as subsequent settlement amounts. Where unsettled, inputs to the calculation have been agreed to underlying contracts and the calculation reperformed. In addition, we have considered the historical accuracy rate of accruals recorded. We recalculated the income statement and accrual amounts to test mathematical accuracy; • We selected a sample of prior period accruals settled in the period by agreeing to debit notes or payments made to the customer; • We performed a review of historical unclaimed deductions released in the period to verify that they met the Group's accounting policy regarding passage of time; 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 based on promotions seen in store or online. We compared information obtained at site level with Group level discussions. We performed substantive testing of post-period-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.
Refer to the Audit and Risk Committee report for discussion of this key audit matter.	We also assessed the adequacy of the disclosure provided in Note 2 of the Group Financial Statements in relation to the relevant Accounting Standards. We found no material differences as a result of the audit procedures performed.

Key audit matter	How our audit addressed the key audit matter
Recoverability of goodwill in relation to the UK and US cash generating units (Group)	
Refer to the accounting policies in Note 2, the key sources of estimation uncertainty in Note 3 and Note 13 of the Group Financial Statements.	At the planning stage of the audit, we assessed the design and implementation of controls over the impairment review process.

Goodwill must be tested for impairment on at least an annual basis. The determination of recoverable amount, being the higher of value-in-use ("VIU") 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").
 	
On 31 December 2022, the Group held goodwill of £51.3m (2021: £46.3m) and £603.8m (2021: £603.8m) in relation to the US and UK CGUs respectively.
 	
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 earnings before interest, tax, depreciation and amortisation ("EBITDA") growth, climate change impacts and capital expenditure forecasts, and in the selection of appropriate discount and long-term growth rates("LTGRs").
 	
The key assumptions within the models are all subjective and susceptible to management bias and execution risk and could lead to an impairment charge if incorrect.
	As part of our audit of management's impairment assessment and underlying discounted cash flow model:
	
	• We obtained the impairment models prepared by management and tested the technical and arithmetic accuracy to ensure that they had been prepared in line with the guidance provided in IAS 36 and noted errors which were subsequently updated;
	• We reviewed the climate related assumptions within the models. Our procedures included, but were not limited to:
	  – Assessing the competence of management experts, KPMG;
	  – Considering the decarbonisation scenario assumptions used by KPMG to calculate decarbonisation costs for both CGUs; and
	  – Corroborating carbon pricing assumptions to an independent external source, the International Energy Agency.

Refer to the Audit and Risk Committee report for discussion of this key audit matter.	• We used internal valuation experts to determine whether management's discount rates were within an acceptable range and concluded that they were appropriate. • We used internal valuation experts to determine if LTGRs used in the impairment models were consistent with external sources of evidence. We noted an error in the data source used for the LTGRs and management updated for this in their final models; • We identified key cash flow forecast assumptions to which the US model was sensitive and focused our efforts on these assumptions. We challenged the basis of the short-term forecasts used in the model, focussing on revenue growth, EBITDA margin assumptions and capital expenditure. This included, but was not limited to:

Key audit matter	How our audit addressed the key audit matter
	– Agreeing forecasts to Board approved plans; – Reviewing management's historical accuracy of forecasting; – Obtaining an EBITDA bridge from FY22 actuals through to FY24 forecasts, and identifying key assumptions for margin growth including volume, price, factory performance and cost inflation; – Assessing the revenue growth rates in the US with reference to historical growth, actual performance of the US CGU in FY22 and FY23 to date, and versus key customer growth plans; – Agreeing 2023 volumes to third party evidence; – Performing detailed testing to substantiate the FY23 forecast price impact; – Obtaining detailed factory performance plans, holding discussions with site General Managers and reviewing Q4 FY22 run rate and FY23 actual performance to date; – Obtaining FY23 material purchase schedules and agreeing associated inflationary assumptions to third party evidence; – Assessing key assumptions for FY24 against historical performance such as revenue growth rates and price recovery for inflation; and – Reviewing capital expenditure forecasts to Board approved plans. • We identified key cash flow forecast assumptions to which the UK model was sensitive and focused our efforts on these assumptions. We challenged the basis of the short-term forecasts used in the model, focussing on EBITDA margin assumptions and capital expenditure. This included, but was not limited to: – Agreeing forecasts to Board approved plans; – Reviewing management's historical accuracy of forecasting; – Obtaining an EBITDA bridge from FY22 actuals through to FY23 forecast, and identifying key assumptions for EBITDA margin including price recovery, inflation, cost savings because of site closures and restructuring and factory performance improvements; – Obtaining FY23 material purchase schedules, labour inflation calculations and utility cost forecasts and agreeing associated inflationary assumptions to third party evidence; – Obtaining a detailed schedule for FY23 price recovery, agreeing this to supporting documentation such as annualisation calculations and customer communications and also comparing to the FY22 historical recovery; – Verifying forecast cost savings following site closures and central restructuring to supporting documentation; – Obtaining detailed factory performance plans, holding discussions with site Financial Controllers and reviewing Q4 FY22 run rate and FY23 actual performance to date; and – Reviewing capital expenditure forecasts to Board approved plans. We performed a cross check between the value-in-use calculation for the full business to the market capitalisation of the Company. There has been a differential between the two for several years. Management consider that this is reflective of the control premium implied in the VIU models, and the ongoing effects of the COVID-19 pandemic and inflationary pressures. We concur with this assessment, and this does not change our conclusions. We reperformed management's sensitivity analysis by reducing cash flows and separately sensitised the discount rate and long-term growth rates to understand the impact that possible changes could have. We confirmed these are mathematically accurate. We performed independent sensitivities on both the UK and US CGUs in the form of stress tests to assess the deviation from budget that each CGU could withstand before an impairment would be necessary. These were focused on adjusting those assumptions which involve greater estimation and also compared to downsides in management's going concern model for consistency. We concluded that no impairment charge is required based on the testing and reasonable downside scenarios modelled and concur with the enhanced disclosures included in the Group Financial Statements.

Key audit matter	How our audit addressed the key audit matter
Presentation and disclosure of exceptional items (Group)	
Refer to the accounting policies in Note 2, Note 3 and Note 7 of the Group Financial Statements.	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.
The Group has reported exceptional items totalling £50.1m (2021: £nil) separately within the consolidated income statement, which are excluded from management's reporting of the underlying results of the Group.	We assessed the control procedures that relate to the preparation, review and approval of the amounts included in exceptionals.
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 the existence of the items identified by management as exceptional and that they are calculated accurately and 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.	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. Audit procedures performed included, but were not limited to; • For a sample of assets impaired as a result of site closures, verifying that the equipment had been scrapped, or where this had not yet occurred corroborating that the asset had no alternative use within the UK business, nor were there any plans to sell the assets; • For a sample of redundancy costs agreeing amounts recorded to underlying calculations and verifying key inputs to supporting documentation such as redundancy letters, salary information and, where relevant, settlement agreements; • Agreeing a sample of non-people related closure costs to supporting documentation; and • For the asset impairment in respect of the associate, La Rose Noire, obtaining management's impairment paper and VIU model and agreeing future dividend forecasts to supporting documentation. This included: – Ensuring that the assumptions for future dividend payments were consistent with the associate's full forecasts and challenging the forecast key assumptions such as timing of EBITDA by store, and verifying to market data where possible; – Obtaining corroboration of the changes to the business from the associate's board member; – Validating that the discount rate and growth rates were not material to the model; and – Ensuring that the impairment recognised was not more than the Group's share of net assets on a return of capital.
Refer to the Audit and Risk Committee report for discussion of this key audit matter.	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
Recoverability of shares in Group undertakings and loans to Group undertakings (Company)	
Refer to the accounting policies in Note 2, Note 4 and Note 8 of the Company Financial Statements. Bakkavor Group plc holds a direct investment of £309.5m (2021: £309.5m) in Bakkavor Holdings Limited, and through this entity an indirect investment in the Group. The valuation of the shares in Group undertakings is significant to the Company-only balance sheet. The Company also holds a loan to Group undertakings of £95.6m (2021: £97.2m). Given the magnitude of both the shares in Group undertakings and the loans to Group undertakings we have considered the risk of impairment of these assets.	At the planning stage of the audit, we assessed the design and implementation of controls over the impairment review process for both shares in Group undertakings and loans to Group undertakings. To address the risk identified; • We obtained a schedule of shares in Group undertakings and ensured this reconciled to Financial Statements; • We challenged management's assertion that no impairment triggers were identified that would necessitate a full impairment review to be performed. We performed a review of net assets of the subsidiary entity against the carrying value, considered the external market and economic factors and also our review of the discounted cash flow models prepared for the purpose of testing goodwill for impairment. (Please see our key audit matter in respect of the recoverability of goodwill in relation to the US and UK cash generating units). Based on these procedures we concluded that there were no triggers that would indicate the directors were required to perform a full impairment test of the shares in Group undertakings carrying value; • We have performed a reconciliation of the loans to Group undertakings amount and ensured this agrees with the counterparty; • We reviewed the application of management's impairment methodology in assessing the recoverability of intercompany receivables and the level of related expected credit loss provisions. The outstanding balances are considered to have a low credit risk and therefore the associated loss allowance is limited to 12 months' expected losses. We have reviewed the terms for the loans to Group undertakings and assessed the nature of the counterparty's liquid assets and have concluded that there is no indication of material impairment to the receivable balances. We also assessed the adequacy of the disclosure provided in Note 2, Note 4 and Note 8 of the Company Financial Statements in relation to the relevant Accounting Standards. We found no exceptions as a result of our testing and consider the recoverability of shares in Group undertakings and loans to Group undertakings 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 are 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 component. Two reporting components were determined to be financially significant due to their relative contribution to revenue or absolute profit before tax on underlying activities. 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 four UK components and the US component 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 cash balances within the Chinese sub-consolidation, inventory within the Inbound Logistics component, provisions within one property component and external borrowings and related interest expenses within the finance component to which specific audit procedures were performed to ensure that we had sufficient audit coverage over the relevant Financial Statement line items.

The consolidation, Financial Statement disclosures and a number of centralised areas were audited by the Group audit team at the head office. These included the audit of the recoverability of goodwill, investments, the audit of current and deferred income taxes, the audit of share-based payment schemes and the audit of the defined benefit pension scheme.

We also performed analytical procedures on all of the remaining out of scope components to identify whether any further audit evidence was needed. This resulted in no additional substantive testing.

This audit work resulted in coverage of 70% of Group revenues.

The Company was also subject to a full scope audit by the Group audit team.

The impact of climate risk on our audit
As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Group Financial Statements and support the disclosures made within the Strategic Report. In addition to enquiries of management we also read reporting provided by management experts on climate risks and opportunities and the pathway to Net Zero.

We challenged the completeness of management's climate risk assessment by: reading external reporting made by management to the Carbon Disclosure Project; reviewing internal climate plans and board minutes; and reading the Company's website for details of climate related commitments and impacts.

Management have made a commitment to reach Net Zero emissions across Group operations by 2040. Management are in the process of developing a detailed pathway to deliver this commitment and have modelled their current best view of the impact. This will be refined in subsequent periods as the pathway becomes more defined.

The key area of the Group Financial Statements where management evaluated that climate risk has a potentially significant impact is in determining the value in use of its CGU's for the assessment of the recoverability of goodwill in relation to the UK and US, where decarbonisation costs are a key assumption. Our audit response is included in the key audit matter above.

We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-Related Financial Disclosures ("TCFD") section) within the Annual Report with the Financial Statements and our knowledge obtained from our audit. This included obtaining the expert reporting used in the TCFD scenario analysis and considering if the assumptions are consistent with those used in the goodwill recoverability assessment and challenging the completeness of the disclosures given in the narrative reporting. We have no matters to report as a result of these procedures.

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	£6.8m (2021: £4.0m).	£4.0m (2021: £4.1m).
How we determined it	1% of total revenues capped at 10% of profit before tax on underlying activities (2021: 5% of profit before tax on underlying activities).	1% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, several KPIs used by management to inform its key stakeholders as well as the targets used for Executive remuneration. Taking these into account we have considered both revenue and profit before tax on underlying activities when determining materiality this period. The key factor for the change is to ensure the materiality appropriately reflects the scale of the business and allows the audit to focus on the key areas as a result.	We believe that total assets are an appropriate benchmark for a 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 £1.4m and £6.1m.

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% (2021: 75%) of overall materiality, amounting to £5.1m (2021: £3.0m) for the Group Financial Statements and £3.0m (2021: £3.1m) 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 in the middle 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 £0.34m (Group audit) (2021: £0.2m) and £0.2m (Company audit) (2021: £0.2m) 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:

- Obtaining management's paper that supports the Board's assessment and conclusions with respect to the disclosures provided around going concern and viability;
- Discussing 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 verified key assumptions to supporting documentation;
- Reviewing monthly trading results to January 2023, and weekly trading results thereafter and comparing to management's original budget and revised forecasts, and considering the impact of these actual results on the future forecast period; and
- Reviewing management's severe but plausible downside sensitivity scenarios. We assessed the availability of liquid resources under the base case and downside scenarios 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, bar reductions in capital expenditure, are required.

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 directors' 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 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 Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 31 December 2022 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 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 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 and Company 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, 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 pensions 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 Financial Statements such as the Listing Rules, tax legislation and 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. Audit procedures performed by the engagement team 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;
- Assessment of matters reported on the Group's whistleblowing helpline, and the results of management's investigation of such matters;
- Review of minutes of meetings 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, the presentation and disclosure of exceptional items and the recoverability assessment for goodwill (see related key audit matters); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations which impact revenue or EBITDA, 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.

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 period ended 28 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is four periods, covering the periods ended 28 December 2019 to 31 December 2022.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these Financial Statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ("ESEF RTS"). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Sandeep Dhillon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 March 2023

CONSOLIDATED INCOME STATEMENT
53 WEEKS ENDED 31 DECEMBER 2022

		53 weeks ended 31 December 2022			52 weeks ended 25 December 2021		
£m	Note(s)	Underlying activities	Exceptional items[1]	Total	Underlying activities	Exceptional items[1]	Total
Continuing operations							
Revenue	4,5	**2,139.2**	**–**	**2,139.2**	1,871.6	–	1,871.6
Cost of sales		**(1,576.5)**	**–**	**(1,576.5)**	(1,330.9)	–	(1,330.9)
Gross profit		**562.7**	**–**	**562.7**	540.7	–	540.7
Distribution costs		**(89.4)**	**–**	**(89.4)**	(75.1)	–	(75.1)
Other administrative costs (net)	6	**(385.6)**	**(50.1)**	**(435.7)**	(363.9)	–	(363.9)
Share of results of associates after tax	17	**0.2**	**–**	**0.2**	0.3	–	0.3
Operating profit/(loss)		**87.9**	**(50.1)**	**37.8**	102.0	–	102.0
Finance costs	9	**(20.8)**	**–**	**(20.8)**	(17.1)	–	(17.1)
Other gains and (losses)	10	**1.1**	**–**	**1.1**	(3.5)	–	(3.5)
Profit/(loss) before tax	6	**68.2**	**(50.1)**	**18.1**	81.4	–	81.4
Tax (charge)/credit	11	**(14.7)**	**9.1**	**(5.6)**	(24.6)	–	(24.6)
Profit/(loss) for the period		**53.5**	**(41.0)**	**12.5**	56.8	–	56.8
Earnings per share							
Basic	12			**2.2p**			9.8p
Diluted	12			**2.1p**			9.6p

1 The Group presents its income statement with three columns. The Directors consider that the underlying activities are more representative of 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 and impairment of assets. In addition, the Group uses further Alternative Performance Measures which can be found in Note 36.

The Notes to the Consolidated Financial Statements form an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
53 WEEKS ENDED 31 DECEMBER 2022

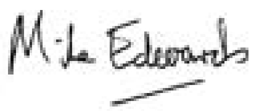
£m	Note	53 weeks ended 31 December 2022	52 weeks ended 25 December 2021
Profit for the period		**12.5**	56.8
Other comprehensive (expense)/income			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit pension schemes	32	**(26.3)**	24.5
Tax relating to components of other comprehensive (expense)/income	11	**6.6**	(6.6)
		(19.7)	17.9
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**17.3**	2.6
Gain on cash flow hedges		**13.3**	2.0
Hedging (gains)/losses reclassified to profit or loss		**(1.4)**	0.4
Tax relating to components of other comprehensive income/(expense)	11	**(3.1)**	(0.2)
		26.1	4.8
Total other comprehensive income		**6.4**	22.7
Total comprehensive income		**18.9**	79.5

The Notes to the Consolidated Financial Statements form an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

£m	Note	31 December 2022	25 December 2021
Non-current assets			
Goodwill	13	**655.1**	650.1
Other intangible assets	14	**8.8**	1.7
Property, plant and equipment	15	**548.1**	545.2
Interests in associates and other investments	17	**3.7**	11.8
Deferred tax asset	23	**12.9**	9.9
Retirement benefit asset	32	**12.8**	37.2
Derivative financial instruments	22	**9.9**	2.6
		1,251.3	1,258.5
Current assets			
Inventories	18	**86.2**	70.8
Trade and other receivables	19	**161.0**	142.8
Cash and cash equivalents	20	**40.2**	31.1
Derivative financial instruments	22	**2.7**	0.3
		290.1	245.0
Total assets		**1,541.4**	1,503.5
Current liabilities			
Trade and other payables	25	**(430.0)**	(390.8)
Current tax liabilities		**(1.1)**	(1.3)
Borrowings	21	**(13.1)**	(3.0)
Lease liabilities	24	**(11.3)**	(10.8)
Provisions	26	**(22.0)**	(8.5)
Derivative financial instruments	22	**(0.3)**	(1.7)
		(477.8)	(416.1)
Non-current liabilities			
Borrowings	21	**(309.2)**	(317.6)
Lease liabilities	24	**(85.9)**	(73.8)
Provisions	26	**(15.0)**	(14.3)
Derivative financial instruments	22	**–**	(0.4)
Deferred tax liabilities	23	**(35.7)**	(40.6)
		(445.8)	(446.7)
Total liabilities		**(923.6)**	(862.8)
Net assets		**617.8**	640.7
Equity			
Called up share capital	28	**11.6**	11.6
Own shares held	28	**(3.1)**	–
Merger reserve	28	**(130.9)**	(130.9)
Hedging reserve	28	**9.5**	1.7
Translation reserve	28	**44.5**	27.2
Retained earnings		**686.2**	731.1
Total equity		**617.8**	640.7

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 7 March 2023. They were signed on behalf of the Board of Directors by:



Mike Edwards
Chief Executive Officer

Ben Waldron
Chief Financial Officer and Asia Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
53 WEEKS ENDED 31 DECEMBER 2022

£m	Note	Called up share capital	Own shares held	Merger reserve	Hedging reserve	Translation reserve	Retained earnings	**Total equity**
Balance at 27 December 2020		11.6	–	(130.9)	(0.7)	24.8	693.3	**598.1**
Profit for the period		–	–	–	–	–	56.8	**56.8**
Other comprehensive income for the period		–	–	–	2.2	2.6	17.9	**22.7**
Total comprehensive income for the period		–	–	–	2.2	2.6	74.7	**79.5**
Reclassification		–	–	–	0.2	(0.2)	–	**–**
Dividends	28	–	–	–	–	–	(38.5)	**(38.5)**
Credit for share-based payments	31	–	–	–	–	–	2.3	**2.3**
Cash-settlement of share based payments	31	–	–	–	–	–	(0.6)	**(0.6)**
Deferred tax	11	–	–	–	–	–	(0.1)	**(0.1)**
Balance at 25 December 2021		11.6	–	(130.9)	1.7	27.2	731.1	**640.7**
Profit for the period		–	–	–	–	–	12.5	**12.5**
Other comprehensive income/(expense) for the period		–	–	–	8.8	17.3	(19.7)	**6.4**
Total comprehensive income/(expense) for the period		–	–	–	8.8	17.3	(7.2)	**18.9**
Reclassification to inventory		–	–	–	(1.0)	–	–	**(1.0)**
Purchase of own shares	28	–	(3.1)	–	–	–	–	**(3.1)**
Dividends	28	–	–	–	–	–	(38.8)	**(38.8)**
Credit for share-based payments	31	–	–	–	–	–	1.9	**1.9**
Cash-settlement of share based payments	31	–	–	–	–	–	(0.6)	**(0.6)**
Deferred tax	11	–	–	–	–	–	(0.2)	**(0.2)**
Balance at 31 December 2022		**11.6**	**(3.1)**	**(130.9)**	**9.5**	**44.5**	**686.2**	**617.8**

The Notes to the Consolidated Financial Statements form an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
53 WEEKS ENDED 31 DECEMBER 2022

£m	Note	53 weeks ended 31 December 2022	52 weeks ended 25 December 2021
Net cash generated from operating activities	29	**127.1**	144.0
Investing activities:			
Interest received		**0.2**	–
Dividends received from associates	17	**–**	0.7
Purchases of property, plant and equipment		**(61.1)**	(59.8)
Proceeds on disposal of property, plant and equipment		**0.1**	4.2
Purchase of intangibles		**(2.9)**	–
Net cash used in investing activities		**(63.7)**	(54.9)
Financing activities:			
Dividends paid	28	**(38.8)**	(38.5)
Own shares purchased	28	**(3.1)**	–
Increase in borrowings		**9.7**	28.1
Repayment of borrowings		**(9.2)**	(60.9)
Principal elements of lease payments	24	**(14.0)**	(11.7)
Net cash used in financing activities		**(55.4)**	(83.0)
Net increase in cash and cash equivalents		**8.0**	6.1
Cash and cash equivalents at beginning of period		**31.1**	24.8
Effect of foreign exchange rate changes		**1.1**	0.2
Cash and cash equivalents at end of period		**40.2**	31.1

The Notes to the Consolidated Financial Statements form an integral part of the Consolidated Financial Statements.

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 manufacture of fresh prepared food and fresh produce. These activities are undertaken in the UK and US where products are primarily sold through high-street supermarkets and China where products are primarily sold through foodservice operators.

At the date of authorisation of these Financial Statements, the following Standards and Interpretations relevant to the Group have not been applied in these Financial Statements as they were in issue but not yet effective:

IFRS 17 Insurance Contracts

Annual Improvements to IFRS Standards 2018-2020 Cycle

Narrow scope amendments to IFRS 3, IAS 16 and IAS 37

Narrow scope amendments to IAS 1, IAS 8 and IFRS Practice statement 2

Amendments to IAS 12, 'Taxation', relating to Deferred tax related to assets and liabilities arising from a single transaction

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

Amendments to IAS 1, Presentation of financial statements' on classification of liabilities

Amendments to IAS 1, Presentation of financial statements' on non-current liabilities with covenants

Amendments to IFRS 16, 'Leases' Lease Liability in a Sale and Leaseback

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

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Bakkavor Group plc transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 26 December 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework. The consolidated financial statements of the Bakkavor Group plc group have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The Consolidated Financial Statements comprise the Financial Statements of the parent undertaking and its subsidiary undertakings (the "Group"), together with the Group's share of the results of associated undertakings comprising a 52 or 53-week period ending on the Saturday of or immediately before 31 December. Where the fiscal year 2022 is quoted in these Financial Statements this relates to the 53-week period ended 31 December 2022. The fiscal year 2021 relates to the 52-week period ended 25 December 2021.

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.

The Group considers the impact of climate-related factors in the preparation of the Financial Statements and discloses any material impact in the relevant Notes.

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 Group made a change to its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software-as-a-Service ("SaaS") arrangements; this is described within the Other intangible assets accounting policy. All other principal accounting policies adopted have been applied consistently and are set out below.

Restatement

During the year the Group identified that its Property, plant and equipment cost and accumulated depreciation were both understated by £25.2m, with no impact to the net book value. This mainly related to cost and accumulated depreciation values of assets disposed of in prior years for businesses which had been historically acquired. In addition some assets had historically been incorrectly categorised as Plant and machinery instead of Land and buildings due to complexity of projects. There is no impact to profit, basic or diluted earnings per share, cashflows or the statement of financial position as a result of these restatements. The impact of the restatements impact to Property, plant and equipment can be seen in Note 15.

Going concern
The Directors have reviewed the historical trading performance of the Group and the forecasts through to March 2024.

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. The Directors have carried out a robust assessment of the significant risks currently facing the Group. This has included scenario planning on the implications of further inflation and the potential impact of lower sales volumes from reduced consumer demand in response to increasing retail prices.

Having taken these factors into account under the scenario, which is 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 Group has adequate resources to meet its 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 Consolidated 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.

2. Significant accounting policies continued

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 and less any dividends or distributions received from the associate.

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.

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, which are calculated on the Group's estimate of rebates, are 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 for 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.

2. Significant accounting policies continued

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 include material items that are non-recurring, significant in nature and are important to users in understanding the business, including restructuring costs and impairment of assets.

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.

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.

During 2022, the Company began purchasing its own Ordinary shares from the market through an Employee Benefit Trust called the Bakkavor Group plc Employee Benefit Trust. These shares are held to satisfy share awards under the Group's share scheme plans. Own shares are recorded at cost and are deducted from equity.

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.

The useful economic lives 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.

Depreciation is charged so as to write off the cost or valuation of assets, other than land or assets 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.

Some fixtures and equipment, that comprise improvements or additions to an existing building, may be depreciated over the same period as the related building, which could be longer than five years.

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.

2. Significant accounting policies continued

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 have finite useful lives which 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. The assets are amortised on a straight-line basis over their determined useful life.

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.

During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software-as-a-Service ("SaaS") arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The impact of this revision was not material.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period.

Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received, unless the configuration and customisation activities significantly modify or customise the cloud software, in which case the costs are expensed over the SaaS contract term.

When they meet the definition of and recognition criteria for an intangible asset, cost incurred relating to the development of software code that enhance or modify existing on-premise systems are recognised as intangible assets.

The amortisation charge for software, source code, licences and development is recognised as an expense over the term of the software contract up to a maximum of ten years, and is charged to Other administrative costs in the consolidated income statement.

Impairment

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'.

Please refer to Note 13 for details of the goodwill impairment assessment.

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.

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 31 December 2022 or 25 December 2021 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).

2. Significant accounting policies continued

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.

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. From 27 December 2020, the Group has designated all new forward foreign exchange contracts as cash flow hedges and hedge accounting is applied to these instruments.

The hedging relationship is documented at inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how hedge effectiveness will be measured throughout their duration. These hedges have been designated as cash flow hedges and are expected, at inception and on an ongoing basis, to be highly effective in offsetting changes in the cash flows of hedged items.

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 hedging 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.

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 contracts 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 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
Pension obligations
The Group maintains a defined benefit pension plan for which it has recorded a pension asset. The obligations included within the overall pension asset are 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 32.

Impairment of goodwill
The recoverable amount of CGUs or groups of CGUs are determined based on the higher of fair value less costs to sell and value-in-use calculations. The carrying amount of the UK CGU is £603.8m (2021: £603.8m) and the US CGU is £51.3m (2021: £46.3m), the assumptions used to calculate their recoverable amounts are considered to be key sources of estimation uncertainty. The key assumptions that can impact the value-in-use calculations are changes to the growth rates applied to derive a three-year forecast, or a movement in the long-term growth rates and discount rates applied to the future cash flows. The Group has considered the impact of the assumptions used in both the UK and US CGU calculations and has conducted sensitivity analyses on the impairment tests of these CGUs carrying values. See Note 13 for further details.

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 into three regions, the UK, US and China, and manufactures fresh prepared foods and produce in each region.

The Group manages the performance of its businesses through the use of 'adjusted operating profit', as defined in Note 36.

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.

4. Segmental information continued

The following table provides an analysis of the Group's segmental information for the period to 31 December 2022:

£m	Note	UK	US	China	Un-allocated	Total
Revenue	36	**1,783.1**	**255.3**	**100.8**	**–**	**2,139.2**
Adjusted EBITDA	36	**147.7**	**12.4**	**(0.1)**	**–**	**160.0**
Depreciation		**(52.8)**	**(8.7)**	**(6.8)**	**–**	**(68.3)**
Amortisation		**(0.3)**	**(0.4)**	**–**	**–**	**(0.7)**
Share scheme charges		**(1.9)**	**–**	**–**	**–**	**(1.9)**
Profit on disposal of property, plant and equipment		**–**	**–**	**0.1**	**–**	**0.1**
Share of results of associates		**–**	**–**	**0.2**	**–**	**0.2**
Adjusted operating profit/(loss)	36	**92.7**	**3.3**	**(6.6)**	**–**	**89.4**
Exceptional items	7	**(36.6)**	**(3.8)**	**(9.7)**	**–**	**(50.1)**
Configuration and customisation costs for SaaS projects		**(1.5)**	**–**	**–**	**–**	**(1.5)**
Operating profit/(loss)		**54.6**	**(0.5)**	**(16.3)**	**–**	**37.8**
Finance costs						**(20.8)**
Other gains and (losses)						**1.1**
Profit before tax						**18.1**
Tax						**(5.6)**
Profit for the period						**12.5**
Other segment information:						
Capital additions		**46.0**	**39.0**	**1.9**	**–**	**86.9**
Interests in associates		**–**	**–**	**3.6**	**–**	**3.6**
Total assets		**1,215.1**	**200.2**	**73.3**	**52.8**	**1,541.4**
Non-current assets		**1,018.1**	**167.8**	**55.5**	**9.9**	**1,251.3**

The following table provides an analysis of the Group's segmental information for the period to 25 December 2021:

£m	Note	UK	US	China	Un-allocated	Total
Revenue	36	1,592.4	180.1	99.1	–	1,871.6
Adjusted EBITDA	36	149.3	15.7	1.8	–	166.8
Depreciation		(52.0)	(6.4)	(6.8)	–	(65.2)
Amortisation		(0.1)	(0.4)	–	–	(0.5)
Share scheme charges		(2.3)	–	–	–	(2.3)
Profit on disposal of property, plant and equipment		2.9	–	–	–	2.9
Share of results of associates		–	–	0.3	–	0.3
Adjusted operating profit/(loss)	36	97.8	8.9	(4.7)	–	102.0
Exceptional items		–	–	–	–	–
Operating profit/(loss)		97.8	8.9	(4.7)	–	102.0
Finance costs						(17.1)
Other gains and (losses)						(3.5)
Profit before tax						81.4
Tax						(24.6)
Profit for the period						56.8
Other segment information:						
Capital additions		59.6	9.0	6.8	–	75.4
Interests in associates		–	–	11.7	–	11.7
Total assets		1,238.7	144.1	86.7	34.0	1,503.5
Non-current assets		1,068.9	120.2	66.8	2.6	1,258.5

All of the Group's revenue is derived from the sale of goods in 2021 and 2022. There were no inter-segment revenues. The un-allocated assets of £52.8m (2021: £34.0m) 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.

Major customers

In 2022, the Group's four largest customers accounted for 73.2% (2021: 74.0%) of the Group's total revenue from continuing operations. These customers accounted for 87.9% (2021: 87.0%) of total UK 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:

	2022	2021
Customer A	**32.6%**	33.4%
Customer B	**20.5%**	20.3%
Customer C	**12.2%**	11.5%
Customer D	**7.9%**	8.8%

5. Revenue

The Group derives all revenue from the sale of goods in the following geographic locations:

£m	2022	2021
Continuing operations		
UK	**1,783.1**	1,592.4
US	**255.3**	180.1
China	**100.8**	99.1
	2,139.2	1,871.6

Upon completion of delivery (the performance obligation), the terms of the order allow 30 to 75 days (2021: 30 to 75 days) for payment, dependent on the relevant customers' payment terms. The Group has in place trade receivable factoring arrangements. These are non-recourse arrangements which were applicable to 67.4% (2021: 67.5%) of the Group's total sales. These arrangements allow the Group to choose to factor the receivable for approved invoices and receive payment ahead of the agreed terms on a non-recourse basis.

6. Profit before tax

Profit before tax for the period has been arrived at after charging/(crediting):

£m	Note	2022	2021
Depreciation of property, plant and equipment:			
– Owned		**55.7**	53.2
– Leased		**12.6**	12.0
Research and development costs		**9.0**	8.6
Cost of inventory recognised as an expense		**1,022.3**	836.0
Net movement of inventory provision recognised as expense/(gain)		**0.1**	(0.2)
Amortisation of intangible assets		**0.7**	0.5
Exceptional items	7	**50.1**	–
Profit on disposal of property, plant and equipment		**(0.1)**	(2.9)
Share scheme charges	31	**1.9**	2.3
Foreign exchange gains	10	**(1.2)**	(0.5)
Staff costs	8	**594.7**	539.2

Other administrative costs (net) before exceptionals are comprised of:

£m	2022	2021
Other administrative costs	**(385.6)**	(371.1)
Other operating charges	**–**	(0.3)
Total operating costs	**(385.6)**	(371.4)
Other operating income	**–**	7.5
Other administrative costs (net) before exceptionals	**(385.6)**	(363.9)

Other operating charges and income relate to an insurance claim which resulted in a net profit of £nil (2021: £7.2m). This included proceeds that were used to replace damaged assets which resulted in a gain on disposal of fixed assets of £nil (2021: gain of £1.6m).

The analysis of the Auditors' remuneration is as follows:

£m	2022	2021
The audit of the Company's Consolidated Financial Statements	**0.4**	0.3
The audit of the Company's subsidiaries pursuant to legislation	**0.7**	0.7
Total audit fees	**1.1**	1.0

Non-audit fees of £41,000 (2021: £40,000) were paid to the Group's Auditors for permitted audit-related assurance and other services.

7. Exceptional items

The Group's financial performance is analysed in two ways: review of underlying performance (which does not include exceptional items) and separate review of exceptional items that are material and not expected to reoccur. The Directors consider that the underlying performance is more representative of the ongoing operations and key metrics of the Group.

Exceptional items are those that, in management's judgement, should be disclosed by virtue of their nature or amount. Exceptional items include material items that are non-recurring, significant in nature and are important to users in understanding the business, including restructuring costs and impairment of assets:

£m	2022	2021
Corporate restructuring costs	(5.3)	–
UK site closures:		
– Closure costs	(11.8)	–
– Impairment charge	(19.5)	–
Investment in associate impairment	(9.7)	–
US customer contractual dispute impairment	(3.8)	–
Total exceptional items	**(50.1)**	–
Tax on exceptional items	9.1	–
Total exceptional items after tax	**(41.0)**	–

2022

In 2022, the Group incurred an exceptional charge of £50.1m. Of this, £17.1m relates to restructuring costs for the closure of two of our UK sites by the end of Q1 2023, and the costs of a corporate restructuring, which includes redundancy payments, onerous and other closure costs. The majority of the cash impact will be recognised in 2023. There is also an impairment charge of £19.3m in respect of the relevant fixed assets at the two sites due to close and £0.2m for the impairment of intangible assets for one of the businesses and these charges have no cash impact. The value of the Group's investment in associated undertakings based in Hong Kong has been written down in the period by £9.7m due to the ongoing impact of Covid on the trading performance of that business. An ongoing contractual dispute with a US customer has resulted in a £3.8m impairment of inventory and receivables related to this customer. However, we continue to pursue the recovery of these assets as we seek to reach resolution on this matter.

2021

No exceptional costs have been incurred by the Group.

8. Staff costs

The average monthly number of employees (including Executive Directors) during the period was:

	2022 Number	2021 Number
Production	15,283	15,578
Management and administration	2,378	2,521
Sales and distribution	919	873
	18,580	18,972

Their aggregate remuneration comprised:

£m	Note	2022	2021
Wages and salaries		518.0	471.1
Social security and other costs		63.5	55.9
Other pension costs	32	13.2	12.2
		594.7	539.2

Details of the emoluments paid to Directors are included from pg 132–151 in the Directors' remuneration report and in Note 33.

9. Finance costs

£m	Note	2022	2021
Interest on borrowings		16.9	14.2
Interest on lease liabilities		3.1	2.7
Unwinding of discount on provisions	26	0.8	0.2
Total		20.8	17.1

There were no borrowing costs included in the cost of qualifying assets during 2021 or 2022. Borrowing costs included in the cost of qualifying assets during prior years 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 credit to income was £nil (2021: £nil).

10. Other gains and (losses)

£m	2022	2021
Foreign exchange gains	**1.2**	0.5
Change in the fair value of derivative financial instruments	**(0.1)**	(4.0)
	1.1	(3.5)

11. Tax

£m	Note	2022	2021
Current tax:			
Current period		**9.7**	7.6
Prior period adjustment		**1.7**	0.2
Total current tax charge (pre-exceptional items)		**11.4**	7.8
Deferred tax:			
Deferred tax relating to the origination and reversal of temporary differences in the period		**3.7**	7.6
Deferred tax relating to changes in tax rates		**1.6**	7.9
Prior period adjustment		**(2.0)**	1.3
Total deferred tax charge (pre-exceptional items)	23	**3.3**	16.8
Tax on exceptional items:			
Current tax		**(3.4)**	–
Deferred tax		**(5.7)**	–
Total tax credit on exceptional items		**(9.1)**	–
Total tax charge for the period		**5.6**	24.6

The Group tax charge for the period was £5.6m (2021: £24.6m) which represents an effective tax rate of 30.9% (2021: 30.2%) on profit before tax of £18.1m (2021: £81.4m). Tax is calculated using prevailing statutory rates in the territories in which we operate however most of the Group's profits are earned in the UK where the statutory tax rate was 19% for 2022 (2021: 19%). The effective tax rate is 11.9% higher (2021: 11.2%) than the UK statutory tax rate of 19% (2021: 19%).

The main item which, increases the effective rate by 10.2% is the tax effect of an exceptional charge relating to impairment of investments (see Note 7). As in the prior year the effective rate is also increased by 2.6% in relation to a deferred tax charge arising in connection with the rate at which we provide for deferred tax assets and liabilities. This is following the Government announcement on 3 March 2021 and the substantive enactment of this measure on 24 May 2021, that the UK corporation tax rate will increase to 25% effective from 1 April 2023. We have therefore valued deferred tax assets and liabilities at 25% at the balance sheet date.

Excluding exceptional items and other Adjusting items the effective tax rate on underlying activities was 21.5% (2021: 29.7%) (see Note 36).

The charge for the period can be reconciled to the profit per the consolidated income statement as follows:

	2022 £m	2022 %	2021 £m	2021 %
Profit before tax:	**18.1**	**100.0**	81.4	100.0
Tax charge at the UK corporation tax rate of 19% (2021: 19%)	**3.4**	**19.0**	15.5	19.0
Net non-deductible expenses/(non-taxable income)	**(1.2)**	**(6.9)**	(1.8)	(2.0)
Non-deductible impairment of investment	**1.8**	**10.2**	–	–
Prior period adjustment	**(0.3)**	**(1.7)**	1.5	1.7
Tax effect of losses carried forward not recognised	**1.0**	**5.5**	0.7	0.9
Unprovided deferred tax assets now recognised	**–**	**–**	(0.1)	(0.2)
Overseas taxes at different rates	**0.4**	**2.2**	0.9	1.1
Deferred tax rate differential	**0.5**	**2.6**	7.9	9.7
Tax charge and effective tax rate for the period	**5.6**	**30.9**	24.6	30.2

11. Tax continued

In addition to amounts charged to the consolidated income statement, the following amounts in respect of tax were charged/(credited) to the consolidated statement of comprehensive income and equity:

	2022 £m	2021 £m
Tax relating to components of other comprehensive income/(expense):		
Deferred tax:		
Remeasurements on defined benefit pension scheme actuarial (loss)/gain	**(5.0)**	4.6
Deferred tax rate change on defined benefit pension scheme actuarial (loss)/gain	**(1.6)**	2.0
Cash flow hedges and cost of hedging	**3.1**	0.2
Deferred tax on share schemes	**0.2**	0.1
	(3.3)	6.9
Tax relating to components of other comprehensive income/(expense):	**(3.5)**	6.8
Tax relating to share-based payments recognised directly in equity:	**0.2**	0.1
	(3.3)	6.9

HMRC had previously raised an enquiry into the structure used to fund our overseas investment in the US business. Although a number of earlier years were agreed, for the years ended 2019 onwards and including the current period ended 31 December 2022, there is uncertainty in connection with the applicability of the UK tax rules to the structure which could lead to additional UK tax payable. This is a complex area with a range of possible outcomes and judgement has been used in calculating the provision. For these reasons it cannot be known with certainty whether additional amounts of UK tax will be due, however, we consider it is unlikely that there will be material amounts due over and above the provisions currently held.

In 2022 the tax risk provision was £1.0m (2021: £1.0m) because it is considered likely that additional liabilities will become due to the tax authorities.

Other factors affecting future tax charges

The Organisation for Economic Cooperation & Development ("OECD") has published proposals for a global corporate minimum tax rate of 15%. The UK implementation of these rules ("Pillar Two") will be effective for accounting periods commencing on or after 31 December 2023 and will therefore impact the Group in the accounting period ending December 2024. Given the rates at which the Group pays corporation tax in the territories in which it operates, it is unlikely that the implementation of the Pillar Two rules will impact the Group's tax charge in future periods. The rules are complex and the Group will continue to evaluate the impact of Pillar Two on the group tax charge as the implementation date approaches.

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, excluding own shares held.

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 £m	2022	2021
Profit for the period	**12.5**	56.8

Number of shares '000	2022	2021
Weighted average number of Ordinary shares	**577,576**	579,426
Effect of potentially dilutive Ordinary shares	**9,767**	9,775
Weighted average number of Ordinary shares including dilution	**587,343**	589,201

	2022	2021
Basic earnings per share	**2.2p**	9.8p
Diluted earnings per share	**2.1p**	9.6p

The Group calculates adjusted basic earnings per Ordinary share and details of this can be found in Note 36, Alternative performance measures.

13. Goodwill

£m	
Cost	
At 27 December 2020	702.1
Exchange differences	1.0
At 25 December 2021	703.1
Exchange differences	5.5
At 31 December 2022	**708.6**
Accumulated impairment losses	
At 27 December 2020	(52.5)
Exchange differences	(0.5)
At 25 December 2021	(53.0)
Exchange differences	(0.5)
At 31 December 2022	**(53.5)**
Carrying amount	
At 31 December 2022	**655.1**
At 25 December 2021	650.1

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:

£m	**31 December 2022**	25 December 2021
UK	**603.8**	603.8
US	**51.3**	46.3
China	**–**	–
	655.1	650.1

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 (2021: £nil).

The Group is committed to achieving Net Zero carbon emissions across our Group operations by 2040. For the current year impairment review, management have also included an estimate of the future costs and capital expenditure required to meet this commitment in its value-in-use calculations and sensitivity analyses.

The key assumptions used in the impairment reviews for the CGUs that held goodwill at 31 December 2022 and 25 December 2021 were as follows:

- Budget 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 (2021: four years), as determined by the business units which take account of the current risks faced by the business including cost inflation and associated price recovery leading to a potential impact on consumer demand. EBITDA margin increases are a key assumption for the US CGU and assume a return to FY21 margin levels within the three year forecast period. The budgeted cash flows include an assumption on the maintenance capital expenditure required by the business over the forecast period.
- Long-term growth rates: For periods beyond the three year budget, the cash flows are then extrapolated using a perpetuity growth rate of 2.0% (2021: 2.0%) for the UK and 2.0% for the US (2021: 2.3%). The terminal value includes an estimate of carbon costs from 2030.
- 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 9.3% (2021: 8.4%) for the UK and 9.8% for the US (2021: 8.9%).

The headroom for each CGU based on the impairment review as at 31 December 2022 is as follows:

£m	UK	US
Headroom of impairment test based on management assumptions	110.8	136.8

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 each CGU is set out below, none of which indicate an impairment is likely:

13. Goodwill continued

UK

- The UK operating cash flows are primarily driven by adjusted EBITDA. This could be negatively impacted by loss of revenue or from lower operating margins. If operating cash flows were 6.5% lower and no mitigating actions were taken, this would result in no headroom.
- The perpetuity growth rate included in the UK CGU future cash flows is 2.0%. If the perpetuity growth rate was to decrease by 0.7% to 1.3% this would result in no headroom.
- The pre-tax discount rate for the UK CGU is 9.3%, an increase to the pre-tax discount rate by 1.0% to 10.3% would result in no headroom.

US

- The US operating cash flows are primarily driven by adjusted EBITDA. This could be negatively impacted by loss of revenue or from lower operating margins. If operating cash flows were 34.0% lower and no mitigating actions were taken, this would result in no headroom.
- The perpetuity growth rate included in the US CGU future cash flows is 2.0%. If the perpetuity growth rate was to decrease by 2% to nil, this would not result headroom becoming nil.
- The pre-tax discount rate for the US CGU is 9.8%, an increase to the pre-tax discount rate by 6.7% to 16.5% would result in no headroom.

14. Other intangible assets

£m	Customer relationships	Software	Total
Cost			
At 27 December 2020	88.9	–	88.9
Exchange differences	–	–	–
At 25 December 2021	88.9	–	88.9
Reclassified from Property, Plant and Equipment (Note 15)	–	13.5	13.5
Additions	–	2.9	2.9
Exchange differences	0.7	–	0.7
At 31 December 2022	**89.6**	**16.4**	**106.0**
Accumulated amortisation and impairment			
At 27 December 2020	(86.7)	–	(86.7)
Charge for the period	(0.5)	–	(0.5)
Exchange differences	–	–	–
At 25 December 2021	(87.2)	–	(87.2)
Reclassified from Property, Plant and Equipment (Note 15)	–	(8.7)	(8.7)
Charge for the period	(0.6)	(0.1)	(0.7)
Impairment charge (Note 7)	(0.2)	–	(0.2)
Exchange differences	(0.4)	–	(0.4)
At 31 December 2022	**(88.4)**	**(8.8)**	**(97.2)**
Carrying amount			
At 31 December 2022	**1.2**	**7.6**	**8.8**
At 25 December 2021	1.7	–	1.7

15. Property, plant and equipment

£m	Land and buildings	Plant and machinery	Fixtures and equipment	Total
Cost				
At 27 December 2020 as previously reported	389.1	559.8	100.2	1,049.1
Restatement[1]	(49.9)	69.9	5.2	25.2
At 25 December 2020 restated[1]	339.2	629.7	105.4	1074.3
Reclassification	(0.3)	(2.4)	1.7	(1.0)
Additions	18.6	39.4	17.4	75.4
Disposals	(2.8)	(5.5)	(1.5)	(9.8)
Exchange differences	1.9	1.8	0.3	4.0
At 25 December 2021 restated[1]	356.6	663.0	123.3	1,142.9
Additions	30.8	37.8	18.3	86.9
Disposals	(3.2)	(3.3)	(16.1)	(22.6)
Reclassified to Intangible Assets (Note 14)	–	(0.8)	(12.7)	(13.5)
Exchange differences	6.6	6.5	0.9	14.0
At 31 December 2022	**390.8**	**703.2**	**113.7**	**1,207.7**
Accumulated depreciation and impairment				
At 27 December 2020 as previously reported	(154.3)	(293.3)	(66.2)	(513.8)
Restatement[1]	43.9	(72.5)	3.4	(25.2)
At 25 December 2020 restated[1]	(110.4)	(365.8)	(66.2)	(539.0)
Reclassification	0.1	0.6	0.3	1.0
Charge for the period	(20.0)	(33.0)	(12.2)	(65.2)
Impairment	(1.3)	–	–	(1.3)
Disposals	1.8	5.4	1.3	8.5
Exchange differences	(0.6)	(0.9)	(0.2)	(1.7)
At 25 December 2021 restated[1]	(130.4)	(393.7)	(73.6)	(597.7)
Charge for the period	(21.0)	(34.6)	(12.7)	(68.3)
Impairment	(4.6)	(11.6)	(3.1)	(19.3)
Disposals	3.2	3.3	16.1	22.6
Reclassified to Intangible Assets (Note 14)	–	0.4	8.3	8.7
Exchange differences	(2.6)	(2.4)	(0.6)	(5.6)
At 31 December 2022	**(155.4)**	**(438.6)**	**(65.6)**	**(659.6)**
Carrying amount				
At 31 December 2022	**235.4**	**264.6**	**48.1**	**548.1**
At 25 December 2021 Restated[1]	226.2	269.3	49.7	545.2

1 Please refer to Note 2 for details of the restatement.

Included within land and buildings is freehold land held at historic cost of £11.5m (2021: £11.5m). Freehold land is not depreciated.

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 36, Alternative performance measures.

The carrying value of the Group's plant and machinery includes an amount of £0.5m (2021: £2.8m) 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 £86.7m (2021: £73.2m) 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 £28.1m (2021: £30.9m) in respect of assets held as security under Asset Finance Facilities. Further details of these facilities are disclosed in Note 21.

At 31 December 2022, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £8.6m (2021: £5.2m).

Assets are not depreciated until they are brought into use. At 31 December 2022 a total of £41.8m (2021: £44.6m) of other assets were in progress and had not been brought into use.

15. Property, plant and equipment continued

During the year, the Group completed a review of software assets included within Property, plant and equipment and determined that assets with a net book value of £4.8m should be reclassified to Other intangible assets.

During 2022, an impairment to land and buildings of £nil (2021: £1.3m) arose from fully writing down the right-of-use assets held by a Group business which has ceased trading.

During 2022, the Group impaired £4.6m of land and buildings including right-of-use assets of £0.3m, £11.6m of plant and machinery including right-of-use assets of £0.3m and £3.1m of fixtures and equipment. These impairment charges arose from sites that are expected to close by the end of March 2023. This resulted in redundant, non-moveable, specialist assets which were 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. The impairments charged in the year of £19.3m wholly related to the UK sector and were included within Other administrative costs as exceptional items (Note 7).

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

£m	31 December 2022	25 December 2021
Name of associate		
La Rose Noire Limited	**2.8**	11.2
Patisserie et Chocolat Limited	**0.8**	0.5
Total associates	**3.6**	11.7
Other investments	**0.1**	0.1
Total associates and other investments	**3.7**	11.8

Details of the associated undertakings of the Group at 31 December 2022 and 25 December 2021 were as follows:

			Proportion of Ordinary shares		
	Place of registration and operation	Principal activity	31 December 2022	25 December 2021	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

£m	31 December 2022	25 December 2021
Revenue	**10.7**	9.4
(Loss)/profit before taxation	**(0.1)**	0.5
Taxation	**–**	(0.1)
(Loss)/profit after taxation	**(0.1)**	0.4
Group's share of (loss)/profit after taxation (45%)	**(0.1)**	0.2

Associate's statement of financial position

£m	31 December 2022	25 December 2021
Non-current assets	**1.0**	0.9
Current assets	**6.4**	5.5
Current liabilities	**(1.3)**	(1.2)
Net assets	**6.1**	5.2
Group's share of net assets (45%)	**2.8**	2.3
Goodwill on acquisition	**9.7**	8.9
Impairment recognised	**(9.7)**	–
Carrying amount of associate at end of period	**2.8**	11.2

Carrying amount of associate

£m	31 December 2022	25 December 2021
At beginning of period	11.2	11.7
Share of (loss)/profit after taxation of associate	(0.1)	0.2
Impairment recognised (Note 7)	(9.7)	–
Exchange differences	1.4	–
Dividends received	–	(0.7)
At end of period	2.8	11.2

The following table summarises the carrying amount of the Group's immaterial associate, Patisserie et Chocolat Limited:

£m	31 December 2022	25 December 2021
Associates that are not individually material		
At beginning of period	0.5	0.4
Share of profit after tax	0.3	0.1
At end of period	0.8	0.5

18. Inventories

£m	31 December 2022	25 December 2021
Raw materials and packaging	73.0	60.7
Work-in-progress	3.0	2.0
Finished goods	10.2	8.1
	86.2	70.8

There is no material difference between the book value and replacement cost of inventories.

19. Trade and other receivables

£m	31 December 2022	25 December 2021
Amounts receivable from trade customers	130.4	118.2
Expected credit loss	(3.6)	(2.8)
Net amounts receivable from trade customers	126.8	115.4
Other receivables	23.2	17.2
Prepayments	11.0	10.2
	161.0	142.8

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 31 December 2022 £138m was drawn under factoring facilities (2021: £118m) representing cash collected before it was contractually due from the customer.

As at 31 December 2022, the Group's Amounts receivable from trade customers includes £62.0m (2021: £53.8m), which could be factored under the non-recourse trade receivable factoring arrangement.

The average credit period taken on sales of goods is 22 days (2021: 21 days). An expected credit loss allowance has been made for estimated irrecoverable amounts from the sale of goods of £3.6m (2021: £2.8m). 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.

19. Trade and other receivables continued

The following table is an ageing analysis of net trade receivables from customers:

£m	31 December 2022	25 December 2021
Not past due	**120.4**	106.8
Past due by 1 – 30 days	**5.2**	7.0
Past due by 31 – 60 days	**0.9**	0.8
Past due by 61 – 90 days	**0.3**	0.4
Past due by more than 90 days	**–**	0.4
	126.8	115.4

There was no impact from trade receivables renegotiated in 2022 that would have otherwise been past due or impaired (2021: no impact).

The four major customers of the Group, representing 73.2% (2021: 74.0%) 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, or 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 other than that provided against 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:

£m	31 December 2022	25 December 2021
Balance at beginning of the period	**(2.8)**	(1.6)
Allowances recognised against receivables	**(2.1)**	(2.5)
Amounts written off as uncollectible during the period	**0.2**	0.6
Amounts recovered during the period	**0.6**	0.6
Allowance reversed	**0.5**	0.1
Balance at end of the period	**(3.6)**	(2.8)

20. Cash and cash equivalents

£m	31 December 2022	25 December 2021
Cash and cash equivalents	**40.2**	31.1

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 31 December 2022 were as follows:

	Currency	Facility amount £m	Amount drawn down at year end £m	Interest rate	Non-utilisation fee	Maturity date
Term Loan	GBP	225.0	225.0	SONIA[2] plus a margin of 2.1%	N/A	Mar 2026[1]
Revolving Credit Facility ("RCF")	GBP	230.0	60.0	SONIA[2] plus a margin of 2.1%	0.735%	Mar 2026[1]
Asset Finance Facility	GBP	19.2	19.2	Fixed interest rate	N/A	Aug 2027
Asset Finance Facility	GBP	10.4	10.4	Fixed interest rate	N/A	Jun 2028
Asset Finance Facility	USD	1.7	1.7	SOFR[3] plus 2.12%	N/A	Feb 2023
Total		**486.3**	**316.3**[4]			

1 £12.4m of the term loan and £12.6m of the RCF mature in March 2024.

2 The interest rate for these facilities includes a Credit Spread Adjustment following the transition from LIBOR to SONIA in September 2021.

3 SOFR stands for Secured Overnight Financing Rate.

4 £316.3m represents the committed facilities of the Group, the Group's Consolidated Statement of Financial Position discloses £322.3m which includes local overdraft facilities, unamortised fees and interest accrued.

On 18 March 2020, the Group completed a refinancing of its core debt facilities through a new term loan and Revolving Credit Facility totalling £455m. The refinancing resulted in the addition of new lenders to the Group. The new facilities were due to mature in March 2024, with an option to extend the tenure by a further two years subject to lender approval. £430m of these facilities were extended in March 2021 and further extended in March 2022 to mature in March 2026.

The Group's total banking facilities amount to £455.0m (2021: £455.0m) comprising:

1. £225.0m in term loans (2021: £225.0m term loan), with £12.4m maturing in March 2024 and £212.6m in March 2026; and
2. £230.0m Revolving Credit Facilities ("RCF") (2021: £230.0m RCF), which includes an overdraft and money market facility of £20.0m (2021: £20.0m) and further ancillary facilities of £13.3m (2021: £13.3m). For the RCF, £12.6m matures in March 2024 and £217.4m in March 2026. The bank facilities are unsecured and 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.

The Asset Finance Facility is made up of three separate facilities which are secured against specific items of plant and machinery as follows:

a. £25.0m facility, which could be drawn against up to August 2020, of which the Group initially drew down £24.9m with £19.2m outstanding at the end of 2022. 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 31 December 2022 was 2.41% (2021: 2.41%). The interest rate is fixed at the prevailing rate on commencement of the loan tranche.

b. £13.1m drawn down during 2021 under a separate asset financing facility with £10.4m outstanding at the end of 2022. No further draw down can be made against this facility. The facility has been drawn in tranches, with each tranche being repaid on a monthly basis over a period of seven years, and the weighted average interest rate for the facility at 31 December 2022 is 3.20% (2021: 3.20%). The interest rate is fixed at the prevailing rate on commencement of the loan tranche.

c. Bakkavor Foods USA Inc has entered into an asset financing facility of up to $5.0m (£4.1m) of funding, based on approved funding requests. As at 31 December 2022 £1.7m funding had been approved and drawn and the interest rate for this was a variable rate of SOFR plus 2.12%.

In September 2021 the Group transitioned from LIBOR to SONIA which impacted £455.0m of the total debt facilities.

In addition, the Group has access to £8.9m (2021: £8.4m) of local overdraft facilities in the US and China which are uncommitted and unsecured. One of the Group's UK subsidiary companies, Bakkavor Finance (2) Limited, has provided Corporate Guarantees totalling $5m for the US local overdraft facility and RMB 40m for the China local overdraft facility.

During the previous financial period, the Group repaid two term loans with total capital repayments being £57.5m.

£m	**31 December 2022**	25 December 2021
Bank overdrafts	**8.2**	–
Bank loans	**314.1**	320.6
	322.3	320.6
Borrowings repayable as follows:		
On demand or within one year	**13.1**	3.0
In the second year	**16.1**	2.9
In the third to fifth years inclusive	**292.4**	303.1
Over five years	**0.7**	11.6
	322.3	320.6
Analysed as:		
Amount due for settlement within 12 months (shown within current liabilities)	**13.1**	3.0
Amount due for settlement after 12 months	**309.2**	317.6
	322.3	320.6

	2022 %	2021 %
The weighted average interest rates paid were as follows:		
Bank loans and overdrafts	**3.50**	2.54

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:

£m	**31 December 2022**	25 December 2021
Fair value of the Group's borrowings	**324.5**	323.8

21. Borrowings continued

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:

£m	31 December 2022	25 December 2021
Analysis of net debt		
Cash and cash equivalents	**40.2**	31.1
Borrowings	**(14.1)**	(4.1)
Interest accrual	**(0.4)**	(0.2)
Unamortised fees	**1.4**	1.3
Lease liabilities	**(11.3)**	(10.8)
Debt due within one year	**(24.4)**	(13.8)
Borrowings	**(310.4)**	(319.7)
Unamortised fees	**1.2**	2.1
Lease liabilities	**(85.9)**	(73.8)
Debt due after one year	**(395.1)**	(391.4)
Group net debt	**(379.3)**	(374.1)

22. Derivative financial instruments

£m	31 December 2022	25 December 2021
Foreign currency contracts – designated in a hedging relationship	**1.5**	0.1
Interest rate contracts – designated in a hedging relationship	**8.4**	2.5
Included in non-current assets	**9.9**	2.6
Foreign currency contracts – designated in a hedging relationship	**2.6**	0.3
Interest rate contracts – designated in a hedging relationship	**0.1**	–
Included in current assets	**2.7**	0.3
Foreign currency contracts – held at fair value through profit and loss	**–**	(0.9)
Foreign currency contracts – designated in a hedging relationship	**(0.2)**	(0.8)
Interest rate contracts – designated in a hedging relationship	**(0.1)**	–
Included in current liabilities	**(0.3)**	(1.7)
Foreign currency contracts – designated in a hedging relationship	**–**	(0.4)
Included in non-current liabilities	**–**	(0.4)
Total	**12.3**	0.8

Derivative financial instruments are subject to enforceable master netting agreements. However, they 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.

£m	Accelerated tax depreciation[1]	Fair value gains	Provisions	Retirement benefit obligations and share schemes	Overseas tax losses and accrued interest	US goodwill	Total
At 27 December 2020	(25.9)	0.2	0.5	(1.9)	28.9	(8.5)	(6.7)
(Charge)/credit to income	(13.8)	0.2	0.2	–	(2.6)	(0.8)	(16.8)
Exchange differences	(0.1)	–	–	–	(0.2)	–	(0.3)
Charge to equity and other comprehensive income	–	(0.2)	–	(6.7)	–	–	(6.9)
At 25 December 2021	**(39.8)**	**0.2**	**0.7**	**(8.6)**	**26.1**	**(9.3)**	**(30.7)**
(Charge)/credit to income	(6.3)	(0.2)	0.2	0.5	3.4	(0.9)	(3.3)
Credit to income on exceptional items	4.7	–	–	–	1.0	–	5.7
Exchange differences	(0.9)	–	–	–	3.1	–	2.2
(Charge)/credit to equity and other comprehensive income	–	(3.1)	–	6.4	–	–	3.3
At 31 December 2022	**(42.3)**	**(3.1)**	**0.9**	**(1.7)**	**33.6**	**(10.2)**	**(22.8)**

1 IAS23 Capitalised interest and Intangibles deferred tax balances are shown within the Accelerated tax depreciation values above.

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:

£m	31 December 2022	25 December 2021
Deferred tax asset	**12.9**	9.9
Deferred tax liabilities	**(35.7)**	(40.6)
	(22.8)	(30.7)

Included in the above are deferred tax assets of £33.6m (2021: £26.1) in connection with US tax losses and accrued interest amounts which will be deductible in future accounting periods. These deferred tax assets are offset by liabilities for which there is a legally enforceable right to do so. The US tax losses and accrued interest amounts can be carried forward indefinitely and used against future US taxable profits.

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.

In evaluating whether it is probable that sufficient taxable profits will be earned in future accounting periods, all available evidence has been considered by management including forecasts and business plans. These forecasts are consistent with those prepared and used internally for business planning and impairment testing purposes. Following this evaluation, management determined there would be sufficient taxable profits generated to continue to recognise these deferred tax assets in full.

Deferred tax assets in respect of some capital losses as well as trading loses have not been recognised as their future recovery is uncertain or not currently anticipated. The total gross deferred tax assets not recognised are as follows:

£m	31 December 2022	25 December 2021
Capital losses	**5.0**	3.4
Trading losses	**21.2**	14.6
	26.2	18.0

The capital losses arose in the UK and are available to carry forward indefinitely but can only be offset against future capital gains. The trading losses are non-UK losses and are available to offset against future taxable profits. These losses are timebound and £20.3m (2020: £13.5m) will expire after five years if unused.

There are no deferred tax liabilities associated with undistributed earnings of subsidiaries due to the availability of tax credits against such liabilities or the exemption from UK tax on such dividends.

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 36, Alternative performance measures.

£m	31 December 2022	25 December 2021
Net book value of leased property, plant and equipment excluding right-of-use assets	**0.5**	2.8
Net book value of right-of-use assets	**86.7**	73.2
	87.2	76.0

24. Leases continued

Net book value of right-of-use assets

£m	Land and buildings	Plant and machinery	Total
Balance at 27 December 2020	68.6	3.1	71.7
Additions	12.8	1.4	14.2
Depreciation charge	(9.8)	(1.6)	(11.4)
Impairment for the period	(1.3)	–	(1.3)
At 25 December 2021	70.3	2.9	73.2
Additions	25.2	0.3	25.5
Depreciation charge	(10.9)	(1.2)	(12.1)
Impairment for the period	(0.3)	(0.3)	(0.6)
Exchange differences	0.7	–	0.7
At 31 December 2022	**85.0**	**1.7**	**86.7**

Lease liabilities

	Present value of minimum lease payments	
£m	**31 December 2022**	25 December 2021
Amounts payable under leases:		
Within one year	**11.3**	10.8
In the second to fifth years inclusive	**36.6**	29.3
Over five years	**49.3**	44.5
Present value of lease obligations	**97.2**	84.6
Analysed as:		
Amount due for settlement within 12 months	**11.3**	10.8
Amount due for settlement after 12 months	**85.9**	73.8
	97.2	84.6

The Group has split the lease liabilities between liabilities previously recognised as finance leases under IAS 17 and liabilities recognised under IFRS 16. This allows management to review both the Group net debt, as set out in Note 21, Borrowings, and the Group operational net debt as set out in Note 36, Alternative performance measures.

£m	**31 December 2022**	25 December 2021
Lease liabilities relating to leases previously recognised under IAS 17	**0.6**	1.0
Lease liabilities relating to leases recognised under IFRS 16	**96.6**	83.6
	97.2	84.6

The weighted average lease term outstanding is 14.5 years (2021: 14.8 years). For 2022, the weighted average incremental borrowing rate was 3.2% (2021: 3.3%). 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.

The Group utilises the exemption from capitalising short-term and low-value leases where the relevant criteria are met. The expenses relating to these lease types are disclosed below.

Amounts recognised in the consolidated income statement

£m	**2022**	2021
Interest on lease liabilities	**3.1**	2.7
Expenses relating to low-value leases	**3.3**	2.2
Expenses relating to short-term leases	**1.4**	0.9
	7.8	5.8

Amounts recognised in the statement of cash flows

£m	**2022**	2021
Cash outflow for lease principal payments	**14.0**	11.7
Cash outflow for lease interest payments	**3.1**	2.7
Total cash outflow for leases	**17.1**	14.4

25. Trade and other payables

£m	31 December 2022	25 December 2021
Trade payables	**287.5**	237.6
Other taxation	**2.1**	2.1
Other payables	**26.8**	21.5
Accruals and deferred income	**113.6**	129.6
Trade and other payables due within one year	**430.0**	390.8

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 63 days (2021: 62 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 31 December 2022, trade payables amounting to £45.1m (2021: £31.6m) 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

£m	Onerous contracts	Dilapidation provisions	Legal and other provisions	Restructuring provisions	Total
At 27 December 2020	1.2	16.6	6.4	1.2	25.4
Utilisation of provision	(0.4)	(0.2)	(0.9)	(0.5)	(2.0)
Additional provision in the year	1.1	–	0.5	–	1.6
Release of provision	(0.1)	–	(2.1)	(0.2)	(2.4)
Unwinding of discount	–	0.2	–	–	0.2
At 25 December 2021	1.8	16.6	3.9	0.5	22.8
Included in current liabilities	0.2	4.3	3.9	0.1	8.5
Included in non-current liabilities	1.6	12.3	–	0.4	14.3
At 26 December 2021	1.8	16.6	3.9	0.5	22.8
Transferred between classifications	0.5	–	–	(0.5)	–
Utilisation of provision	(0.3)	–	(0.1)	(1.8)	(2.2)
Additional provision in the year	–	2.1	–	16.6	18.7
Release of provision	(0.5)	(0.1)	(2.6)	–	(3.2)
Unwinding of discount	0.2	0.6	–	–	0.8
Exchange differences	–	0.1	–	–	0.1
At 31 December 2022	**1.7**	**19.3**	**1.2**	**14.8**	**37.0**
Included in current liabilities	**0.4**	**5.6**	**1.2**	**14.8**	**22.0**
Included in non-current liabilities	**1.3**	**13.7**	**–**	**–**	**15.0**

Onerous contracts provisions brought forward from the end of 2021 relate to the Group's leased vacant properties. During the prior year an additional £1.1m onerous contract provisions 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 17 years. During the year, two of the Group's leased properties relating to the previously closed non-core UK fast-casual restaurant business were fully surrendered, and therefore no liability remains for these leases.

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 28 years.

The legal and other provisions, which are expected to be settled within 12 months and have decreased by £2.7m in the year (2021: decreased by £2.5m 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.

26. Provisions continued
Restructuring provisions brought forward from 2021 related to the closure costs in respect of the Group's non-core UK fast-casual restaurant business and site closures during 2020. This balance has been reclassified into onerous contracts to recognise the fact the restructure relating to these businesses has been completed, however the Group remains responsible for one of the restaurant locations.

During the year, a restructuring provision has been recognised for the closure of two of our UK sites and the costs of a corporate restructuring. Further details of the exceptional charges incurred during the year for this restructure can be found in Note 7.

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:

£m	**31 December 2022**	25 December 2021
Debt (excluding IFRS 16 lease liabilities)	**322.9**	321.6
Cash and cash equivalents	**(40.2)**	(31.1)
Net debt	**282.7**	290.5
Equity	**617.8**	640.7
Net debt to net debt plus equity	**31.4%**	31.2%

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 £96.6m at 31 December 2022 (£83.6m at 25 December 2021)).

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

£m	**31 December 2022**	25 December 2021
Financial assets		
Fair value through profit and loss:		
Trade receivables	**62.0**	53.8
Derivative financial instruments	**12.6**	2.9
Measured at amortised cost:		
Trade receivables	**64.8**	61.6
Other receivables	**23.2**	17.2
Cash and cash equivalents	**40.2**	31.1
	202.8	166.6

£m	**31 December 2022**	25 December 2021
Financial liabilities		
Fair value through profit and loss:		
Derivative financial instruments	**0.3**	2.1
Other financial liabilities at amortised cost:		
Trade payables	**287.5**	237.6
Other payables	**26.8**	21.5
Accruals	**112.3**	128.4
Borrowings	**322.3**	320.6
Lease liabilities	**97.2**	84.6
	846.4	794.8

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.

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 53-week period to 31 December 2022, the Euro strengthened against Sterling by 4.7% (2021: weakened by 6.6%), with the closing rate at €1.1293 compared with €1.1850 at the prior period end. The average rate for the 53-week period to 31 December 2022 was €1.1727 (2021: €1.1623), a 0.9% weakening (2021: 3.3% weakening) of the Euro versus the prior period.

In the same period, the US dollar strengthened against Sterling by 9.9% (2021: strengthened by 1.0%), with the closing rate at $1.2077 compared with $1.3404 at the prior period end. The average rate for the 53-week period to 31 December 2022 was $1.2375 (2021: $1.3753), a 10.0% strengthening (2021: 7.2% weakening) of the US dollar versus the prior period.

The net foreign exchange impact on profit from transactions is a gain of £1.2m (2021: gain of £0.5m).

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	
£m	**31 December 2022**	25 December 2021	**31 December 2022**	25 December 2021
Euro	**3.1**	1.9	**(3.8)**	(2.3)
USD	**3.9**	0.3	**(4.8)**	(0.4)
HKD	**(0.3)**	(0.2)	**0.4**	0.3
RMB	**(0.5)**	(0.7)	**0.7**	0.8

27. Financial instruments continued

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 and cash flow exposures associated with anticipated purchase transactions.

The Group has applied hedge accounting to its forward contracts that were put in place on or after 27 December 2020. The transactions and forward contracts are designated with a hedge ratio of 1:1. The fair value of forward contracts at the reporting date is determined by the difference between foreign currency spot rate and strike rate of the contract, discounted to present value. Sources of hedge ineffectiveness are a reduction or modification in the hedged item or a material change in the credit risk of contract counterparties.

The following table details Sterling foreign currency contracts outstanding as at 31 December 2022, which were entered into on or before 26 December 2020, for which hedge accounting is not applied:

	Foreign currency (m)		Average exchange rate		Contract value (£m)		Fair value movement (£m)	
Outstanding contracts	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Net Euros:								
3 months or less	**–**	8.0	**–**	1.10	**–**	7.2	**–**	(0.5)
3 to 6 months	**–**	6.0	**–**	1.11	**–**	5.4	**–**	(0.3)
Net US dollars:								
3 months or less	**–**	1.5	**–**	1.33	**–**	1.2	**–**	–
					–	13.8	**–**	(0.8)

The following table details Sterling foreign currency contracts outstanding as at 31 December 2022, which were entered into on or after 27 December 2020, for which hedge accounting is applied:

	Foreign currency (m)		Average exchange rate		Contract value (£m)		Fair value movement (£m)	
Outstanding contracts	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Net Euros:								
3 months or less	**37.5**	20.8	**1.08**	1.16	**32.0**	18.0	**1.3**	(0.4)
3 to 6 months	**38.5**	22.2	**1.06**	1.16	**33.2**	19.1	**1.1**	(0.3)
6 to 12 months	**37.8**	31.4	**1.05**	1.16	**32.8**	27.2	**1.1**	(0.4)
Over 12 months	**19.8**	12.0	**1.14**	1.16	**17.3**	10.3	**0.5**	0.0
Net US dollars:								
3 months or less	**4.4**	4.8	**1.23**	1.35	**3.5**	3.6	**0.1**	0.1
3 to 6 months	**3.3**	4.7	**1.21**	1.35	**2.8**	3.5	**–**	0.0
6 to 12 months	**6.0**	9.4	**1.21**	1.35	**5.0**	7.0	**(0.1)**	0.0
Over 12 months	**0.8**	1.7	**1.22**	1.36	**0.7**	1.3	**–**	0.0
					127.3	90.0	**4.0**	(1.0)

The following tables detail various information regarding forward contracts, for which hedge accounting is applied, outstanding at the end of the reporting period and their related hedged items.

	Average contracted exchange rate		Contract value		Carrying amount of the hedging instrument assets/(liabilities)		Change in fair value used for calculating hedge ineffectiveness	
Hedging instruments	**2022**	2021	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Forward contracts – EURO	**1.08**	1.16	**115.3**	74.6	**4.0**	(1.1)	**5.1**	(1.1)
Forward contracts – USD	**1.21**	1.35	**12.0**	15.4	**–**	0.1	**(0.1)**	0.1

	Nominal amount of the hedge 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	
Hedging items	**2022 Foreign currency m**	2021 Foreign currency m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Foreign currency purchases – EURO	**133.6**	86.4	**(4.0)**	1.1	**4.0**	(1.1)	**–**	–
Foreign currency purchases – USD	**14.5**	20.6	**–**	(0.1)	**–**	0.1	**–**	–

The following table details the effectiveness of the hedging relationship and the amounts reclassified from hedging reserve:

	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	Due to hedged future cash flows being no longer expected to occur		Line item in which reclassification adjustment is included
Hedged items	**2022 £m**	2021 £m	**2022 £m**	2021 £m		**2022 £m**	2021 £m	
Foreign currency purchases	**5.0**	(1.0)	**–**	–	Other gains and losses	**–**	–	Inventory

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 borrowings as set out in Note 21, net of existing interest rate swaps, 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 this is management's assessment of reasonably possible changes in interest rates.

£m	**(Loss)/profit 31 December 2022**	(Loss)/profit 25 December 2021
Effects of 100 basis points increase in interest rate	**(1.4)**	(1.8)
Effects of 100 basis points decrease in interest rate	**1.4**	0.1

It is assumed that all other variables remain the same when preparing the interest rate sensitivity analysis.

In addition, interest rate sensitivity analysis has been performed on amounts owed under the Group's trade receivables factoring arrangement. A 100 basis points increase or decrease has been used as this is management's assessment of reasonably possible changes in interest rates.

£m	**(Loss)/profit 31 December 2022**	(Loss)/profit 25 December 2021
Effects of 100 basis points increase in interest rate	**(1.4)**	(1.2)
Effects of 100 basis points decrease in interest rate	**1.4**	0.1

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 £150m 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 the opposite direction in response to movements in the underlying interest rates.

During the prior year the Group transitioned from LIBOR to SONIA. All of the interest rate swaps amounting to £150.0m were subject to this transition.

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 assets/(liabilities)		Change in fair value used for calculating hedge ineffectiveness	
Hedging instruments	**2022 %**	2021 %	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Interest rate swaps maturing 13 March 2024	**0.4**	0.4	**150.0**	150.0	**7.4**	2.5	**4.9**	3.4
Interest rate swaps commencing 13 March 2024	**2.3**	N/A	**30.0**	N/A	**1.0**	N/A	**1.0**	N/A

27. Financial instruments continued

	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	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m	**2022 £m**	2021 £m
Variable rate borrowings	**(180.0)**	(150.0)	**(5.9)**	(3.4)	**8.4**	2.5	**–**	–

The following table details the effectiveness of the hedging relationship and the amounts reclassified from hedging reserve to income statement:

	Current period hedging gains/ (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		Line item in income statement in which reclassification adjustment is included
Hedged items	**2022 £m**	2021 £m	**2022 £m**	2021 £m		**2022 £m**	2021 £m	
Variable Rate borrowings	**5.9**	3.4	**–**	–	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 2022 the net amount received and recognised against expenses in finance costs was £1.4m (2021: £0.4m). After payment or receipt the hedge is revalued and movements are recognised as a movement in the hedging reserve.

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, represent more than 73% (2021: 74%) 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 £225.0m term loan (2021: £225.0m) and a £230.0m RCF facility (2021 £230.0m), 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:

£m	**31 December 2022**	25 December 2021
UK	**120.9**	104.2
US	**15.4**	12.4
China	**13.7**	16.0
	150.0	132.6

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 31 December 2022 there were £nil (2021: £0.4m) of trade receivables past due by 91 days. This figure has been included in the expected credit loss of £3.6m (2021: £2.8m). 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 31 December 2022, the Group had purchase commitments for the next 12 months to guarantee supply and price of raw materials of £145.5 million (2021: £141.5m).

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 31 December 2022, the Group has undrawn borrowing facilities, including cash, available totalling £201.4m (2021: £195.1m). Please see Note 21 for further information regarding the Group's borrowings. The Group also has access to a trade factoring arrangement which provides additional liquidity to the business.

Maturity profile of financial liabilities

The following table illustrates the Group's undiscounted contractual maturity for its undiscounted financial liabilities when they fall due.

£m	31 December 2022	25 December 2021
Non-derivatives due within one year:		
Trade payables	**287.5**	237.6
Other payables	**26.8**	21.5
Accruals	**112.3**	128.4
Borrowings[1]	**23.2**	11.2
Lease liabilities	**14.2**	13.3
Total non-derivatives due within one year	**464.0**	412.0
Non-derivatives due in the second to fifth years inclusive:		
Borrowings[1]	**349.4**	324.9
Lease liabilities	**44.6**	36.5
Total non-derivatives due in the second to fifth years	**394.0**	361.4
Non-derivatives due after five years:		
Borrowings[1]	**0.7**	11.8
Lease liabilities	**63.2**	58.2
Total non-derivatives due after five years	**63.9**	70.0

1 Borrowings future interest costs have been calculated excluding any benefit from fixed rate interest rate swaps.

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.

£m	31 December 2022	25 December 2021
Derivative financial liabilities		
Due within one year	**0.3**	1.7
Due in the second to fifth years inclusive	**–**	0.4
Total	**0.3**	2.1

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:

£m	2022	2021
Finance costs		
On financial liabilities held at amortised cost	**(20.8)**	(17.1)
Changes in fair values recognised in Other gains and (losses)		
On financial liabilities held at fair value through profit and loss	**(0.1)**	(4.0)

28. Called up share capital, dividends and reserves

Called up share capital

£m	31 December 2022	25 December 2021
Issued and fully paid:		
579,425,585 (2021: 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.

Own shares held

During the period, the Company began purchasing shares through an Employee Benefit Trust called the Bakkavor Group plc Employee Benefit Trust (the "Trust"). Own shares purchased are recorded at cost and deducted from equity.

The own shares held represents the cost of shares in Bakkavor Group plc purchased in the market and held by the Trust to satisfy share awards under the Group's share scheme plans (refer to Note 31).

The number of Ordinary shares held by the Trust at 31 December 2022 was 2,940,514 (25 December 2021: nil). This represents 0.51% of total called up share capital at 31 December 2022 (25 December 2021: nil).

Total cash purchases made through the EBT during the year amounted to £3.1m (2021: £nil).

£m	Number of shares	£000
Balance at 26 December 2021	–	–
Acquisition of shares by the Trust	2,994,036	3,128
Distribution of shares under share scheme plans	(53,522)	(54)
Balance at 31 December 2022	**2,940,514**	**3,074**

No own shares held of Bakkavor Group plc were cancelled during the periods presented.

Dividends

At the AGM on 20 May 2021, a deferred final dividend of 4 pence per Ordinary share for the financial year ended 28 December 2019 was reinstated and declared. The total amount of £23,177,023 was paid to Ordinary shareholders on 25 May 2021.

An interim dividend of 2.64 pence per Ordinary share was declared in September 2021. The total amount of £15,296,835 was paid to Ordinary shareholders on 15 October 2021.

At the AGM on 25 May 2022, a final dividend of 3.96 pence per Ordinary share for the financial year ended 25 December 2021 was declared. Following a waiver in relation to 2,439,135 Ordinary shares held in the Bakkavor Group plc Employee Benefit Trust, £22,848,663 was paid to Ordinary shareholders on 30 May 2022.

An interim dividend of 2.77 pence per Ordinary share was declared in September 2022. Following a waiver in relation to 2,492,273 Ordinary shares held in the Bakkavor Group plc Employee Benefit Trust, £15,981,053 was paid to Ordinary shareholders on 14 October 2022.

This has resulted in total dividend payments of £38,829,716 (2021: £38,473,858) during the year.

A final dividend of 4.16 pence per share has been proposed for approval at the Annual General Meeting on 31 May 2023 and will be payable on 5 June 2023 to Ordinary shareholders on the register at 28 April 2023.

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 £185.8m 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. Net cash generated from operating activities

£m	2022	2021
Operating profit	**37.8**	102.0
Adjustments for:		
Share of results of associates after tax	**(0.2)**	(0.3)
Depreciation of property, plant and equipment	**68.3**	65.2
Amortisation of intangible assets	**0.7**	0.5
Profit on disposal of property, plant and equipment	**(0.1)**	(2.9)
Impairment of assets	**29.2**	1.3
Share scheme charges	**1.3**	1.7
Net retirement benefits charge less contributions	**(2.2)**	(1.4)
Operating cash flows before movements in operating assets and liabilities	**134.8**	166.1
(Increase) in inventories	**(15.8)**	(7.0)
(Increase) in receivables	**(17.3)**	(6.2)
Increase in payables	**32.8**	18.9
Increase/(decrease) in exceptional provisions[1]	**18.4**	(0.4)
(Decrease) in provisions	**(1.4)**	(2.9)
Cash generated by operations	**151.5**	168.5
Income taxes paid	**(5.1)**	(6.5)
Interest paid	**(19.3)**	(18.0)
Net cash generated from operating activities	**127.1**	144.0

1 Included within the increase in exceptional provisions are inventory and receivable provision movements of £3.3m (2021: £nil).

Analysis of changes in net debt

£m	26 December 2021	Cash flow	Lease additions	Exchange movements	Other non-cash movements[1]	31 December 2022
Borrowings	(320.6)	(0.5)	–	(0.2)	(1.0)	**(322.3)**
Lease liabilities	(84.6)	14.0	(25.6)	(1.0)	–	**(97.2)**
Total liabilities from financing activities	(405.2)	13.5	(25.6)	(1.2)	(1.0)	**(419.5)**
Cash and cash equivalents	31.1	8.0	–	1.1	–	**40.2**
Net debt	(374.1)	21.5	(25.6)	(0.1)	(1.0)	**(379.3)**

£m	27 December 2020	Cash flow	Lease additions	Exchange movements	Other non-cash movements[1]	25 December 2021
Borrowings	(354.6)	32.8	–	–	1.2	**(320.6)**
Lease liabilities	(82.0)	11.7	(14.2)	(0.1)	–	**(84.6)**
Total liabilities from financing activities	(436.6)	44.5	(14.2)	(0.1)	1.2	**(405.2)**
Cash and cash equivalents	24.8	6.1	–	–	0.2	**31.1**
Net debt	(411.8)	50.6	(14.2)	(0.1)	1.4	**(374.1)**

1 Includes accrued interest at 31 December 2022 of £0.4m (2021: £0.2m) and prepaid bank fees of £2.6m (2021: £3.4m). The net reduction in these balances in the period of £1.0m (2021: net increase of £1.2m) is shown in the table above as 'Other non-cash movements' in Borrowings.

30. 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:

£m	31 December 2022	25 December 2021
Letters of credit	**4.4**	1.0

As at 31 December 2022, the Group had purchase commitments for the next 12 months to guarantee supply and price of raw materials of £145.5 million (2021: £141.5m).

31. 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 5 or 10 years from the date of grant dependent on the award year. Options may be forfeited if the employee leaves the Group before the options vest.

31. Share-based payments continued

Details of the share options outstanding during the year were as follows:

	Number of share options		Weighted average exercise price	
	31 December 2022	25 December 2021	**31 December 2022**	25 December 2021
Outstanding at the beginning of the period	**17,713,853**	17,016,003	**£0.12**	£0.18
Granted during the period	**5,723,603**	4,094,843	**–**	–
Granted in lieu of dividends during the period	**23,834**	15,884	**–**	–
Exercised during the period	**(1,628,144)**	(1,204,191)	**£0.74**	£0.70
Forfeited during the period	**–**	(98,773)	**–**	–
Expired and lapsed during the period	**(3,071,943)**	(2,109,913)	**–**	–
Outstanding at the end of the period	**18,761,203**	17,713,853	**£0.05**	£0.12
Exercisable at the end of the period	**2,635,939**	3,613,752	**£0.21**	£0.45

The average share price on the date options were exercised during the period was £1.12 (2021: £1.29).

The options outstanding at 31 December 2022 had a weighted average exercise price of £0.05 (2021: £0.12), and a weighted average remaining contractual life of 5.1 years (2021: 7.9 years).

Range of exercise prices for the share options:

	Number of share options		Weighted average exercise price	
	31 December 2022	25 December 2021	**31 December 2022**	25 December 2021
£nil	**16,461,600**	13,839,628	**–**	–
£0.01 – £1.00	**2,299,603**	3,874,225	**£0.44**	£0.57
Outstanding at the end of the period	**18,761,203**	17,713,853	**£0.05**	£0.12
Exercisable at the end of the period	**2,635,939**	3,613,752	**£0.21**	£0.45

In 2022, 4,884,708 options were granted on 13 April 2022 and 81,289 were granted on 13 October 2022. These options granted had the following performance conditions for vesting:

- 128,036 vest provided the individual is an employee in April 2025.
- 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 27 companies three years after the date of grant 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 three years after the date of grant 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 2024 financial year is 12.0 pence, with up to a further 50% of the remaining options vesting on a sliding scale if the Group's adjusted EPS is between 12.0 pence and 13.8 pence for that year.

In 2022, 244,230 options were granted to Directors due to their Deferred Annual Bonus entitlement.

In 2022, 757,606 options were granted on 13 October 2022. These options granted had the following performance conditions for vesting:

- 252,534 vest provided that the individual is an employee in October 2025.
- Provided that the first condition is met, 25% of the remaining options vest provided the Bakkavor US adjusted EBIT margin percentage for the 2024 financial year is 6.0%, with up to a further 100% of the remaining options vesting on a sliding scale if the Bakkavor US adjusted EBIT margin percentage is between 6.0% and 8.0% for that year.

In 2021, 157,594 options were granted on 27 January 2021 under the same terms as the options granted in October 2020. In addition in 2021, 3,770,227 options were granted on 26 April 2021 and 4 May 2021, with a further 167,022 options granted on 14 September 2021. These options granted had the following performance conditions for vesting:

- 136,823 vest provided that the individual is an employee in May 2024.
- 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 27 companies three years after the date of grant 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 three years after the date of grant 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 2023 financial year is 12.7 pence, with up to a further 50% of the remaining options vesting on a sliding scale if the Group's adjusted EPS is between 12.7 pence and 14.7 pence for that year.

The aggregate of the estimated fair values of the options granted as at 2022 is £18.3m (2021: £22.4m). The following table summarises the options granted by the Company:

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	4.5	£1.44	38.2%	–	0.87%	2.75%	£0.65
20 October 2017	600,000	4.8	£1.44	37.5%	–	0.47%	2.75%	£1.34
20 October 2017	400,000	4.8	£1.44	37.7%	–	0.56%	2.75%	£1.26
9 April 2018	1,312,855	5.3	£1.78	23.5%	–	1.17%	0.00%	£1.78
9 April 2019	1,839,345	6.3	£1.33	31.0%	–	0.69%	0.00%	£0.59
9 April 2019	314,156	6.3	£1.33	31.0%	–	0.69%	0.00%	£1.33
15 September 2020	1,118,051	2.7	£0.68	35.7%	0.71	(0.10%)	0.00%	£0.42
14 October 2020	5,497,110	2.8	£0.65	35.7%	0.79	(0.09%)	0.00%	£0.40
14 October 2020	451,069	2.8	£0.65	35.7%	0.79	(0.09%)	0.00%	£0.64
30 October 2020	354,823	2.8	£0.59	35.7%	0.83	(0.07%)	0.00%	£0.34
30 October 2020	177,411	2.8	£0.59	35.7%	0.83	(0.07%)	0.00%	£0.58
27 January 2021	157,594	3.1	£0.59	35.7%	1.07	(0.07%)	0.00%	£0.34
26 April 2021	1,333,857	3.3	£1.36	41.5%	1.32	0.16%	0.00%	£1.08
26 April 2021	1,333,857	3.3	£1.36	43.7%	1.32	0.33%	0.00%	£1.30
26 April 2021	482,845	3.3	£1.36	41.5%	1.32	0.16%	0.00%	£1.08
26 April 2021	482,845	3.3	£1.36	43.7%	1.32	0.33%	0.00%	£1.30
26 April 2021	136,823	3.3	£1.36	43.7%	1.32	0.33%	0.00%	£1.30
14 September 2021	83,511	3.7	£1.29	42.0%	1.70	0.21%	0.00%	£1.01
14 September 2021	83,511	3.7	£1.29	42.0%	1.70	0.21%	0.00%	£1.24
13 April 2022	1,758,278	9.3	£1.08	41.4%	2.28	1.61%	0.00%	£0.64
13 April 2022	1,758,278	9.3	£1.08	41.4%	2.28	1.61%	0.00%	£1.08
13 April 2022	620,059	9.3	£1.08	41.4%	2.28	1.61%	0.00%	£0.64
13 April 2022	620,059	9.3	£1.08	41.4%	2.28	1.61%	0.00%	£1.08
13 April 2022	128,036	9.3	£1.08	41.2%	2.28	1.61%	0.00%	£1.08
13 October 2022	40,645	9.8	£0.91	48.4%	2.79	3.95%	0.00%	£0.61
13 October 2022	40,644	9.8	£0.91	48.4%	2.79	3.95%	0.00%	£0.91
13 October 2022	505,072	9.8	£0.91	46.8%	2.79	3.95%	0.00%	£0.91
13 October 2022	252,534	9.8	£0.91	46.8%	2.79	3.95%	0.00%	£0.91

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 2022 is £nil (2021: £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.

The Group recognised total expenses of £1.9 million (2021: £2.3m) related to equity-settled share-based payment transactions in the period. The Group held cash-settled share-based awards of £0.6m (2021: £0.6m) during the year.

32. 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.

32. Retirement benefit schemes continued

Pension costs charged in arriving at profit on ordinary activities before taxation were:

£m	31 December 2022	25 December 2021
UK defined contribution scheme net charge	**12.6**	11.1
UK defined benefit scheme net charge	**0.6**	1.1
Total charge	**13.2**	12.2

Defined contribution schemes

The total cost charged to income of £12.6m (2021: £11.1m) 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 £2.4m at the period end for the defined contribution schemes gross contributions (2021: £2.3m).

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 31 December 2022 by a qualified independent actuary with Willis Towers Watson. The projected unit cost method was used to value the liabilities.

The principal assumptions used in this IAS 19 valuation were:

	31 December 2022	25 December 2021
Future pension increases for in-payment benefits (majority of liabilities)	**3.10%**	3.25%
Discount rate applied to Scheme liabilities	**4.80%**	1.80%
Inflation assumption (CPI)	**2.80%**	2.75%

The 2022 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 2022	Males' expected future lifetime 2021	Females' expected future lifetime 2022	Females' expected future lifetime 2021
Member aged 45	**41.4**	41.3	**43.9**	43.8
Member aged 65	**21.8**	21.8	**23.9**	23.8

The IAS 19 calculations, which are based on an approximate update of the results of the actuarial valuation of the Scheme which was carried out as at 31 March 2019, are particularly sensitive to some assumptions: for example, the discount rate, the level of assumed price inflation and the life expectancy assumption. As such, a broad indication of the sensitivity of the liabilities to each assumption is shown. The sensitivities display 'reasonably possible' changes in actuarial assumptions. 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 £22.4m/increase £28.1m
Rate of inflation	Increase/decrease by 0.5%	Increase £8.7m/decrease £8.3m
Life expectancy	Members assumed to be one year younger than their actual age	Increase £6.3m

Amounts recognised in income in respect of these defined benefit schemes are as follows:

£m	2022	2021
Past service cost	**–**	0.1
Net interest on net defined benefit asset/liability	**(0.7)**	(0.2)
Administration costs incurred during the period	**1.3**	1.2
Total charge	**0.6**	1.1

All of the charges for each period presented have been included in total administrative expenses. The actuarial loss of £26.3m (2021: £24.5m gain) has been reported in other comprehensive income.

The actual return on Scheme assets was a decrease of £119.1m (2021: £25.6m 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:

£m	31 December 2022	25 December 2021
Fair value of Scheme assets	**185.9**	313.5
Present value of defined benefit obligations	**(173.1)**	(276.3)
Scheme surplus	**12.8**	37.2
Related deferred taxation liability (Note 23)	**(3.2)**	(9.3)
	9.6	27.9

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 2022 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.

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation ("DBO") over the year are as follows:

£m	Present value of DBO	Fair value of Scheme assets	Net amount
At 27 December 2020	**(283.5)**	**294.7**	**11.2**
Past service cost – plan amendments	(0.1)	–	(0.1)
Interest (expense cost on the DBO)/income on Scheme assets	(3.9)	4.1	0.2
Administrative costs paid	–	(1.2)	(1.2)
Total amount recognised in the consolidated income statement	**(4.0)**	**2.9**	**(1.1)**
Return on Scheme assets greater/(less) than discount rate	–	21.5	21.5
Actuarial loss – financial assumptions	3.0	–	3.0
Total amount recognised in other comprehensive income	**3.0**	**21.5**	**24.5**
Contributions from the sponsoring companies	–	2.6	2.6
Benefits paid from Scheme assets	8.2	(8.2)	–
At 25 December 2021	**(276.3)**	**313.5**	**37.2**
Past service cost – plan amendments	**–**	**–**	**–**
Interest (expense cost on the DBO)/income on Scheme assets	**(4.9)**	**5.6**	**0.7**
Administrative costs paid	**–**	**(1.3)**	**(1.3)**
Total amount recognised in the consolidated income statement	**(4.9)**	**4.3**	**(0.6)**
Return on Scheme assets greater/(less) than discount rate	**–**	**(124.7)**	**(124.7)**
Actuarial loss – experience	**(13.6)**	**–**	**(13.6)**
Actuarial gain – financial assumptions	**112.0**	**–**	**112.0**
Total amount recognised in other comprehensive income	**98.4**	**(124.7)**	**(26.3)**
Contributions from the sponsoring companies	**–**	**2.5**	**2.5**
Benefits paid from Scheme assets	**9.7**	**(9.7)**	**–**
At 31 December 2022	**(173.1)**	**185.9**	**12.8**

The analysis of the Scheme assets at the statement of financial position date was as follows:

	Fair value of assets	
£m	31 December 2022	25 December 2021
Structured UK equity	**2.3**	13.0
Overseas equity	**9.9**	30.7
High yield bonds	**8.5**	7.5
Corporate bonds	**50.5**	74.4
Government bonds	**81.3**	141.7
Cash	**9.6**	11.3
Other	**23.8**	34.9
	185.9	313.5

The fair values of the equity and bonds have been determined as level 2 instruments under IFRS 7 Financial Instruments. Index-linked government bonds, which have quoted prices in active markets, are classed as level 1.

32. Retirement benefit schemes continued
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 Trustees 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 15 years.

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 2022, no augmentation was made in respect of this benefit (2021: £89,000).

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 £2.5m per annum. £2.5m was paid in the period to 31 December 2022 (2021: £2.5m).

The actual amount of employer contributions expected to be paid to the Scheme during 2023 is £2.5m.

33. 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.

Transactions with the Bakkavor Defined Benefit Pension Scheme ("the Scheme")
As a result of the volatility in the gilt markets, the Scheme was required to provide further collateral for its liability hedging of interest and inflation rate movements. The Group agreed to provide a £15m short-term line of credit to the Scheme in October 2022 to meet this collateral requirement. The line of credit attracted interest at a rate of 2.1% plus SONIA and was fully repaid by 23 December 2022.

Share transactions
See Note 35 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.

	2022			2021		
£m	Directors	Senior Management	Total	Directors	Senior Management	Total
Short-term employee benefits	**3.1**	**1.1**	**4.2**	3.8	1.1	4.9
Post-employment benefits[1]	**–**	**–**	**–**	–	–	–
Share-based payments[2]	**0.4**	**0.3**	**0.7**	0.5	0.3	0.8
	3.5	**1.4**	**4.9**	4.3	1.4	5.7

1 The Directors' post-employment benefits show contributions made to pension schemes. The pension entitlements disclosed in the Directors' remuneration report on pg 135 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 31.

The highest paid Director received aggregate remuneration (including pension entitlements) of £1.1m (2021: £1.3m).

For the period ended 31 December 2022, two Directors (2021: two Directors) received contributions to their pension schemes from the Group.

For the period ended 31 December 2022, two Directors (2021: two Directors) received share options. One Director (2021: no Directors) exercised share options during the period resulting in a gain of £59,000.

34. Events after the statement of financial position date

There are no events after the statement of financial position date that need to be disclosed.

35. Controlling party

These Financial Statements are the largest consolidated 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 (the corporate holding structure of Agust Gudmundsson) and Umbriel Ventures Limited (the corporate holding structure of Lydur Gudmundsson). On 20 May 2022, Lydur Gudmundsson purchased 200,000 ordinary shares in the Company. Following the transaction, Umbriel Ventures Limited holds 142,303,505 ordinary shares (representing 24.56% of the issued share capital of the Company) and Carrion Enterprises Limited holds 142,103,505 ordinary shares (representing 24.52% of the issued share capital of the Company).

Lixaner Co Limited, a company owned and controlled by Sigurdur Valtysson, who runs the family office for Agust and Lydur Gudmundsson, holds 6,457,750 ordinary shares (representing 1.11% 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 (Lixaner Co Limited) is 290,864,760 ordinary shares (representing 50.20% of the issued share capital of the Company).

36. 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.

Like-for-like revenue

The Group defines like-for-like 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, the effect of foreign currency movements and revenues. In addition revenues for week 53 are taken out in the relevant financial years to ensure that like-for-like revenue is shown on a 52 week basis each year.

The following table provides the information used to calculate like-for-like revenue for the Group.

£m	2022	2021	Change %
Statutory revenue	**2,139.2**	1,871.6	14.3%
Effect of currency movements	**(34.2)**	–	
Week 53 revenue	**(36.0)**	–	
Like-for-like revenue	**2,069.0**	1,871.6	10.6%

36. Alternative performance measures continued
The following tables provide the information used to calculate like-for-like revenue for each segment.

UK

£m	2022	2021	Change %
Statutory revenue	**1,783.1**	1,592.4	12.0%
Week 53 revenue	**(30.8)**	–	
Like-for-like revenue	**1,752.3**	1,592.4	10.0%

US

£m	2022	2021	Change %
Statutory revenue	**255.3**	180.1	41.8%
Effect of currency movements	**(25.5)**	–	
Week 53 revenue	**(3.6)**	–	
Like-for-like revenue	**226.2**	180.1	25.6%

China

£m	2022	2021	Change %
Statutory revenue	**100.8**	99.1	1.7%
Effect of currency movements	**(8.7)**	–	
Week 53 revenue	**(1.6)**	–	
Like-for-like revenue	**90.5**	99.1	(8.6)%

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. In calculating adjusted operating profit, we exclude restructuring costs, asset impairments, costs incurred to configure or customise 'software as a service' ("SaaS") arrangements, and those additional charges or credits that are considered significant or one-off in nature. In addition, for adjusted EBITDA we exclude depreciation, amortisation, the share of results of associates after tax and share scheme charges, as these are non-cash amounts. 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.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received, unless the configuration and customisation activities significantly modify or customise the cloud software, in which case the costs are expensed over the SaaS contract term. The Group adjusts for the cost of these projects as they are infrequent in nature and relate to significant systems changes within the business.

The Group calculates adjusted EBITDA on a pre-IFRS 16 basis for the purposes of determining covenants under its financing agreements.

The following table provides a reconciliation from the Group's operating profit to adjusted operating profit and adjusted EBITDA.

£m	Note	2022	2021
Operating profit		**37.8**	102.0
Exceptional items	7	**50.1**	–
Configuration and customisation costs for SaaS projects		**1.5**	–
Adjusted operating profit		**89.4**	102.0
Depreciation		**68.3**	65.2
Amortisation		**0.7**	0.5
Share scheme charges		**1.9**	2.3
Profit on disposal of property, plant and equipment		**(0.1)**	(2.9)
Share of results of associates after tax		**(0.2)**	(0.3)
Adjusted EBITDA post IFRS 16		**160.0**	166.8
Less IFRS 16 impact		**(13.8)**	(12.6)
Adjusted EBITDA pre IFRS 16[1]		**146.2**	154.2
Covenant adjustments		**0.6**	1.4
Adjusted EBITDA (pre IFRS 16 and including covenant adjustments)		**146.8**	155.6

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.

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 reclaiming from the Group's net debt to the Group's operational net debt.

£m	Note	31 December 2022	25 December 2021
Group net debt	21	**(379.3)**	(374.1)
Unamortised fees		**(2.6)**	(3.4)
Interest accrual		**0.4**	0.2
Lease liabilities recognised under IFRS 16		**96.6**	83.6
Group operational net debt		**(284.9)**	(293.7)
Adjusted EBITDA (pre IFRS 16 and including covenant adjustments)		**146.8**	155.6
Leverage (Operational net debt/adjusted EBITDA pre IFRS 16 and including covenant adjustments)		**1.9**	1.9

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.

£m	2022	2021
Net cash generated from operating activities	**127.1**	144.0
Interest received	**0.2**	–
Dividends received from associates	**–**	0.7
Purchases of property, plant and equipment	**(61.1)**	(59.8)
Proceeds on disposal of property, plant and equipment	**0.1**	4.2
Purchase of intangibles	**(2.9)**	–
Cash impact of exceptional items	**2.5**	1.2
Refinancing fees	**0.9**	0.9
Free cash flow	**66.8**	91.2

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 for the period adjusted to exclude exceptional items, configuration and customisation costs for SaaS projects and the change in value of derivative financial instruments. The following table reconciles profit for the period to adjusted earnings.

For adjusted diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary shares.

£m	2022	2021
Profit for the period	**12.5**	56.8
Exceptional items (Note 7)	**50.1**	–
Configuration and customisation costs for SaaS projects	**1.5**	–
Change in fair value of derivative financial instruments	**0.1**	4.0
Tax on the above items	**(9.4)**	(0.8)
Adjusted earnings	**54.8**	60.0
Add back: Tax on adjusted profit before tax	**15.0**	25.4
Adjusted profit before tax	**69.8**	85.4
Effective tax rate on underlying activities		
(Tax on adjusted profit before tax/adjusted profit before tax)	**21.5%**	29.7%

36. Alternative performance measures continued

Number of shares '000	2022	2021
Weighted average number of Ordinary shares	**577,576**	579,426
Effect of dilutive Ordinary shares	**9,767**	9,775
Weighted average number of diluted Ordinary shares	**587,343**	589,201

	2022	2021
Adjusted basic earnings per share	**9.5p**	10.4p
Adjusted diluted earnings per share	**9.3p**	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 excluding the impact of exceptional items and configuration and customisation costs for SaaS projects 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 and end of the period.

The Directors believe that ROIC is a useful indicator of the amount returned as a percentage of shareholders' invested capital and 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.

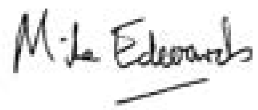
£m	Note	2022	2021
Operating profit		**37.8**	102.0
Exceptional items	7	**50.1**	–
Configuration and customisation costs for SaaS projects		**1.5**	–
Adjusted operating profit		**89.4**	102.0
Taxation at the underlying effective rate		**(19.2)**	(30.3)
Adjusted operating profit after tax		**70.2**	71.7
Invested capital			
Total assets		**1,541.4**	1,503.5
Total liabilities		**(923.6)**	(862.8)
Net debt at period end		**379.3**	374.1
Derivatives not designated as hedges		**–**	0.9
Retirement benefit scheme surplus		**(12.8)**	(37.2)
Deferred tax liability on retirement benefit scheme		**3.2**	9.3
Invested capital		**987.5**	987.8
Average invested capital for ROIC calculation		**987.7**	994.4
ROIC (%)		**7.1%**	7.2%

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

£m	Notes	31 December 2022	25 December 2021
Non-current assets			
Shares in Group undertakings	4	**309.5**	309.5
Current assets			
Loans to Group undertakings	6	**95.6**	97.2
Deferred tax assets		**0.9**	0.2
		96.5	97.4
Total assets		**406.0**	406.9
Current liabilities			
Loans from Group undertakings	6	**(1.6)**	(0.2)
Total liabilities		**(1.6)**	(0.2)
Net assets		**404.4**	406.7
Equity			
Called up share capital	7	**11.6**	11.6
Own shares held	7	**(3.1)**	–
Merger reserve	7	**23.8**	23.8
Retained earnings		**372.1**	371.3
Total equity		**404.4**	406.7

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 £38.5m (2021: £85.0m).

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 7 March 2023. They were signed on behalf of the Board of Directors by:



Mike Edwards
Chief Executive Officer

Ben Waldron
Chief Financial Officer and Asia Chief Executive Officer

COMPANY STATEMENT OF CHANGES IN EQUITY
53 WEEKS ENDED 31 DECEMBER 2022

£m	Note	Called up share capital	Own shares held	Merger reserve	Retained earnings	Total equity
Balance at 27 December 2020		11.6	–	23.8	323.2	**358.6**
Profit for the period		–	–	–	85.0	**85.0**
Dividends	7	–	–	–	(38.5)	**(38.5)**
Credit for share-based payments		–	–	–	2.3	**2.3**
Cash-settlement of share-based awards		–	–	–	(0.6)	**(0.6)**
Deferred tax		–	–	–	(0.1)	**(0.1)**
At 25 December 2021		11.6	–	23.8	371.3	**406.7**
Profit for the period		–	–	–	38.5	**38.5**
Purchase of own shares	7	–	(3.1)	–	–	**(3.1)**
Dividends	7	–	–	–	(38.8)	**(38.8)**
Credit for share-based payments		–	–	–	1.9	**1.9**
Cash-settlement of share-based awards		–	–	–	(0.6)	**(0.6)**
Deferred tax		–	–	–	(0.2)	**(0.2)**
At 31 December 2022		**11.6**	**(3.1)**	**23.8**	**372.1**	**404.4**

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 13 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 Presentation of Financial Statements; and Paragraph 73(e) of IAS 16 Property, Plant and Equipment; and Paragraph 118(e) of IAS 38 Intangible Assets;
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A-D, 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 paragraphs 17 and 18A 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 130(f)(ii), 130(f)(iii), 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 31 December 2022 amounted to £95.6m (2021: £97.2m).

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 of £0.1m (2021: £0.1m) to the Company's Auditors in respect of the audit of the Company's Financial Statements for the periods ended 31 December 2022 and 25 December 2021 have been borne by fellow Group company Bakkavor Foods Limited.

The Company has 11 Directors and no further employees. Payments to the Directors for the periods ended 31 December 2022 and 25 December 2021 have been borne by fellow Group company Bakkavor Foods Limited. Details of Directors' remuneration is disclosed within Note 33 of the Consolidated Financial Statements.

4. Shares in Group undertakings

£m	Investment in Group companies
Balance at 25 December 2021 and 31 December 2022	**309.5**

5. Subsidiaries

As at 31 December 2022, Bakkavor Group plc held investments in the share capital of the following companies:

Name	Place of registration and operation	Principal activity	% of voting shares as at 31 December 2022	% of voting shares as at 25 December 2021
Directly held investments:				
Bakkavor Holdings Limited[1]	UK	Holding company	100%	100%
Indirectly held investments:				
Bakkavor Finance (2) Limited[1]	UK	Holding company	100%	100%
Bakkavor (London) Limited[1]	UK	Holding company	100%	100%
Bakkavor Finance Limited[2]	UK	Customer invoicing and financing of receivables	100%	100%
Bakkavor Limited[1]	UK	Holding company	100%	100%
Bakkavor USA Inc[4]	USA	Holding company	100%	100%
Bakkavor USA Limited[1]	UK	Holding company	100%	100%
Bakkavor Foods USA Inc[4]	USA	Manufacture of fresh prepared meals and bakery products	100%	100%
Bakkavor China Limited[1]	UK	Holding company	100%	100%
Bakkavor Bakery Holdings Limited[5]	Hong Kong	Holding company	100%	N/A
Bakkavor Hong Kong Limited[5]	Hong Kong	Preparation and marketing of fresh prepared foods	100%	100%
Bakkavor China Holdings Limited[5]	Hong Kong	Holding company	100%	100%
Wuhan Bakkavor Food Company Limited[6]	China	Manufacture of salad products	100%	100%
Wuhan Bakkavor Agricultural Product Processing Company Limited[20]	China	Manufacture of salad products	100%	100%
Jiangsu Bakkavor Food Company Limited[7]	China	Manufacture of salad products	100%	100%
Shaanxi Bakkavor Food Company Limited[8]	China	Manufacture of salad products	100%	100%
Beijing Bakkavor Food Company Limited[9]	China	Manufacture of salad products	100%	100%
Guangzhou Bakkavor Food Company Limited[10]	China	Manufacture of salad products	100%	100%
Bakkavor (Shanghai) Management Company Limited[11]	China	Holding company	100%	100%
Shaanxi Bakkavor Agriculture Processing Company Limited[12]	China	Manufacture of salad products	100%	100%
Fujian Bakkavor Food Company Limited[13]	China	Manufacture of salad products	100%	100%
Bakkavor (Taicang) Baking Company Limited[14]	China	Manufacture of bakery products	100%	100%
Chengdu Bakkavor Foods Company Limited[15]	China	Manufacture of salad products	100%	100%
Bakkavor Foods Limited[1]	UK	Manufacture of fresh prepared foods	100%	100%
Bakkavor Estates Limited[2]	UK	Property management	100%	100%
Bakkavor Pension Trustees Limited1*	UK	Pension trustee holding company	100%	100%
Bakkavor European Marketing BV[16]	Netherlands	Holding company	100%	100%
NV Bakkavor Belgium BV[17]	Belgium	Non-trading	100%	100%
BV Restaurant Group Limited[1]	UK	Production and distribution of fresh prepared foods	100%	100%
Bakkavor Iberica S.L.U.[18]	Spain	Distribution	100%	100%
Bakkavor Central Finance Limited[2]	UK	Customer invoicing and financing of receivables	100%	100%
Dormant companies				
Bakkavor Dormant Holdings Limited[1]*	UK	Holding company	100%	100%
Bakkavor Finance (1) Limited[1]*	UK	Dormant non-trading company	100%	100%
Bakkavor Finance (3) Limited[1]*	UK	Dormant non-trading company	100%	100%
Bakkavor Acquisitions (2008) Limited[1]*	UK	Dormant non-trading company	100%	100%
Bakkavor Invest Limited[1]*	UK	Dormant non-trading company	100%	100%
Bakkavor (Acquisitions) Limited[1]*	UK	Dormant non-trading company	100%	100%
Bakkavor Asia Limited[1]*	UK	Dormant non-trading company	100%	100%
Bakkavor Overseas Holdings Limited[1]*	UK	Dormant non-trading company	100%	100%
BV Foodservice Limited[1]*	UK	Dormant non-trading company	100%	100%
Bakkavor Desserts Leicester Limited[1]	UK	Dormant non-trading company	100%	100%
Bakkavor Fresh Cook Limited[1]*	UK	Dormant non-trading company	100%	100%
English Village Salads Limited[1]*	UK	Dormant non-trading company	100%	100%
Notsallow 256 Limited[1]*	UK	Dormant non-trading company	100%	100%
Kent Salads Limited[1]*	UK	Dormant non-trading company	100%	100%

5. Subsidiaries continued

Name	Place of registration and operation	Principal activity	% of voting shares as at 31 December 2022	% of voting shares as at 25 December 2021
Laurens Patisseries Limited[1]*	UK	Dormant non-trading company	100%	100%
Hitchen Foods Limited[1]*	UK	Dormant non-trading company	100%	100%
Bakkavor Brothers Limited[1]*	UK	Dormant non-trading company	100%	100%
Cucina Sano Limited[1]*	UK	Dormant non-trading company	100%	100%
Butterdean Products Limited[1]*	UK	Dormant non-trading company	100%	100%
Exotic Farm Prepared Limited[1]*	UK	Dormant non-trading company	100%	100%
Exotic Farm Produce Limited[1]*	UK	Dormant non-trading company	100%	100%
Associate companies				
La Rose Noire Limited[19]	Hong Kong	Operation of bakery and food and beverage outlets	45%	45%
Patisserie et Chocolat Limited[19]	Hong Kong	Operation of bakery and food and beverage outlets	45%	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 2700 Westinghouse Boulevard, Charlotte, NC 28273.
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 South Xitai Road, Da Sun Gezhuang Town, Shunyi District, Beijing, China.
10 The registered address of this company is No. 55 Banyutang Road, High Tech Development Area, Guangzhou, China.
11 The registered address of this company is Room 01, 3A Floor, Number 16 Lane 1977, Jinshajiang Road, Putuo District, Shanghai, China.
12 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
13 The registered address of this company is Jiulong Industry Park of Hua An Economic Development Zone, China.
14 The registered address of this company is Taicang City, No 29 Qingdao East Road, China.
15 The registered address of this company is Rong Tai Road, Cross-Straits Science & Technology Industry Development Park, Wenjiang District, Chengdu, China.
16 The registered address of this company is Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands.
17 The registered address of this company is Lammerdries-Zuid 16F, 2250 Olen, Belgium.
18 The registered address of this company is Calle Cartagena 57, 1º D Torre Pacheco, Murcia CP 30700, Spain.
19 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 Bakkavor Group plc, owned by Bakkavor China Limited.
20 The registered address of this company is Room 706, 7th floor, No. 1 Entrepreneurship service centre, 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 intercompany loan receivables. There are no interest-bearing balances and therefore the Company is not exposed to any interest rate risk.

Categories of financial instruments

£m	31 December 2022	25 December 2021
Financial assets and liabilities		
Measured at amortised cost:		
Loans to Group undertakings	**95.6**	97.2
Loans from Group undertakings	**(1.6)**	(0.2)

7. Called up share capital and reserves

Called up share capital

£m	31 December 2022	25 December 2021
Issued and fully paid:		
579,425,585 (2021: 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.

Own shares held

During the period, the Company began purchasing shares through an Employee Benefit Trust called the Bakkavor Group plc Employee Benefit Trust (the "Trust"). Own shares purchased are recorded at cost and deducted from equity.

The own shares held represents the cost of shares in Bakkavor Group plc purchased in the market and held by the Trust to satisfy share awards under the Group's share scheme plans (refer to Note 31). The number of Ordinary shares held by the Trust at 31 December 2022 was 2,940,514 (25 December 2021: nil). This represents 0.51% of total called up share capital at 31 December 2022 (25 December 2021: nil).

£m	Number of shares	£000
Balance at 26 December 2021	–	–
Acquisition of shares by the Trust	2,994,036	3,128
Distribution of shares under share scheme plans	(53,522)	(54)
Balance at 31 December 2022	**2,940,514**	**3,074**

No own shares held of Bakkavor Group plc were cancelled during the periods presented.

Dividends

At the AGM on 20 May 2021, a deferred final dividend of 4 pence per Ordinary share for the financial year ended 28 December 2019 was reinstated and declared. The total amount of £23,177,023 was paid to Ordinary shareholders on 25 May 2021.

An interim dividend of 2.64 pence per Ordinary share was declared in September 2021. The total amount of £15,296,835 was paid to Ordinary shareholders on 15 October 2021.

At the AGM on 25 May 2022, a final dividend of 3.96 pence per Ordinary share for the financial year ended 25 December 2021 was declared. Following a waiver in relation to 2,439,135 Ordinary shares held in the Bakkavor Group plc Employee Benefit Trust, £22,848,663 was paid to Ordinary shareholders on 30 May 2022.

An interim dividend of 2.77 pence per Ordinary share was declared in September 2022. Following a waiver in relation to 2,492,273 Ordinary shares held in the Bakkavor Group plc Employee Benefit Trust, £15,981,053 was paid to Ordinary shareholders on 14 October 2022.

This has resulted in total dividend payments of £38,829,716 (2021: £38,473,858) during the year.

A final dividend of 4.16 pence per share has been proposed for approval at the Annual General Meeting on 31 May 2023 and will be payable on 5 June 2023 to Ordinary shareholders on the register at 28 April 2023.

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:

£m	31 December 2022	25 December 2021
Loans to Group undertakings	**95.6**	97.2
Loans from Group undertakings	**(1.6)**	(0.2)

Loans to Group undertakings relate to corporate loans of £nil (2021: £85.0m) due from Bakkavor Holdings Limited and £95.6m (2021: £12.2m) due from Bakkavor Finance (2) 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.

Loans to Group undertakings do not carry interest on the outstanding corporate loan balances.

Loans from Group undertakings relate to a corporate loan of £1.6m (2021: £0.2m) due from Bakkavor Foods Limited.

Loans from Group undertakings do not carry interest on the outstanding corporate loan balances.

9. Events after the statement of financial position date

There are no events after the statement of financial position date that need to be disclosed.

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 (the corporate holding structure of Agust Gudmundsson) and Umbriel Ventures Limited (the corporate holding structure of Lydur Gudmundsson). On 20 May 2022, Lydur Gudmundsson purchased 200,000 ordinary shares in the Company. Following the transaction, Umbriel Ventures Limited holds 142,303,505 ordinary shares (representing 24.56% of the issued share capital of the Company) and Carrion Enterprises Limited holds 142,103,505 ordinary shares (representing 24.52% of the issued share capital of the Company).

Lixaner Co Limited, a company owned and controlled by Sigurdur Valtysson, who runs the family office for Agust and Lydur Gudmundsson, holds 6,457,750 ordinary shares (representing 1.11% 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 (Lixaner Co Limited) is 290,864,760 ordinary shares (representing 50.20% of the issued share capital of the Company).

ADVISERS AND REGISTERED OFFICE

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Annabel Tagoe-Bannerman

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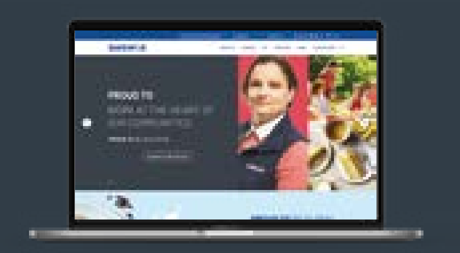

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