

COMING BACK STRONGER AND BETTER

GREGGS plc Annual Report & Accounts 2021



 GREGGS

EMERGING STRONGER AND BETTER



In a second year dominated by disruption due to Covid, our teams once again coped magnificently with unprecedented and rapidly-changing conditions. We set out at the beginning of the year to show that we could not only cope with Covid, but emerge from this crisis both stronger and better as a business.

Our results and achievements in 2021 show that we achieved both those ambitions, and I would like to take this opportunity to, once again, thank all of our teams across the country who rose so well to meet these challenges.

A handwritten signature in black ink that reads "R Whiteside".

Roger Whiteside OBE, Chief Executive
8 March 2022

Strategic Report

2021 highlights	1
At a glance	2
Year in review	8
Chair's statement	10
Business model	13
Chief Executive's report	14
Q&A with Roisin Currie, CEO Designate	20
Our strategy in action	24
Key performance indicators	34
The Greggs Pledge	36
Task Force on Climate-related Financial Disclosures	38
Our stakeholders	45
Financial review	55
Risk management	59

Directors' Report

Board of Directors and Secretary	64
Governance report	68
Audit Committee report	77
Directors' remuneration report	84
Statement of Directors' responsibilities	107

Accounts

Independent auditor's report	108
Consolidated income statement	116
Consolidated statement of comprehensive income	116
Balance sheets	117
Statements of changes in equity	118
Statements of cashflows	122
Notes to the consolidated accounts	124
Ten-year history	168
Alternative performance measures	169
Secretary and advisers	171

2021 HIGHLIGHTS

Operational highlights



NEW FIVE-YEAR GROWTH STRATEGY ANNOUNCED

In October, we set out our ambitious plan to double Greggs' sales in the next five years. The fundamental strategic pillars of our business model have not changed but we have identified four key growth drivers, including 'Growing and developing the Greggs estate' which will become the focus of our plan to reach our full potential in the years ahead.

Read more about our key growth drivers on pages 24 to 31 →



DIGITAL TRANSFORMATION THROUGHOUT THE BUSINESS

We successfully launched our new website and Greggs App, including our enhanced loyalty proposition. Customers can now earn stamps and rewards across all of our menu categories, on both walk-in and Click + Collect purchases. Deployment of our new Customer Relationship Management capabilities will allow our teams to talk to our customers like never before and continue our journey to give additional and personalised services and offers across multiple channels.

Read more about our digital transformation on pages 28 and 29 →



THE GREGGS PLEDGE

Our sustainability plan, The Greggs Pledge, is about how we can do more to help people, protect the planet and work with our partners to change the world for the better. Our sustainability report, published alongside the annual report, is available to view now.

Financial highlights*

Total sales

£1,229.7m

2020: £811.3m

Two-year like-for-like (LFL) sales

-3.3%

Pre-tax profit

£145.6m

2020: £13.7m loss

Diluted earnings per share

114.3p

2020: loss per share of 12.9p

Total dividend

42.0p

2020: nil

Special dividend

40.0p

2020: £nil

Colleague profit-sharing

£16.6m



You can also read our annual report online at corporate. greggs.co.uk/investors



And read The Greggs Pledge at corporate. greggs.co.uk/responsibility



* Detailed calculations of Alternative Performance Measures, not otherwise shown in the accounts and related notes, are shown on pages 169 and 170

AT A GLANCE

With ownership of our supply chain, multiple service channels for our customers and around 2,200 shops nationwide, we are in a unique position to make great tasting, freshly prepared food accessible to everyone. Throughout the pandemic, our teams have risen to the many challenges and worked tirelessly to provide our customers with great tasting food-on-the-go and the best experience, day in, day out.

Our purpose

To make great tasting, freshly prepared food accessible to everyone.

Our vision

To be the customers' favourite for food-on-the-go.



AT A GLANCE CONTINUED

WHAT WE DO

We are a modern food-on-the-go retailer providing a wide menu of food and drink choices wherever and whenever our customers need us.



Manufacturing

In our own food manufacturing centres of excellence, we make great tasting, freshly prepared food that our customers can trust.



Logistics

We move products from our food manufacturing sites to our shops ourselves, which helps us to keep our prices as low as possible.



Our people

We have more than 25,000 amazing colleagues, working together to provide our customers with the best experience, offering fast and friendly service, day in, day out.



Customer channels

With around 2,200 shops, including 375 with franchise partners, our wholesale partnership, delivery and Click + Collect, we are available to serve customers wherever, whenever and however they choose.



Customer relationships

Through our new Greggs App, we are building long-term connections with our customers and rewarding their loyalty. Our new CRM system allows us to talk to our customers on a regular one-to-one basis, via email, SMS or the Greggs App.

WHAT MAKES US DIFFERENT

We have been around for over 80 years building a reputation for offering great quality, freshly prepared food at low prices with great service. We are a much-loved and trusted brand that is for everyone and available to serve our customers wherever, whenever and however they choose.

Purpose

To make good, freshly prepared food accessible to everyone.

Quality

We want our products to be the best they can be.

Convenience

We want to be able to serve customers wherever, whenever and however they choose.

Value

We offer great value in an extremely competitive marketplace.

Service

We provide customers with fast and friendly service, fixing issues without a fuss and rewarding them for their loyalty.

OUR STRATEGY

While Greggs has enjoyed tremendous success in recent years as we sought to become the customers' favourite for food-on-the-go, our journey is far from over. We have an ambitious plan to double Greggs' sales in the next five years and while the fundamental strategic pillars of our business model have not changed, we are continually learning and adapting and have identified four key growth drivers which will become the focus of our strategy to reach our full potential in the years ahead.

OUR FUNDAMENTAL STRATEGIC PILLARS

Great tasting, freshly prepared food

You cannot beat freshly baked, freshly prepared food. With our great flavours, responsibly-sourced ingredients, consistent quality and outstanding value our food-on-the-go leads the way.

Best customer experience

Fast and friendly service is a key reason why customers choose Greggs. Great service is not an easy thing to deliver under pressure, and our shop teams do an amazing job. Through our Greggs App, we are able to build longlasting relationships with our customers and reward their loyalty.

Competitive supply chain

By owning our supply chain, we can make great tasting, freshly prepared food at low prices accessible to everyone.

First class support teams

We've invested heavily in leading-edge systems. They equip our support teams to provide the best service to their colleagues and, ultimately, our customers.

THE GREGGS PLEDGE: DEDICATED TO DOING GOOD



Stronger, healthier communities

We pledge to play our part in improving the nation's diet by helping to tackle obesity, providing free breakfasts to school children and giving surplus food to those who need it most.



Safer planet

We pledge to become a carbon neutral, zero waste business.



Better business

We pledge to increase the diversity of our workforce, and to use our purchasing power responsibly, with the aim of making things better in our supply chain.

AT A GLANCE CONTINUED

OUR FOUR KEY DRIVERS OF GROWTH

Growing and developing the Greggs estate

With a strong new shop opening pipeline and a significant opportunity to improve the quality of our estate through relocations and the next generation of shop refits, our ambition is to reach at least 3,000 shops as the next target for our supply chain capacity planning assumptions.

[Read more on page 24 →](#)

Evening trade

Through extending the trading hours in many of our shops, delivering new and exciting additions to our menu and leveraging our existing customer channels, including delivery and Click + Collect alongside walk-in customers, we have a strategic opportunity to effectively compete for food-on-the-go sales in the evening.

[Read more on page 26 →](#)

Digital channels

Through our digital channels we are able to compete more effectively at all times of day. Our delivery partnership with Just Eat enables us to increase the reach of our shops beyond customers passing by and, in addition, offers the added attraction of serving multiple customers in one order with higher-than-average basket size. Click + Collect offers our customers the ability to easily browse our menu, skip the queues and ultimately personalise their order.

[Read more on page 28 →](#)

Making Greggs mean more to more people

We have successfully repositioned the Greggs brand in recent years to become recognised as a customer favourite for food-on-the-go. Through our brand activity, and with timely and effective customer communication via our new Greggs App, website and CRM system, we have the opportunity to effectively communicate how Greggs can mean more things to more people, so that we are a brand considered by more people, in more places and at all times of day when they need food-on-the-go.

[Read more on page 30 →](#)

Investing in our supply chain and systems for a bigger business

Our ambition to double sales revenues will require significant investment in manufacturing and logistics to increase capacity. Building a centralised business model has required a transformational investment in systems and, now that our SAP implementation is nearly complete, we have accelerated our digital transformation programme. With this new platform in place, we see significant opportunities to grow our digital capabilities and enable more efficient operations which will see a programme of continuous improvement as the business grows.

[Read more on page 32 →](#)

AT A GLANCE CONTINUED

OUR SUSTAINABILITY COMMITMENTS

It's our duty as a responsible business to stand for more than just profit. Our sustainability report, The Greggs Pledge, is about how we can do more to help people, protect the planet and work with our partners to change the world for the better. Based on the UN's Sustainable Development Goals, The Greggs Pledge commits us to achieving the following goals by 2025:

1,000

school Breakfast Clubs providing some 70,000 meals each school day.

25%

less food waste than in 2018 and will continue to work towards 100% of surplus food going to those most in need.

25%

less packaging, by weight, than in 2019, and any remaining packaging will be made from material that is widely recycled.

50

Greggs Outlet shops providing affordable food in areas of social deprivation, with a share of profits given to local community organisations.

Read more on sustainability on [pages 36 to 44](#) →

30%

of the items on our shelves will be healthier choices.

100%

on our way to achieving carbon neutrality by using 100% renewable energy across all of our operations.

25%

of our shops will feature elements from our Eco-Shop, 'shop of the future' design.

Diverse and inclusive workforce which reflects the communities we serve.

Responsible sourcing strategy in place to report annually on progress towards our targets.

Tier 1 secured and maintained in the BFAW Animal Welfare standard.



AT A GLANCE CONTINUED

OUR CULTURE AND VALUES

Our people are what makes our business successful. We aim to provide them with a great place to work, where they feel valued and have the opportunity to fulfil their potential. Our values commit us to being friendly, inclusive, honest, respectful, hardworking and appreciative.

Total employees

25,174

Percentage of female employees

69%



OUR STAKEHOLDERS

Maintaining good relationships with our essential stakeholders is key to what we do. Our stakeholder family includes customers, colleagues, investors, suppliers and, of course, the communities that we serve.



Customers



Colleagues



Suppliers

HOW WE MEASURE OUR PERFORMANCE

Constant monitoring of how we meet our objectives and challenges is vital to success. Naturally, we look at financial performance through our principal KPIs, but doing business in the right way is measured too, with wide-ranging balanced scorecards examining every aspect of what we do.



Shareholders



Communities

Read more on our stakeholders on [pages 45 to 54](#) →

STRONGER BUSINESS

From the launch of The Greggs Pledge, supporting the Greggs Foundation in its biggest Breakfast Club Appeal yet and getting our shops ready for Natasha's Law, to launching our new Greggs App and website and celebrating new shop openings, there is a lot to be proud of.



February

Launch of The Greggs Pledge

We set out our ten commitments about how we can do more to help people, protect the planet and work with our partners to change the world for the better, including a pledge to achieve net zero carbon, as we all fight to save our planet from the threat of global warming. Our latest report is available to view here: corporate.greggs.co.uk/



April

Greggs Foundation's annual Breakfast Club Appeal

With the help of customers, colleagues and partners, we helped the Greggs Foundation to raise over £120,000 for its Breakfast Club Appeal, enabling us to support 480,000 children with a free breakfast in one of our Breakfast Club schools.



January

Putting an end to food waste with Too Good To Go

We ramped up our partnership with Too Good To Go, the food-waste saving app, a partnership that would help us save over 810 tonnes of food in 2021.

YEAR IN REVIEW CONTINUED



May
200th shop opening with franchise partner Euro Garages

We celebrated this big milestone opening with longstanding partner Euro Garages at Shavington in Crewe.

June
New Greggs website and App launched

We relaunched our internally developed Greggs website and App with great new features for customers, including rewards across every category and a new CRM system, making it easier to send Greggs fans the right message at the right time.

August
Launched new partnership with charity Only a Pavement Away

We have a longstanding history of working with people from disadvantaged backgrounds and, in partnership with Only a Pavement Away, we aim to bring more people that are at risk of homelessness into secure and sustainable employment and help them to rebuild their lives.



September
Balliol National Distribution Centre official opening

Our Main Board team attended the official opening of our new frozen storage facility which brings together the majority of our frozen storage under one roof. This facility will not only improve efficiency, but will also have a hugely positive impact on reducing our carbon footprint.

October
Natasha's Law

Greggs is always there for our customers, and that goes especially for helping them to understand what's in our products, in relation to allergens. Even when the pandemic took hold, our colleagues never lost focus and did an incredible job getting us ready for Natasha's Law.

December
Major milestone with Just Eat

We rolled out our partnership with Just Eat to over 1,000 shops nationwide, meaning more and more customers can enjoy Greggs in the comfort of their own homes.

BETTER BUSINESS

CHAIR'S STATEMENT

Greggs returned to the front foot in 2021. With a strong team, brand and financial position we are well-placed to embrace the many strategic opportunities ahead of us. We have an ambitious plan and the resources to pursue it for the benefit of all of our stakeholders.

BETTER ADAPTED TO A NEW CHAPTER



CHAIR'S STATEMENT CONTINUED

Overview

2021 was a year of further recovery for Greggs as we navigated the ongoing challenges posed by the pandemic and set out a clear strategic plan to address the opportunities that lie ahead. An ability to react quickly to changing conditions has been crucial in recent years and the Greggs team has demonstrated this agility, delivering a strong 2021 financial result in the face of ongoing disruption to demand and in our supply chain.

At the same time we have remained focused on our responsibilities to colleagues and the broader stakeholder community. By publishing The Greggs Pledge we set out clear environmental and social commitments in those areas where we believe we can make the most impact as we seek to build on Greggs strong reputation as a responsible business.

The Board's strategy review was of particular importance in 2021 as we reflected on the lessons of the past year and their implications for our plans. The result is an ambitious strategic plan, founded on broadening access to Greggs across the day and also through new shops and channels. We believe that Greggs' brand strength and the breadth of its customer offer makes the business well-placed to grow quickly as the economy recovers.

Our people and values

The Board makes considerable efforts to stay close to the Greggs team, making sure that we are in tune with the business challenges and issues that they encounter. In the face of continued challenges from a pandemic-affected

trading environment our colleagues, once more, responded magnificently, and the Board does not take this for granted. We were pleased to support proposals to bring forward by five months the annual pay award for colleagues to thank them for their contribution in 2021.

A particular focus for the business in recent years has been the desire to progress the equality and diversity agenda. As part of Greggs' ambition to achieve the National Equality Standard (NES) the Board engaged in a training session and reviewed business progress across a wide range of inclusivity initiatives. Directors also attended special interest groups designed to represent the needs of colleagues and promote equality of opportunity. Whilst there is more to do to reach the NES, the Board is encouraged by the strong progress being made from a solid base of Greggs' values-driven approach.

In the face of the challenges of the past two years the Board considers it more important than ever to support the work of the Greggs Foundation in the communities where we operate. The charity, independent of, but supported by, the Company has been working to build stronger, healthier communities for 35 years. The Greggs Foundation has been chaired for the past 20 years by Andrew Davison OBE, who retired from this voluntary role in 2021. I would like to record the Board's immense gratitude to Andrew for his leadership and commitment over so many years, and for the impact that this has had on so many people. We look forward to working with Andrew's successor, Joanna Dyson OBE, to further the work of the Greggs Foundation over the years ahead.

Another important relationship has been with the trustee of the Company's legacy defined benefit pension scheme. Richard Bottomley OBE has recently retired from chairing the trustee group, a position he held for 12 years, and leaves the scheme in a very strong position. On behalf of the Company and the scheme's members I would like to thank Richard for the great progress made under his period of stewardship.

The Board

The Board has a plan in place for succession for both Executive and Non-Executive Directors. In March 2021 I explained that, although under the UK Corporate Governance Code I would have normally been expected to step down as Chair, the Board had asked me to remain in place to provide continuity of leadership as we addressed the Chief Executive's succession.



Total ordinary dividend for the year

57.0p

In 2021 the Company's Nominations Committee commenced a recruitment process to address Chief Executive succession as Roger Whiteside approached retirement age. The Committee appointed an executive search firm to conduct a comprehensive search, which considered internal and external candidates. The quality of candidates was strong and, following a rigorous process, the Committee recommended the appointment of Roisin Currie, Greggs Retail and Property Director, as Chief Executive to succeed Roger Whiteside. Roisin was appointed as CEO Designate and as an Executive Director on 1 February 2022 and will take over as Chief Executive at the end of the Company's annual general meeting (AGM) on 17 May 2022. Roger Whiteside will step down from the Board at the close of the AGM but will remain available to support the transition process until 5 January 2023.

Roger has led Greggs through a period of extraordinary and sustained success and I would like to thank him for his exceptional leadership since his appointment in 2013. His straightforward, personable and engaging style has engendered great trust within the business and an enthusiastic following amongst all our stakeholders. I would like to wish Roger a long and happy retirement.

As part of our plan to phase succession of Non-Executive Directors the Board announced the appointment of Mohamed Elsarky as an independent Non-Executive

Special dividend to be paid in April

40.0p

Director in June 2021, and Peter McPhillips retired as an independent Non-Executive Director in July 2021. Sandra Turner, Senior Independent Director, took over from Peter as the Non-Executive Director responsible for overseeing colleague engagement.

In the second half of 2022 the Nominations Committee will commence activity to identify my successor as Chair of the Board. As previously communicated, I expect to remain in position only as long as is necessary to ensure a good transition to the new Chief Executive and whilst the process of identifying my successor takes place.

Further details of the Board's work are included in the governance and committee sections of the annual report.

Dividend

At the time of the interim results in August 2021 the Board declared an interim ordinary dividend of 15.0 pence per share and stated its intention to return to a full-year ordinary dividend that is around two times covered by underlying earnings after taxation (profit after tax excluding exceptional items). In line with this ordinary dividend policy, the Board intends to recommend at the AGM a final dividend of 42.0 pence per share (2020: nil), giving a total ordinary dividend for the year of 57.0 pence (2020: nil).

Going forward our dividend policy will continue to target a progressive ordinary dividend, normally around two times covered by profit after taxation, with further surplus cash being returned to shareholders as appropriate. Having taken into account our strong balance sheet position and the Company's investment and working capital requirements, and the intention to maintain our progressive ordinary dividend policy, the Board has declared an additional special dividend of 40.0 pence per share (2020: nil), to be paid in April.

Our Finance Director, Richard Hutton, outlines the expected application of the distribution policy in more detail in the financial review.

Looking ahead

Greggs has once again demonstrated its resilience and the cash-generative nature of its business model. It is a great business with an excellent team, and although short-term trading conditions remain challenging, we have great confidence in the opportunities that lie ahead and strong liquidity to support our investment plan that will unlock further growth.

Ian Durant

Chair

8 March 2022

BUSINESS MODEL

What we do

Manufacturing

We make great tasting, freshly prepared food that customers can trust, in our own manufacturing centres of excellence.

Logistics

We move products from our manufacturing sites to our shops ourselves, helping to keep prices as low as possible.

Our people

We have more than 25,000 amazing colleagues, providing our customers with the best experience every day.

Customer channels

With around 2,200 shops across the UK, delivery and wholesale partnerships and Click + Collect, we can serve our customers wherever, whenever and however they choose.

Customer relationships

Our Greggs App and CRM system allow us to build long-term connections with our customers and reward their loyalty.

Our strategic pillars

Great tasting, freshly prepared food

First class support teams

Best customer experience

Competitive supply chain

Key drivers of growth

Growing the Greggs estate

Through new shop openings, relocations and the next generation of shop refits, our ambition is to reach at least 3,000 shops.

Digital channels

Through our digital channels, including delivery and Click + Collect, we are able to compete more effectively at all times of day.

Extending trade into the evening

Through extending our trading hours, exciting new additions to our menu and leveraging our existing customer channels, we are able to compete more effectively for food-on-the-go sales in the evening.

Making Greggs mean more to more people

Through timely, effective customer communication via our new Greggs App, website and CRM system, we can communicate with our customers and be a brand considered by more people when they need food-on-the-go.

Investing in our supply chain and systems for a bigger business.

We've transformed our supply chain and systems infrastructure to increase capacity and grow our digital capabilities.

How we add value to our stakeholders

Customers

No. 1

on YouGov's BrandIndex measure 2021, within the QSR, coffee shop and food delivery sector.

Colleagues

82%

engagement score in our latest employee opinion survey.

Suppliers

92.4%

of invoices were paid to suppliers within the terms agreed.

Shareholders

97p

dividend restarted. 57p per share for 2021, plus 40p special dividend.

Communities

£3.7m

of grants were awarded by the Greggs Foundation.

What makes us different

Purpose

To make good, freshly prepared food accessible to everyone.

Quality

We want our products to be the best they can be.

Convenience

We want to be able to serve customers wherever, whenever and however they choose.

Value

We offer great value in an extremely competitive marketplace.

Service

We provide customers with fast and friendly service, fixing issues without a fuss and rewarding them for their loyalty.

Greggs Pledge

Stronger, healthier communities. Better business. Safer planet.

Read more on page 36 →

In a second year dominated by disruption due to Covid, our teams once again coped magnificently with unprecedented and rapidly-changing conditions. We set out at the beginning of the year to show that we could not only cope with Covid, but emerge from this crisis both stronger and better as a business.

STRONGER PLATFORM FOR FUTURE GROWTH



CHIEF EXECUTIVE'S REPORT CONTINUED

Our results and achievements in 2021 show that we achieved both those ambitions, and I would like to take this opportunity to, once again, thank all of our teams across the country who rose so well to meet these challenges.

Adapting to the unexpected

We began the year with the country in lockdown, but with safe operating practices in place we were able to continue trading, albeit with restricted customer footfall in many areas. In a foretaste of things to come we faced the first of many unpredictable disruptions when new regulations in Scotland left us with no option but to close our shops there as we developed new solutions to protect our colleagues, who were required to serve from our doorways. Our Scottish teams worked tirelessly to redesign our operating procedures so that we could open again.

Thankfully, conditions eased in the spring as first non-essential retail, and subsequently the seated hospitality sector, were allowed to open their doors again. In that period

we saw customer footfall returning in traditional locations, although not to pre-Covid levels, with customers remaining cautious. Nevertheless, demand in our walk-in channel rose sufficiently alongside strong delivery sales to see us return to positive total like-for-like sales growth in the second quarter when compared to 2019, which was ahead of our expectations. We had done well to accelerate our services in the delivery channel as Covid struck and, now that walk-in footfall was returning, delivery demand was proving to be largely incremental to this, extending the reach of our shops beyond customers passing by.

Our battle with Covid took a new turn in the summer, when employee absence climbed dramatically as the test and trace system imposed increased levels of isolation for those encountering the virus. Pressure on our teams increased again with high levels of absence combined with a tightening labour market, making recruitment more difficult as we sought to fill vacancies and create new teams for our shop opening programme. While absence levels settled down later in the autumn, the recruitment challenge became more difficult with key skill shortages, particularly for drivers in our supply chain.



Shops to offer delivery service in 2022

1,300



Target number of new shops

3,000

WHAT'S NEW IN OUR FIVE-YEAR GROWTH STRATEGY

We have identified four key growth drivers which will become the focus of our plan to reach our full potential in the years ahead.

Growing and developing the Greggs estate

Through new shop openings, relocations and the next generation of shop refits, our ambition is to reach 3,000 shops as the next target for our supply chain planning assumptions.

Extending trade into the evening

Through extending our trading hours, exciting new additions to our menu and leveraging our existing customer channels, we are able to compete more effectively for food-on-the-go sales in the evening.

Digital channels

Through our digital channels, including delivery and Click + Collect, we are able to compete more effectively at all times of the day.

Making Greggs mean more to more people

Through timely, effective customer communication via our new Greggs App, website and CRM system, we can communicate with our customers and be a brand considered by more people when they need food-on-the-go.

Read more on pages 24-40 →

Roger Whiteside OBE, Chief Executive

“Our results and achievements in 2021 show that we have emerged from the pandemic both stronger and better as a business. I would like to thank, once again, all of our teams across the country who rose so well to meet the challenges of the last two years.”

Employee absence and skill shortages also contributed to the broader challenges we were experiencing in our supply chain. With a recovering global economy seeing demand exceed supply in many areas, unpredictable supply shortages became a daily feature of our operations. Part of our response was to return to focusing on our bestselling lines and to restrict our programme of new product launches.

Despite all these challenges we continued to deliver positive like-for-like-sales growth with travel restrictions creating a ‘staycation’ tailwind in the summer. Some of that momentum fell back in the autumn as VAT support reduced, followed by a step back in customer footfall approaching Christmas as new Covid guidance saw a return to working from home.

In my long retail career I have never experienced such high levels of prolonged disruption to operations, and we owe our success last year to the commitment and willingness of our teams to work around these problems. We chose to recognise that effort by bringing forward our annual pay award for all our operational teams by five months from 2022 into 2021, both as a special thank you, but also to help us recruit additional support for them by increasing our attraction in the labour market as we entered the new year.

Financial results

Total sales grew to a record £1,229.7 million in 2021 (2020: £811.3 million, 2019: £1,167.9 million), a 5.3% increase on the level seen in 2019. Within this, company-managed shop like-for-like sales were 3.3% lower than the equivalent period in 2019, with sales growth returning following the lifting of restrictions seen in the first quarter.

Pre-tax profit for the year was £145.6 million (2020: £13.7 million loss, 2019: £108.3 million profit). As a result of the return to profitability we are able to recommence our long tradition of sharing 10% of our profits with colleagues each year and in March 2022 we will share £16.6 million with our people as a result of our performance in 2021. We finished 2021 with a very strong cash position that will support our ambitious plans to invest for further growth, as outlined below, as well as the recommencement of dividend payments to our shareholders.

Coming back stronger

Having demonstrated our resilience in coping with all that these two years of crisis have thrown at us, we were determined to demonstrate that we could come back stronger as a business. While Greggs has enjoyed tremendous success in recent years as we sought to

become the customer’s favourite for food-on-the-go, our journey is far from over. In October we held a Capital Markets Day for shareholders and investors in which we set out our ambitious plan to double sales over the next five years. The fundamental strategic pillars of our business model have not changed but we have identified four key growth drivers which will become the focus of our plan to reach our full potential in the years ahead.

Growing and developing the Greggs estate

In restarting our shop opening programme following the initial impact of Covid, we set out a new ambition to reach at least 3,000 shops as the next target against which to plan supply chain capacity. Covid has led to a significant increase in the availability of retail property, creating an opportunity for Greggs to accelerate its shop opening programme. In 2021 Greggs opened 131 new shops and closed 28, growing the estate to 2,181 shops. Our new shop pipeline is in good shape and we have increased our annual shop opening target to 150 net new shops, effective from the start of 2022, to take advantage of these conditions.

The versatility of our brand allows us to operate a full range of formats, and new digital channels enable us to extend the reach of each location to more customers. We have good representation in traditional towns and suburban locations and are therefore continuing to focus our efforts on new on-the-go locations where people work, travel and/or access by car. Central London is one geographic region where lower rents now allow entry for value-led brands, and we have a strong pipeline in development. Openings in 2021 included our first shops in Canary Wharf and Kings Cross Station, together with several standalone ‘drive thru’ shops.

Franchise partners play an important role in providing access to otherwise restricted locations. We currently have 375 franchise locations with 12 corporate partners, and expect franchise shops to account for around 20% of our estate in the years ahead. Our wholesale partnership with

CHIEF EXECUTIVE'S REPORT CONTINUED

Iceland sits outside of our shop estate, but increases the reach of our brand to compete in the at-home grocery market where we have enjoyed strong sales growth, with further scope for range development.

In 2022 we will also begin our next generation of shop refits, which will see us create dedicated space for digital channels and increased capabilities in food preparation in around 200 shops. We will also continue to improve the quality of our estate through relocations, seeking larger, better premises offering more channels and coffee shop seating where appropriate.

Evening trade

In addition to new shops, we have a strategic opportunity to extend the trading hours in many of our shops to compete for food-on-the-go sales in the evening. Market research shows that sales after 4pm accounted for 35% of food-to-go sales in 2021, the largest proportion of the market by time of day. Greggs shops typically close at around 6pm and therefore we currently account for just 1% by value of this 'dinner time' market compared with nearly 8% of the lunchtime market and 11% of the breakfast market (source: NPD/Crest 2021).

With 86% of demand in this dinner time market being 'take out' in nature, Greggs is well positioned to compete for sales provided we can tailor our menu to meet customer expectations at that time of day. Market research shows that we are not starting from a zero base, with over 30% of customers surveyed believing our existing menu has options suited to the evening.

Initial trials in 100 shops show that by combining walk-in with delivery sales, offering the existing menu, we can already grow the evening daypart to an average of 17% of daily sales. In 2022 we will extend late opening (with delivery service) to a total of 500 shops, including our hot food menu trials and supported with marketing activity.

Digital channels

We set out to develop digital channels to market in 2019, which meant that when the pandemic hit in 2020 we were in a position to rapidly accelerate our plans. During the year we rolled out delivery with our partners Just Eat from 600 to 1,000 shops nationwide. While there is some small level of switching between channels, delivery sales remained strong and accretive when walk-in sales increased again, extending the reach of our shops beyond just customers who are passing by. Delivery offers the added attraction of serving multiple customers in one order, with average basket sizes at three times the walk-in levels.

We can reach more customers still by rolling out delivery to more shops, increasing capacity and improving our operational procedures to fulfil demand. In 2022 we plan to roll out this service to a further 300 shops, resulting in 1,300 shops offering delivery by the end of the year. The increased reach from delivery will also be key to accelerating our plans for later opening. A significant proportion of market demand for delivery comes post-5pm, and we estimate that the combination of walk-in and delivery will make two-thirds of our shops viable for late trading over time.

Beyond delivery, we believe digital channels open new opportunities for Greggs to compete more effectively at all times of day. As a daily sell-out fresh food business, Click + Collect offers customers the ability to easily browse our menu, guarantee availability, skip the queues and ultimately personalise their order. In 2021, we integrated our Click + Collect service with our new Greggs App, and 2022 will see us begin to promote these services to our customers.

Greggs already offers a made-to-order service which is the core of our breakfast sandwich offer. Digital channels will allow us to extend this option to other categories. In 2022, we will begin trials with pizza toppings before moving onto baguettes. Made-to-order will extend product choice from the existing ingredient list, encourage customers to trade

up, speed up service by removing payment at the till and has the potential to reduce waste.

Making Greggs mean more to more people

We have successfully repositioned the Greggs brand in recent years to become recognised as the customers' favourite for food-on-the-go. Market research shows that we operate in a growing market, but that we account for less than 7% of customer visits (source: NPD/ Crest) and that three-quarters of our App customers visit Greggs less than once a week. Digital engagement with customers can help us communicate how Greggs can mean more things to more



people, so that we can be a brand considered by more people, more of the time, in more places and at all times of day when they need food-on-the-go.

In 2021, we launched our new Greggs App offering a market-leading reward scheme and integrating Click + Collect services. Downloads of the new App are now in excess of one million and digital engagement tools will be deployed at scale in 2022 to drive visit frequency and average transaction values. Existing customers will be encouraged to sign up to the App and, in addition, we will partner with strategic brands to grow our customer base.



Investing in our supply chain and systems for a bigger business

Over recent years, Greggs has transformed its supply chain and systems infrastructure to become a centralised food-on-the-go business. By making better use of space and investing in centralised automation we have delivered a step-change improvement in the quality of our products and our supply chain cost structure. This has created a template on which to build additional capacity as the business continues to grow.

Our ambition to double sales revenues will require investment in both our manufacturing and logistics capacity. In 2021 we successfully opened our new automated frozen distribution centre in Newcastle, completed the building extension work at our Treforest bakery in Wales and increased capacity in our savoury plant at Balliol Park in Newcastle. In addition, new SAP systems were successfully rolled out to an additional six of our manufacturing and distribution centres, with the final two locations to be completed this year.

Work is now underway to confirm optimal locations for future investment in capacity including considering a Southern-based manufacturing centre and additional primary and radial logistics capacity.

Building a centralised business model has required a transformational investment in systems. Our multi-year implementation of SAP is almost complete, and we have accelerated our digital transformation programme. In 2021, we increased capacity and resilience in our IT network and migrated our business intelligence solution to Microsoft Power BI. With this new platform in place, we see significant opportunities to grow our digital capabilities and enable more efficient operations, which will drive a programme of continuous improvement as the business grows.

In 2021 we successfully implemented our new sandwich labelling system to comply with Natasha's Law, safeguarding customers with allergies. This was a massive cross-functional

“Investing in our supply chain and systems for a bigger business.”

team effort deployed on time across all shops, despite major supply chain and Covid disruption. It will now provide the platform to develop our made-to-order services offering product personalisation.

Coming back better – The Greggs Pledge

In addition to coming back stronger as a business, we were determined that we should also come back better, so in February 2021 we launched The Greggs Pledge. Ever since John Gregg founded the business in 1939, we have always tried to do the right thing by our people, customers, suppliers and communities. These values are at the heart of our culture and so it is natural that we want to conduct our business in a responsible manner.

The Greggs Pledge commits us to ten things that we're doing to help make the world a better place by 2025 – and beyond. We arrived at these pledges by talking with our own people and our external stakeholders, and by considering the issues that are most relevant to our business. Our pledges align with the ambitions of the UN Sustainable Development Goals (SDGs).

We have chosen to concentrate our efforts on the challenges where we think we can make the most difference.

We want to help build stronger, healthier communities

Even before the pandemic ravaged our economy, far too many people were struggling with poverty and hunger in this country. The Greggs Breakfast Clubs feed around 44,000 children every school day and we will continue to grow the

CHIEF EXECUTIVE'S REPORT CONTINUED

On a two-year basis, company-managed like-for-like sales in the first nine weeks of 2022

3.7%

scheme. We are also doing what we can to ensure that perfectly good food isn't wasted, but instead gets to people who need it. We recognise that poor nutrition is another issue where we have a role to play and are doing more to guide our customers towards healthier choices.

We want to make our planet safer

The impact of unchecked climate change would be catastrophic. We want to make Greggs a carbon-neutral, zero-waste business. We actively support the BRC's Climate Action Roadmap which aims to make the UK's retail industry net zero, well ahead of the Government's 2050 target. In addition, we are reducing our use of packaging, looking at how we can apply 'circular economy' thinking to our business and working with our suppliers to make efficient use of resources.

We want to be a better business

The corporate world can be a powerful force for good when it is guided by a moral compass. As well as continuing to support our communities by paying our taxes and providing thousands of fairly-paid jobs, we are redoubling our efforts to make Greggs a great place to work. We are also setting

high standards for what we purchase and encouraging our suppliers to raise their game too.

We will give back to the communities that support us and take less from the environment that we all rely on. We want Greggs to play a meaningful role, not just in getting Britain back on its feet, but in getting us to a better place. We made good progress in 2021 achieving the majority of the targets set out in our Pledge which are reported in detail in our separate sustainability report.

Looking forward

As I approach retirement, this will be my final year as Chief Executive of Greggs and it has been my privilege to have led this business for the past eight years, setting us on a new course to become the customers' favourite for food-on-the-go. In that time, I have tried my best to change the things that needed changing but more importantly to protect and nurture those things that shouldn't change – most importantly, the culture: the 'what makes Greggs, Greggs'.

Every business needs to constantly evolve to stay relevant for its customers and for that it needs the right strategic plan, but that is only part of the story. The main risk in leading a growing business is that change is poorly managed, resulting in the organisation undermining its culture and values that have taken decades to develop, earning the trust of colleagues and customers alike. That is why I am delighted that Roisin Currie has been appointed as my successor, because in working alongside her for many years, I know that she embodies our values and will continue to protect them as

she leads the business to meet the exciting growth opportunities that lie ahead.

We have started 2022 well, helped by the easing of restrictions. Against a very low base in 2021, when the UK was in a more restrictive period of lockdown, company-managed like-for-like sales in the first nine weeks of 2022 have grown by 44.2%. On a two-year basis, which we reported throughout 2021, company-managed like-for-like sales in the first nine weeks were 3.7% higher than the equivalent period of 2020.

Cost pressures will be a particular feature of the year ahead, with inflation impacting on raw materials, energy and people costs, and these pressures are currently more significant than our initial expectations. As ever, we will work to mitigate the impact of this on customers, protecting Greggs' reputation for exceptional value in the freshly-prepared food-to-go market. Given this dynamic, we do not currently expect material profit progression in the year ahead.

Despite these near-term pressures, we continue to believe that the opportunities for Greggs have never been more exciting. Our investment over recent years has left the business well-placed to move quickly as the economy recovers and we drive our ambitious plans to become a larger, multi-channel business.

Roger Whiteside OBE
Chief Executive

8 March 2022



Q&A WITH ROISIN CURRIE, CEO DESIGNATE

I am excited about pushing ahead with our strategic plan, turning Greggs into a destination for every mealtime by extending opening hours into the evening, and maximising our use of digital technology to grow our delivery business too.

FOCUSING ON THE FUTURE



Q&A WITH ROISIN CURRIE, CEO DESIGNATE CONTINUED

How long have you been with Greggs?

I joined in 2010 as Group People Director, then took on Retail Operations as well. My last job title before becoming CEO Designate was Retail and Property Director.

What did your most recent role involve?

The retail side of our business is all about making sure our shops look fantastic and are delivering brilliant service. The property side is about making sure we have bigger and better sites to build new shops, and that we are refitting our existing estate so that everything feels modern and on brand.

In my last role the two came together: there are strong links between them, and our success and growth relies on getting both spot on. These teams enable us to deliver our accelerated growth plan – but in a way that never undermines return on investment on a particular shop.

You have decades of experience on the people side – how has that shaped your outlook?

I know that taking care of our people is the best way to take care of our business: when they are free to be themselves, they deliver amazing service. I know big businesses need processes, but I want our ways of working to support our people, not constrain them.

We all wear different badges and have different levels of responsibility, but we are one team with a shared goal: to make Greggs a success. Wherever they are working, I want to help unlock our people's capability so they can be the best they can be.

Where were you before Greggs?

I joined Greggs from Asda. When I was a student at Strathclyde University, I worked as a checkout supervisor at my local branch a couple of nights a week. My manager thought I showed potential and made me deputy manager. I was working around my studies and it was unusual for management to work part-time so it was a lucky break. After I graduated, I joined their graduate scheme and spent 20 years there, working my way up to become their People Director, first for the retail side, then for distribution.

What do you do outside work?

I'm a mum of three – a daughter and two sons – so outside of work my life revolves around their interests and social life: like all parents of teens, my husband and I spend a lot of time ferrying them back and forth! I enjoy sport and do a lot of cycling and running. In fact, my daughter and I started running more seriously during lockdown. She was studying for her GCSEs and I was working really hard so it was great to



“Greggs started out as a family business, and it still feels like one – our people are at the heart of what we do. As I take the baton from Roger, my key remit is to protect and nurture the culture and values that make Greggs, Greggs.”

get outside together every day for a proper run – we did Red January last year which meant running 5km every day. We now run half marathons together and are looking forward to the next Great North Run.

Where's home?

We live in Harrogate but I'm Scottish and I try to get back to Glasgow as often as possible – we have a flat there. Despite having been raised down South, my children love their Scottish roots – that's who they shout for when the rugby is on!

What's been your proudest achievement at Greggs to date?

Due to the Covid pandemic, the last two years have been like nothing I have ever experienced before in retail. Adapting to work under Covid-secure conditions brought out the best in us as we fought to maintain our services in all parts of our business, whether in our shops, supply chain or amongst our colleagues who were working from home. Our shop teams remained enthusiastic and committed as the Covid guidelines evolved over time and ensured our customers received the same warm welcome and tasty products they

know and love. The pandemic put great pressure on all of our colleagues, but in true Greggs fashion, we stood by each other and the communities that we serve.

Through the tireless work of colleagues and the Greggs Foundation, we ensured supporting our local communities stayed at the heart of our approach and we pulled out all of the stops to help families struggling throughout the pandemic. That, we can all be proud of.

Growing our delivery partnership with Just Eat, and at such pace, is also something I am really proud of. From initial trials in 2019, to rolling out to 600 shops when the pandemic hit, to now over 1,000 shops nationwide, it's an exceptional example of cross-functional working, with a number of teams across the business pulling together to make it happen.

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

Fresh Start, definitely. The first thing I was asked to do when I arrived at Greggs was to help run a development programme in a women's prison. We wanted to see if we could use our skills to help women back into work.

Originally, we didn't see a direct connection with Greggs but after I'd met and talked to these women, I knew we could help them more directly. So many of them lacked confidence and had given up hope but I knew that, with support, they could be a real asset to our business.

Children of female offenders often end up in care which is a tragedy for whole families and communities. To turn their lives around, these women need a stable home and a steady job. We can't help with the former, but we knew we could help with the latter – and Fresh Start was born.

I often think about the first woman we placed. She was released on temporary licence, so we had to collect her from prison every day and drop her back at the end of her shift. With support, she became a permanent Greggs employee and was able to get her children back from social services. The Fresh Start programme isn't about numbers: it is about making a real difference, one person at a time. I'm incredibly passionate about it.

Q&A WITH ROISIN CURRIE, CEO DESIGNATE CONTINUED

I now chair the leadership group of the Employers Forum for Reducing Re-offending, a voluntary role working with the Ministry for Justice and New Futures Network. I encourage other businesses to see for themselves how providing an opportunity can turn someone's life around: just meet these people and you will find out for yourself that they can be fantastic employees. If we can break the cycle of re-offending, we can change lives and improve our communities.

Have you experienced barriers as a woman?

Throughout my career, I've been extremely fortunate to work with bosses and colleagues – male and female – who have been incredibly supportive. When I was on maternity leave with my first child, I was invited to put my hat in the ring for a director-level job that I'd always wanted but I said no; I didn't think I could balance being a new mum with a promotion at work. My previous boss called me to help me to see that, with the right support in place, I could do it. It was a vote of confidence; a guiding hand at the small of my back; a little nudge forward. It is something I now always try to give good people around me – both men and women – who need a little extra confidence to do brave things.

Did you need any encouragement to take on the Chief Executive role?

Roger was hugely influential on my journey to this point and has always encouraged me. He has been a mentor for some time, and we had a long conversation before I agreed to be considered for the job. He and our Finance Director, Richard Hutton, encouraged me to apply for a scholarship programme for women to attend the senior executive programme at London Business School which is for people with the potential to take on a bigger role, such as Chief Executive. That helped me to mentally prepare for this new role and how I would want to do it.

I feel very supported by the whole Operating Board – all my colleagues are exceptionally bright, capable and passionate people and it's an honour to be invited to lead them on the next stage of Greggs' exciting journey.

What's first on the 'to do' list as Greggs Chief Executive?

Roger and I have a shared vision for Greggs' future because we've already been working on it together for years! It's making the handover process nice and smooth. I am excited about pushing ahead with our strategic plan, turning Greggs into a destination for every mealtime by extending opening hours into the evening, and maximising our use of digital technology to grow our delivery business too.

I feel lucky to have joined Greggs when I did back in 2010. It is a huge privilege to lead a business with such strong values. Greggs started out as a family business, and it still feels like one – our people are at the heart of what we do. As I take the baton from Roger, my key remit is to protect and nurture the culture and values that make Greggs, Greggs.



OUR STRATEGY IN ACTION

Our ambition is to reach at least 3,000 shops and we have a strong pipeline of new shops opening. We also have a significant opportunity to improve the quality of our estate through relocations and the next generation of shop refits.

Annual Report and Accounts 2021

GROWING AND DEVELOPING THE GREGGS ESTATE

A smiling woman, likely a Greggs employee, is the central focus of the image. She is wearing a black cap with the Greggs logo (a yellow square with four smaller squares) and a red apron over a blue long-sleeved shirt. The apron also features the Greggs logo and the word 'GREGGS' in white. She has a friendly expression and is looking directly at the camera. The background is a solid light purple color.

Greggs plc

OUR STRATEGY IN ACTION CONTINUED

Greggs is a versatile brand. That means we can open a full range of formats in a variety of locations, with our new digital channels enabling us to extend the reach of each shop even further, serving our customers wherever, whenever and however they choose.

Our mission is simple – we want Greggs to be convenient and wherever our customers need us. And by ensuring our shops are the best they can be, our customers have a brilliant experience when they visit us.

As well as opening new shops, we want our existing shops to be bigger and better which means improving all of our shops through our next generation of shop refits and moving some shops to better locations.

New shop openings

When a customer is choosing where to shop for food-on-the-go, we know that convenience is the key consideration. We already have a strong presence in traditional towns and suburban locations, so will continue to focus on increasing our presence in locations where people travel, work and/or access by car.

We opened 103 net new shops in 2021, growing the estate to 2,181 shops. Covid has led to more premises becoming available which, in turn, has seen rents fall, providing Greggs with a significant opportunity to accelerate its shop opening programme.



150

Target net shop openings per annum

We continued to grow our presence in Central London, opening a number of new shops, including our first in Canary Wharf, King's Cross Station and Marylebone Station – and we have a strong pipeline and exciting new locations in development for 2022. We also opened six standalone drive thru shops – the first being Bognor Regis in August.

Bigger and better shops through refits and relocations

In addition to opening new shops and growing our estate, we are focusing on improving the quality of our existing shops through the next generation of shop refits and relocations. In 2021, we put the finishing touches to our newest design of shop refits, maximising space and increasing our capabilities in food preparation so we realise the potential of both our delivery and Click + Collect digital channels. Roll out will begin in 2022 with a target of 250 shops.

Based on this latest design we plan to move more shops to larger, better premises, aiming to relocate up to 50 shops per annum, allowing us to add more coffee shop seating and deliver multi-channel growth.

Increasing customer reach through our franchise and wholesale partners

We currently have 12 franchise partners and 375 franchise locations. Our partners play an important role in providing access to restricted locations such as motorway service areas, petrol filling stations, educational establishments and smaller high street convenience locations. In 2021, we were

103

New net shops opened in 2021

proud to celebrate our 200th shop opening with longstanding franchise partner Euro Garages at Shavington, Crewe. We expect franchise shops to account for 20% of our estate in the years ahead.

In 2021, our longstanding partnership with Iceland saw record-breaking sales for a second year running, as many more customers enjoyed their Greggs favourites at home. We extended our product range in Iceland to include our Vegan Sausage Roll, Vegan Steak Bake and exciting new Pie range, which were well received and we continue to explore range development.

PLANS FOR 2022

We are accelerating our shop opening programme and have a new annual shop opening target of 150 net new shops, comprised of 100 company-managed shops and 50 franchised shops.

We will also focus on providing bigger and better shops by targeting 50 relocations and 250 refits.

EVENING TRADE

We have a strategic opportunity to compete for food-on-the-go sales in the evening and are extending the trading hours in many of our shops, adding new and exciting items to our menu and leveraging all of our customer channels.



OUR STRATEGY IN ACTION CONTINUED

8.5m

Just Eat delivery orders fulfilled

500

Late opening shops in the year ahead

The opportunity

Greggs has 16.5% of the breakfast market and nearly 10% of the lunchtime market but just 1% of the dinner time market (source: NPD/Crest). Market research shows that 35% of food-to-go sales occur after 4pm so, by closing most shops at 6pm, we are missing out on that potential revenue.

We therefore have a strategic opportunity to extend the trading hours in more of our shops in order to compete for food-on-the-go sales in the evening.

Extending opening hours

Initial trials were based on offering the existing menu and were well received. But we believe by tailoring our menu to meet customer expectations at that time of day, the opportunity will be even greater.

Our partnership with Just Eat

We launched our partnership with Just Eat in 2020 and, since then, have rolled it out to over 1,000 shops nationwide. In 2021, we served over 2.17 million customers and fulfilled 8.5 million delivery orders.

Offering home delivery is key to accelerating our plans for extended opening hours and we have big plans to further expand delivery in the coming year, adding more locations and more menu choices to strengthen our proposition at every meal occasion.

Menu development

Market research shows us that over 30% of customers surveyed believe that our existing menu has options suited to the evening – so we are not starting from a zero base.

Popular items include Chicken Goujons and Bites and Pizza Sharing Boxes alongside our single slice and meal deal offers. Our customers also use delivery for sweet treats and doughnuts which have sold well. We have a number of menu trials underway to help us provide more of what our customers want at this time of the day.

**PLANS FOR 2022**

Where possible, we will extend all shop openings to 6pm, with 500 of our shops open until 8pm offering delivery and hot food menu trials. This will be supported with regional marketing activity.

Through our digital channels, we have the strategic opportunity to compete more effectively at all times of day. Our delivery partnership enables us to increase the reach of our shops beyond customers passing by, and Click + Collect offers our customers the ability to easily browse our menu, skip the queues and ultimately personalise their order.

DIGITAL CHANNELS



OUR STRATEGY IN ACTION CONTINUED

When the pandemic hit in 2020, we rapidly accelerated our multi-channel development strategy to take Greggs to our customers. Digital channels offer the key opportunity for Greggs to increase market share by increasing multi-channel reach, customer loyalty and menu choice.

Rolling out delivery to more shops

We launched our partnership with Just Eat in June 2020 and delivery already accounts for more than 7% of sales – a huge achievement in such a short period of time. Delivery offers the added attraction of serving multiple customers in one order, with average basket size three times that of a typical walk-in purchase.

We are looking to embrace the opportunity to reach even more customers by rolling out delivery to more shops, increasing capacity and improving our operational procedures to fulfil demand.

1,300

Shops partnered with Just Eat by end of 2022



Click + Collect

Using Click + Collect, customers can easily browse our menu, skip the queues and personalise their order. In 2021, we integrated our Click + Collect service with our new Greggs App and have worked hard to build the capability that allows customers to earn and redeem rewards for these purchases as well. Another key feature is the ability to access more information about each menu item which now includes improved nutritional and allergen information to help everyone to make informed choices.

Made-to-order

Our breakfast sandwich range offers customers the ability to customise their sandwich and have it made-to-order. This has proved hugely popular, and our digital channels are enabling us to do this for other product categories too, extending choice from our existing ingredient list. Click + Collect is also encouraging customers to trade up, speeding up service by removing payment at the till, and, by making to order, has the potential to reduce waste too.

PLANS FOR 2022

With a growing delivery market, we will extend our delivery partnership with Just Eat to 1,300 shops, helping us to fully maximise the evening trade opportunity. Product development, in particular hot food options across all mealtimes, will ensure we continue to provide what our customers want, no matter what time of the day they choose to shop with us. We will also further develop our 'made-to-order' range to enable customers to personalise their orders, starting with pizza toppings, then moving on to baguettes.



OUR STRATEGY IN ACTION CONTINUED

We have successfully repositioned the Greggs brand in recent years to become recognised as a customers' favourite for food-on-the-go. Through timely and effective customer communication via our new Greggs App, website and CRM system, we have a strategic opportunity to effectively communicate how Greggs can be a brand considered by more people, in more places and at all times of day when they need food-on-the-go.

MAKING GREGGGS MEAN MORE TO MORE PEOPLE



OUR STRATEGY IN ACTION CONTINUED

As a brand we've never had so much to talk about – whether that's our latest products, the new evening menu, exciting new shop formats and locations, delivery, the Greggs App, our latest brand partnership or The Greggs Pledge. The development of our Customer Relationship Management (CRM) capabilities is allowing us to talk to customers in a more personal and targeted way than ever before.

We are encouraging more customers to visit us more often, and experience the wide choice of menu that we offer throughout the day, every day. Targeted communications will help us to ensure that the Greggs brand – and all we have to offer – is front of mind for food-on-the-go customers across the UK. The more reasons we can provide for them to consider us, the more likely we are to be their next brand of choice.

Developing the Greggs App and website

To ensure that we can continue to develop and enhance our digital propositions, we developed the Next Generation Greggs workstream, with a focus on bringing all of our digital and data capabilities in-house. This means we now design, build and run all of our digital products ourselves, and are continually learning and improving how we meet our customers' ever-changing needs and expectations as technology develops.



Our first step in 2021, was to launch our new Greggs website, for the first time building and managing [greggs.co.uk](https://www.greggs.co.uk) using internal resources rather than relying on external partners. We successfully launched the new look website in line with our latest brand standards, all built on a much more secure and flexible content management system. Since launch, we've introduced many new features, such as our news section, Flake News, and dedicated campaign pages to support various marketing initiatives, providing a destination for customers to click to access more information.

Later in the year, we launched our new Greggs App continuing our journey of owning and managing our own digital products.

Most of our existing users switched over to the new App and are now enjoying a new experience, where they can earn stamps and redeem rewards on our products. They can also find out about the different services available in each of our shops, and use the improved nutritional and allergen information to make better informed choices.

Keeping in touch with our customers via CRM

CRM has a huge role to play in successfully delivering our five-year plan. In essence, it allows us to talk to our customers, and prospective new customers, on a regular one-to-one basis, whether that be via email, SMS or the Greggs App. In turn, the information we get back can help inform and shape our strategies so we can serve our customers even better.

How other brands use Greggs to reward their customers and employees

Our business to business (B2B) sales channel is now three years old and has gone from strength to strength, growing into a high volume offering that allows us to work with lots of other brands. Our business customers typically offer our products as a reward or gift for their employees or customers, through buying gift cards, e-gifts or product codes in bulk.

These partnerships allow us to drive awareness of the Greggs brand with different audiences and encourage more people to visit our shops and enjoy our products.

PLANS FOR 2022

We have an exciting roadmap for 2022 to improve all our websites, including making it easier to use our gift cards and further developing our Greggs App. We're working on ensuring our B2B proposition is even more appealing, so that we can attract even more partners to Greggs as a way for them to gift our products to their customers or employees.

We will continue to develop our new CRM capabilities, allowing our teams to talk with our customers like never before and continue our journey to offer additional and personalised services and offers across multiple channels.

Over recent years, we have transformed our supply chain and systems infrastructure to create a centralised food-on-the-go business model. Our ambition to double sales revenues will require significant investment in manufacturing and logistics to increase capacity.

INVESTING IN OUR SUPPLY CHAIN AND SYSTEMS FOR A BIGGER BUSINESS



OUR STRATEGY IN ACTION CONTINUED

In recent years, our supply chain and systems infrastructure have undergone significant and essential transformation. We've made better use of space and invested heavily in centralised automation, delivering a step-change improvement in the quality of our products and our supply chain cost structure. This has also allowed us to create a template on which we can build additional capacity and continue to grow as a business to fulfil our ambition to double sales revenues.

2021 was a year of big achievements and major milestones: we opened the doors to our new automated frozen distribution centre at Balliol Park in Newcastle, approached the end of our SAP systems roll out and our teams worked tirelessly to prepare for Natasha's Law.

New frozen distribution centre

We successfully opened our new automated frozen distribution centre at Balliol Park in Newcastle, an investment of £26 million. The new facility has capacity for 14,000 pallets, allowing us to consolidate our manufactured frozen products into a single point of storage and distribution, leveraging cost and efficiency savings, as well as providing much-needed capacity for growth for many years to come. Bringing storage in house and all under one roof has had a hugely positive



impact in reducing the annual carbon footprint of this operation. Attending the official opening on 21 September, Ian Durant commented:

“This is not only an important development for the Balliol site but also for Greggs as a business. By bringing together the majority of our frozen storage under one roof, this facility will not only improve efficiency, but will also have a hugely positive impact on reducing our carbon footprint – a key focus for us as outlined in The Greggs Pledge.

“To have built a facility of this scale and complexity at any time would have been an achievement, but to have built it during a global pandemic makes the achievement all the more remarkable!”

Completion of our major process and systems investment programme

We nearly completed our multi-year implementation of SAP with the roll out of our supply chain solutions, further accelerating our digital transformation programme. We also increased capacity and resilience in our IT network and migrated our business intelligence to Microsoft Power BI. With this new platform in place, we see significant opportunities to grow our digital capabilities and enable more efficient operations, which will see a programme of continuous improvement as the business grows.

Natasha's Law

We successfully implemented our new sandwich labelling system to comply with Natasha's Law, safeguarding customers with allergies. Our customers are at the very heart of our business, and we were fully supportive of the proposed change in legislation from the very first consultation, believing strongly that the availability of information and the safety of our customers is paramount. We want to ensure that all customers have accurate allergen information available, so they can make an informed and safe decision when shopping with us.

Our colleagues have done an incredible job of getting us ready for Natasha's Law. It has been an exceptional example of cross-functional working across the business, all with a shared vision and common goal of keeping our customers safe. While the pandemic created a unique set of challenges, our focus on allergens and preparing for 'prepacked for direct sale' changes remained a key business priority. The new system will also provide the platform on which we will go on to develop our made-to-order services offering product personalisation.


PLANS FOR 2022

2022 will be another big year for our supply chain as we invest in further increasing capacity and productivity by introducing additional production lines at our Balliol and Enfield sites, and enhanced logistics to support product distribution in the South.

Digital will continue to be a key focus for our teams in 2022, with exciting plans to transform our existing till platform, recruitment and colleague engagement systems and the introduction of a new Information Security Management System to manage cyber risk.

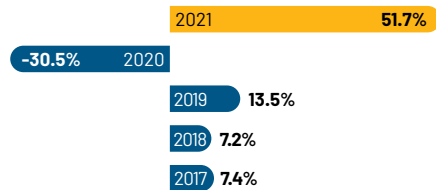
KEY PERFORMANCE INDICATORS

We use eight key financial performance indicators to monitor the performance of the Group against our strategy. The definition of these KPIs and our performance over the last five years is detailed below. The profit, cashflow and ROCE KPIs have been amended during 2019 to take account of the impact of IFRS 16.

 Underlying
Including exceptional items

Total sales growth

51.7%



What this means

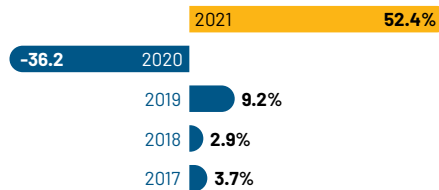
The percentage year-on-year change in total sales for the Group.

Why this is important

This is a measure of the absolute growth of the Company.

Like-for-like sales growth

52.4%



What this means

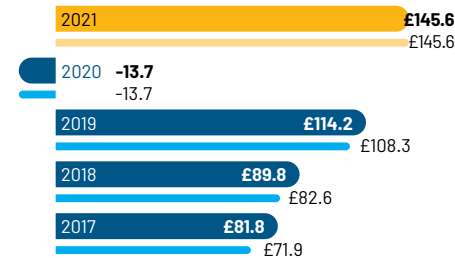
Compares year-on-year cash sales in our company-managed shops, excluding any shops which opened, relocated or closed in the current or prior year. Like-for-like sales growth includes selling price inflation and excludes VAT. The impact of shop refurbishment is included in like-for-like sales growth. The calculation of these figures can be found on page 169.

Why this is important

This measure provides valuable additional information on the underlying sales performance of the business and is a key measure used internally.

Profit before tax (PBT)

£145.6m



What this means

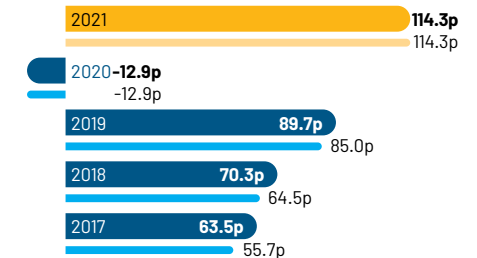
Reflects the performance of the Group before taxation impacts and the underlying measure excludes any exceptional items arising in the year.

Why this is important

This is a measure of the absolute performance of the Group.

Diluted earnings per share (pence)

114.3p



What this means

Calculated by dividing profit attributable to shareholders by the average number of dilutive outstanding shares. The underlying measure excludes any exceptional items arising in the year.

Why this is important

This measure reflects the underlying earnings for each share in the Company.

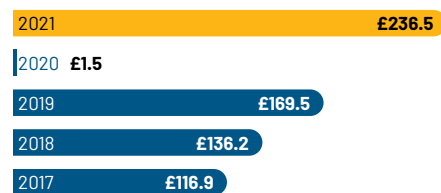
KEY PERFORMANCE INDICATORS CONTINUED

Results for 2020 were significantly impacted by the closure of the Greggs shop estate for most of the second quarter as a result of the Covid pandemic. All of the non-GAAP measures (other than like-for-like sales growth) detailed can be calculated from the GAAP measures included in the annual accounts. All of the underlying measures exclude the exceptional items detailed in Note 4 to the accounts. Commentary on these KPIs is contained within the financial review:

Underlying
Including exceptional items

Net cash inflow from operating activities after lease payments (£m)

£236.5m



What this means

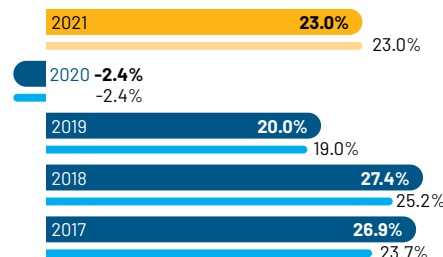
Operating profit adjusted for the impact of non-cash items, working capital movements and repayment of the principal on lease liabilities. The calculation of these figures can be found on page 170.

Why this is important

This represents cash flows that could be used for distribution of dividends or to fund our strategic objectives and is reflective of the strong cash-generative nature of the business.

Return on capital employed (ROCE)

23.0%



What this means

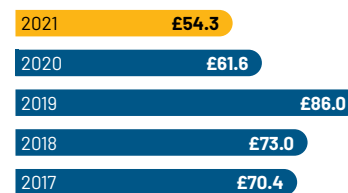
Calculated by dividing profit before tax by the average total assets less current liabilities for the year. The underlying measure excludes any exceptional items arising in the year. The calculation of these figures can be found on page 169. As the ROCE figure is significantly impacted by the implementation of IFRS 16 an additional notional figure has been calculated to highlight the impact - the calculation of these figures can be found on pages 169 and 170.

Why this is important

This is a measure of the return generated on capital invested by the Group and provides a guide to how efficiently we are generating profit with the assets used in the business.

Capital expenditure (£m)

£54.3m



What this means

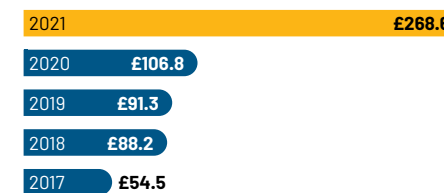
The total amount incurred in the year on investment in fixed assets.

Why this is important

This reflects the ongoing investment in the business over time.

Liquidity (£m)

£268.6m



What this means

This is calculated as cash and cash equivalents plus undrawn committed facilities, taking into account required minimum liquidity covenants.

Why this is important

This measure provides useful information on the Group's net financial position.

THE GREGGS PLEDGE



In February 2021 we launched The Greggs Pledge which declared ten things that we are doing to help make the world a better place by 2025, and beyond.

We have always been committed to doing the right thing, but we wanted to be more specific about how we channel our efforts and resources into doing good. We reflected on what we could do to have the most positive impact on the world around us, and have chosen to dedicate our efforts to three

areas: **communities, the planet and our approach to business.** We have set ourselves ten stretching targets to be achieved by 2025. Each of our pledges aligns with at least one of the UN Sustainable Development Goals (SDGs).



Stronger, healthier communities

We pledge to play our part in improving the nation's diet by helping to tackle obesity, providing free breakfasts to schoolchildren, and giving surplus food to those most in need.

1. **Growing Greggs Breakfast Clubs:** By 2025, we will support 1,000 school Breakfast Clubs providing some 70,000 meals each school day.
2. **Putting an end to food waste:** By 2025, we will create 25% less food waste than in 2018 and will continue to work towards 100% of surplus food going to those most in need.
3. **Supporting our communities:** By 2025, we will have 50 Greggs Outlet shops providing affordable food in areas of social deprivation, with a share of profits given to local community organisations.
4. **Helping our customers to make healthier choices:** By 2025, 30% of the items on our shelves will be healthier choices, and we will attract customers through education and promotions.



Safer planet

We pledge to become a carbon-neutral, zero-waste business.

5. **Going carbon neutral:** By 2025, we will be on our way to achieving carbon neutrality by using 100% renewable energy across all of our operations.
6. **Building the shops of the future:** By 2025, 25% of our shops will feature elements from our Eco-Shop 'shop of the future' design.
7. **Using less packaging:** By 2025, we will use 25% less packaging, by weight, than in 2019 and any remaining packaging will be made from material that is widely recycled.



Better business

We pledge to increase the diversity of our workforce, and to use our purchasing power responsibly, with the aim of making things better in our supply chain.


8. **Embracing diversity:** By 2025, our workforce will reflect the communities we serve.
9. **Sourcing sustainably:** By 2025, we will have a robust, responsible sourcing strategy in place and will report annually on progress towards our targets.
10. **Protecting animal welfare:** By 2025, we will secure and maintain Tier 1 in the BBAF Animal Welfare standard.


SUSTAINABILITY REPORT CONTINUED


Our progress so far


IN 2021...


How did we do? ● Achieved ● Partially achieved ● Still to be achieved


 ●
686 Greggs Breakfast Clubs fed more than 44,500 children every school day.


 ●
We re-distributed 28% of all unsold food in our shops and reduced manufacturing waste by 31% (as a % of sales).


 ●
We have 20 Greggs Outlet shops up and running – with a further ten in the pipeline for 2022.*


 ●
32% of the items on our shelves are healthier choices.


 ●
We've assessed the carbon footprint of our whole value chain.

 ●
We've created the Eco-Shop template.


 ●
We've joined the On Pack Recycling Label (OPRL) scheme to make recycling communications easier to understand.


 ●
500 managers attended an Inclusive Leadership workshop.


 ●
We completed our review of soy across all our ingredients, joined the UK Roundtable on Sustainable Soya, and signed up to the UK Soy Manifesto.**


 ●
We've created a roadmap to achieve a Tier 1 rating in the Business Benchmark on Farm Animal Welfare.


PLANS FOR 2022


 ●
Increase Greggs Breakfast Clubs to 760.


 ●
Further 10% reduction in manufacturing waste and increase food redistribution by a further 10%.


 ●
Expand our Outlet estate to 30 shops.


 ●
30% of all the new products we create to be 'Healthier Choices'.


 ●
Complete our Supplier Engagement Plan and publish our science-based targets.

 ●
We will open our first Eco-Shop in 2022 and a further 250 shops to have Eco-Shop elements.

 ●
Include OPRL label on all own brand packaging and build roadmap to move all own brand into 'recyclable criteria'.

 ●
Achieve National Equality Standard Assessment.

 ●
Publish our Deforestation Policy, map supplier compliance and plan to be deforestation free by 2025.

 ●
Ensure chicken stocking densities are a maximum of 38kg/m².

* we've increased our Outlet shop numbers from 13 to 20 in 2021. Although this means we missed our target of 30, we're still proud of the progress we have made
** we wanted our direct purchases of soy to be 'Identity Preserved' (meaning that we can trace back to the origin, e.g. the farm or field, and can then make a valid claim that its from a sustainable source and not related to deforestation) by the end of 2021 but didn't achieve that. However, we did complete our review of soy across all our ingredients, joined the UK Roundtable on Sustainable Soya (RTSS), and signed up to the UK Soy Manifesto

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

As a responsible organisation, we understand the importance of reducing our impact on the climate. We also believe that improved governance and reporting across all industries and sectors will support carbon reductions across society, so we welcome the introduction of the Task Force on Climate-related Financial Disclosures recommendations and recommended disclosures.

The Task Force on Climate-related Financial Disclosures (TCFD) and other climate-related disclosures made in this TCFD report form part of the Company's annual report and accounts for the 52 weeks ended 1 January 2022 and are consistent with the TCFD recommendations and recommended disclosures.

Climate change and carbon is a complex subject, and we look to further develop and refine our reporting in future years. In the following pages of this, our first TCFD report, we have included an overview of our activity to date and our plans and expectations for the future, as required under Listing Rule 9.8.6(8)R.

Our ambitions

During 2021, we launched our first sustainability plan, The Greggs Pledge. In it, we committed to making Greggs a carbon neutral business by 2040 and to actively support the British Retail Consortium's Climate Action Roadmap.

SUSTAINABILITY REPORT CONTINUED

In line with this Roadmap, we aim to achieve net zero across our own operations (Scope 1 and 2) by 2035 and across our value chain (Scope 3) by 2040.

Metrics and targets

As part of our strategy to manage climate change risks, we have committed to becoming a net zero carbon business by 2040 in line with the BRC's Climate Roadmap:

- Scope 2: Net zero by 2030
- Scope 1: Net zero by 2035
- Scope 3: Net zero by 2040

We report on our Scope 1 and 2 greenhouse gas emissions each year. The detailed disclosures and methodology can be found in the following pages.

We are currently working with the Carbon Trust on developing and gaining approval for our science-based carbon targets, aligned with a 1.50C scenario. The methodology for modelling our emissions is developed in line with the Greenhouse Gas Protocol. The baseline year chosen is 2019, as it is the most recent year with complete and verifiable data.

During 2021, we worked with the Carbon Trust to model our Scope 3 emissions which revealed that these account for over 90% of our overall footprint. Collaborating with those outside our operations is paramount to achieving our net zero goals. In 2022, we will engage with our value chain to align longer-term climate change ambitions and plan to introduce additional supplier-related metrics into our reporting, beginning with the 2022 annual report.

Governance

Our Board has overall responsibility for overseeing climate-related risks and opportunities meaning that our approach to climate change is governed at the highest level within our organisation. We expect to see this as a topic of increasing focus in the future.

The Board delegate elements of its responsibility to the following committees, management groups and individuals:

- The Audit Committee is responsible for reviewing and approving our TCFD disclosures annually.
- The Remuneration Committee is responsible for determining remuneration policy and how climate-related factors are considered when determining incentive packages on an annual basis.
- The Operating Board is responsible for the delivery of our sustainability and climate change strategy, as led by the Chief Executive. This includes ensuring our strategy is aligned with our purpose, vision, values and culture on at least a quarterly basis. Additional engagement is included where required, for example, to review new opportunities, as proposed by the Head of Sustainability.
- The Company Secretary and General Counsel has responsibility for overseeing the implementation of the sustainability strategy and our climate change agenda including reporting into the Main Board on at least a quarterly basis. Additional reporting is included where required.
- The Head of Sustainability is responsible for proposing options for the direction and strategy of all sustainability issues. In addition, the role is responsible for assessing and reporting on climate change risks and reporting this into the Company Secretary and General Counsel for further review by the Main Board and Operating Board. The Head of Sustainability also reports formally to the Operating Board, on progress against agreed targets and

commitments, on a quarterly basis.

- Dedicated Sustainability Working Groups were created to support delivery of our sustainability targets, namely The Greggs Pledge and net zero. These cross-functional working groups provide operational leadership in the delivery of our sustainability and climate change targets and commitments.
- Where appropriate, management have personal objectives aligned to the net zero and The Greggs Pledge annual plan. Performance against these objectives is reported to the Head of Sustainability on at least a quarterly basis.

The Board has received specific briefings and updates on progress during the year on climate change matters, including the results from our Scope 3 modelling, the developments of our science-based targets and our short-term net zero targets and actions.

Strategy

Climate change and its associated risks and opportunities has long been important to us and our stakeholders. Although we have not previously completed formal scenario analysis, taking action to address the effect of material climate change impacts is embedded into our business. Publication of The Greggs Pledge in 2021 is evidence of this.

As part of our Scope 3 analysis work in 2021, we have developed our approach to scenario analysis and will use this in 2022 to further inform our risk management approach relating to physical and transitional climate risk. We will provide an update on this in our 2022 TCFD report.

We continue to develop our understanding of our exposure to climate-related risk, which falls into two categories – physical and transitional.

	Transition risk	Physical risk
DEFINITION	<p>Risks related to changes in the social and economic landscape that are likely to occur as a result of transition to a low carbon economy:</p> <ul style="list-style-type: none"> - Policy - Market - Technology - Reputation 	<p>Risks related to the physical impact of climate change:</p> <ul style="list-style-type: none"> - Acute - Extreme weather events, e.g. heatwaves, droughts, extreme rainfall and flooding - Chronic - Longer-term climate shifts, sustained higher temperatures, rises in sea level, changes to average rainfall, changes to weather patterns
POTENTIAL IMPACTS	<p>Depending on the speed of transition, varying levels of risk will exist:</p> <ul style="list-style-type: none"> - Increased costs as a result of policy change - Reduced revenues/turnover as a result of changes in customer preferences - Ability to transition to technology changes at an asset level and associated costs of doing so - Reputational impact if deemed to be slow to transition 	<ul style="list-style-type: none"> - Direct impacts preventing operations (e.g. storm damage, flooding, risks to health and safety) - Indirect impacts impacting supply chain
TIMING	<ul style="list-style-type: none"> - Timing of transition is uncertain and is largely dependent on external factors - Current expectations are that transition risks will manifest themselves in more detail in the short to medium term 	<ul style="list-style-type: none"> - Acute risks are already occurring, as evidenced by the flooding of our Treforest site in 2020 - Chronic risks are expected to become more material in the longer term and will be affected by global efforts to reduce temperature increases in line with climate science
INITIAL MITIGATIONS	<ul style="list-style-type: none"> - Continuing to develop our vegan range - Ongoing review of low carbon technology for current operations (Balliol National Distribution Centre development, move to hybrid car fleet) 	<ul style="list-style-type: none"> - Insurer survey of sites that are at greater risk of flooding - Flood protection measures implemented at our Treforest site - Climate risk assessment for new sites

SUSTAINABILITY REPORT CONTINUED

	Transition risk	Physical risk
<p>2022 ACTIVITY</p>	<ul style="list-style-type: none"> - Ongoing review of technology opportunities for Scope 1 emission reduction (e.g. low carbon logistics fleet, low carbon van fleet) - Wider communication of our approach to climate change to all stakeholders - Scenario modelling to more clearly inform future strategy and risk mitigation - Publication of science-based targets and identification/implementation of actions required to achieve milestones 	<ul style="list-style-type: none"> - Further analysis of risks related to acute and chronic climate events. This will then inform the development of more detailed climate change related risks in our risk process

Through our approach to governance, we continue to identify and quantify climate risks and look to build mitigation of these risks into future planning. This includes climate consideration in our investment and longer-term strategic direction and financial planning. As an example of this, our Balliol National Distribution Centre frozen storage facility investment included a requirement to consider carbon emissions, and this has resulted in a reduction in comparative emissions (against previous operational emissions) of over 30%.

The introduction of our new vegan products is helping to bring new customers into Greggs as well as providing options for existing customers who want to reduce meat in their diet. In 2022 we are investigating the use of product eco-labelling to establish if this will support customer shift to lower carbon products.

Risk management

We have an established risk process as described in the risk management section on pages 59 to 63. The process for identifying, assessing and managing climate-related risks is part of this process. We do not treat our climate risks any differently to others, assessing them in line with our Enterprise Risk Framework.

However, climate is a longer-term risk whereas our principal risks are generally focused on the short to medium term. Whilst undesirable, we do not believe that a single event would have a significant adverse impact on the business at the present time (as an example, the actions taken to mitigate operational impact resulting from the flooding of our Treforest site in 2020 demonstrate how our business continuity approach supports mitigation of climate risk).

We consider climate change to be an emerging risk area for the business, and we continue to assess and review developments to ensure we would include it as a principal risk when apparent. As we further embed our enterprise risk approach across the business, we will establish wider involvement in – and visibility of – our climate-related risks.

Climate-related risk is discussed in our Risk Committee and is now included as a standing agenda item.

Our plans for 2022 include considering our resilience under various climate change scenarios (a 4°C rise, a 2°C rise and a 1.5°C rise in global temperatures by 2050). Climate risk considerations will be built into our strategy setting and financial planning processes and we will provide an update in the 2022 TCFD report.

Our carbon footprint

We, like others, recognise the urgency needed to address climate change. We continue to hold the Carbon Trust Standard in recognition of our work on carbon efficiencies and our Environmental Management System is certificated to ISO 14001:2015.

In addition, we disclose our GHG emissions through the Carbon Disclosure Project (CDP). We continue to drive efficiencies to further reduce our carbon footprint in a bid to target a net zero impact. In 2021, we decreased our gross location-based intensity (tonnes per £m turnover) impact by 19.71% (compared to 2020 or 18.57% compared to 2019).

As a result, our market-based carbon footprint for the 2021 financial year was 40,230 tonnes of carbon dioxide and equivalent gases (CO²e), with an intensity of 32.9 tonnes of CO²e per £m turnover, which accounts for our efforts in generating and purchasing low-carbon energy.

2021 reduction in gross location-based intensity impact (tonnes per £m turnover)

19.71%

Global GHG emissions data

In line with Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013, we are reporting our greenhouse gas (GHG) emissions as part of our annual strategic report. Our GHG reporting year is the same as our financial year from 3 January 2021 to 1 January 2022. We have reported on all of the emission sources which we deem ourselves to be responsible for, as required under the Act. These sources fall within our operational control and financial boundaries and include emissions from manufacturing, retail and distribution sites and the operation of our distribution fleet, all of which are wholly based in the UK. We do not have responsibility for any emission sources that are outside of our operational control. The methodology used to calculate our emissions is based on the GHG Protocol Corporate Accounting and Reporting Standard, Defra Environmental Reporting Guidelines and ISO 14064-3: 2019 – Specification with guidance for the verification and validation of GHG statements.

Dual emissions reporting

Overall emissions have been presented to reflect both location and market-based methodologies, affecting both Scope 1 and Scope 2 emissions.

Streamlined Energy and Carbon Reporting

In line with Streamlined Energy and Carbon Reporting (SECR) requirements, we have also reported on the underlying energy used to calculate Group GHG emissions.

Where original data was provided in litres of diesel, gas oil or petrol it has been converted to kWh. The reporting boundary has been determined by operational control, whereby all emissions within operational control have been included within scope, i.e. Scope 1 and Scope 2.

Energy efficiency initiatives

Greggs is committed to reducing the energy consumption and the carbon impact from its operations. We have set our target of net zero operational carbon emissions across the organisation by 2040 and have put in place a plan aligned to the BRC's Climate Roadmap. We have moved to renewable electricity sources across 96% of our estate and will look to investigate other renewable energy sources for our remaining Scope 1 emissions.

In 2021 we measured our value chain emissions with Carbon Trust and found Scope 3 emissions account for 92% of all market-based emissions with emissions from Scope 3 purchased goods and services (products) being the biggest impact. We will look to develop and focus our attention on where we have significant impact. We have developed a science-based target across Scopes 1, 2 and 3 against a 2019 baseline and will have these targets approved by the Science-Based Target Initiative in 2022. We've carried out numerous energy efficiency initiatives across the Greggs estate. These include:

- Continuing with our LED lighting replacement programmes.
- Investing in energy efficient equipment.
- Completing our £26 million investment in a new cold store facility in Newcastle, which is now operational and brings third-party storage in-house (read more on page 51).
- Purchasing a double decker vehicle which has a 50% greater carrying capacity and a subsequent reduction in kilometres travelled. We have plans to purchase a further nine double decker trailers in 2022.
- Replacing high Global Warming Potential (GWP) refrigerants in refrigeration and air conditioning systems with lower GWP refrigerants.

SUSTAINABILITY REPORT CONTINUED

		Current reporting year 2021 (tonnes of CO ₂ e)	Comparison year 2020 (tonnes of CO ₂ e)	Base year (2019) (tonnes of CO ₂ e) ¹
Location & market-based emissions				
Scope 1 ³	Combustion of fuel & operation of facilities	30,115	23,112	33,155
Scope 1	Refrigerants	5,850	4,541	5,513
Scope 2 (Location-based) ⁴	Electricity purchased for own use (inc PV Generated & green tariff)	46,318	39,860	57,294
Scope 2 (Market-based)	Residual electricity	4,265	2,469	2,909
Gross emissions (Location-based)	Total Scope 1+2 CO ₂ e emissions	82,283	67,513	95,962
Gross emissions (Market-based)	Total Scope 1+2 CO ₂ e emissions to account for use of renewable energy	40,230	30,122	41,577
Intensity measure (Location-based)	Tonnes of CO ₂ per £m turnover	67.21	83.71	82.54
	Percentage change 2021 compared with 2020	-19.71%		-18.57
Intensity measure (Market-based)	Tonnes of CO ₂ e per £m turnover	32.90	37.35	35.76
	Intensity percentage change accounting for renewable energy 2021 compared with 2020	-11.92%		8.00%
Location-based method is provided for disclosure only				
UK Underlying energy use (kWh)				
Total Scope 1 Energy use	Combustion of fuel & operation of facilities (Natural gas, fleet fuel oils, company cars & LPG)	130,910,991	98,224,487	141,717,583
Total Scope 2 Energy use	Electricity	218,141,798	170,968,398	224,154,292
Total Energy use (kWh)		349,052,789	269,192,885 ²	365,871,875

¹We are resetting our baseline year to 2019 to allow alignment with the baseline year for Science-Based Targets

²2020 energy usage is reduced due to Covid restrictions and shop and supply site furlough

³UK only

⁴UK only

WE CONTINUE TO HOLD THE CARBON TRUST STANDARD IN RECOGNITION OF OUR WORK ON CARBON EFFICIENCIES AND OUR ENVIRONMENTAL MANAGEMENT SYSTEM IS CERTIFICATED TO ISO 14001:2015. IN ADDITION, WE DISCLOSE OUR GHG EMISSIONS THROUGH THE CARBON DISCLOSURE PROJECT.



GENDER OF WORKFORCE

We are proud of our reputation for bringing the best talent through the business regardless of gender and that 69% of our total workforce is female, almost half of our management population is female and, of the eight current Board posts, four are held by women. In January 2022, we were thrilled to announce the appointment of our first ever female Chief Executive.

	Female	Male	Total
Board	3	4	7
Senior managers	56	61	117
Other managers	247	262	509
All employees	17,321	7,839	25,174

Notes: Headcount figures at 31 December 2021. 69% of total workforce was female (17,321 of 25,174).

For info: There are 14 employees whose gender is recorded as 'Unknown', 'Undeclared' or 'Other', hence the total figure of 25,174 is not the sum of the Female and Male totals.



OUR STAKEHOLDERS

ENGAGING WITH OUR STAKEHOLDERS

During 2021, the Board continued to consider the impact of Covid on all of its stakeholders, and in particular, taking into account the safety of our colleagues and customers, whilst at the same time developing the business and seeking to return as quickly as possible to normal trading patterns.

Section 172 statement

The following pages 46 to 54 comprise our section 172 statement and describe how the Directors individually and collectively, acting in good faith, have exercised their duties over the course of the year to promote the long-term success of the Company for the benefit of its members as a whole, and in doing so have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.



Strategic pillars

- 1 Great tasting, freshly prepared food
- 2 Best customer experience
- 3 Competitive supply chain
- 4 First class support teams
- 5 The Greggs Pledge



CUSTOMERS

How and why we engage Impact on Board decisions

- 1
- 2
- 4
- 5

Our customers are at the heart of everything we do. Understanding the role we play in peoples’ lives is at the forefront of how we plan and operate, so we’re constantly evolving our proposition to remain relevant.

By speaking to customers in shops, through our Customer Care and Insight teams, and across our digital channels – we’re constantly listening and learning so we can understand how best to serve the nation.

During the year we have had to keep the health and safety of customers and colleagues at the top of our minds, as we continued to trade through the pandemic. The Board considered new shop openings, the relationship with Just Eat, developing Click + Collect, and there was a real focus on developing our App, website and CRM system to allow timely and effective communication with our customers. A cross-functional project team worked on further contributing to customer safety by the launch of our allergen labelling and sandwich production system across all shops ahead of the legal labelling requirement from 1 October 2021.



COLLEAGUES

How and why we engage Impact on Board decisions

- 1
- 3
- 5

Our people are what makes our business successful. We want to provide a great place to work, where they feel valued, want to stay with us and new employees want to join. In 2021, we saw a significant change in workforce availability, a shortage of skills (e.g. lorry driving) and an increased need for colleagues due to our shop opening programme. We continued to communicate with our colleagues through regular Chief Executive updates, partnership forums, colleague suggestion scheme ‘Your Ideas Matter’, key calendar events and our annual Conference and Cascades. We extended our networks and listening groups to include ethnicity and disability.

We approved the continuation of Covid testing in our manufacturing sites, continued to provide protection against Covid and maintained protections in our shops, including perspex counter-top screens, hand cleansing and sanitising stations for colleagues and customers.

As part of our annual negotiations with our union colleagues, we agreed to significant increases in pay rates, as well as backdating awards several months in recognition of the magnificent work done by our teams during difficult circumstances across the year.



SUPPLIERS

How and why we engage Impact on Board decisions

- 1
- 2
- 3
- 4
- 5

Although we manufacture the majority of what we sell, we are reliant on food ingredient suppliers, services providers, property landlords, sellers of ‘goods not for resale’, including shop uniforms and equipment, and many others within our supply chain.

By working collaboratively with suppliers who share our values, we can produce high-quality products while having a positive impact on people and the planet. Regular meetings, joint projects, supplier visits and our annual conference are just a few examples.

We use the Ariba platform to qualify suppliers and a variety of tools to support our focus on ethics and sustainability.

The Board acknowledged that many suppliers were having to face similar business challenges as those faced by the Company, including Covid-related absence, skills shortages, import and logistical challenges, and materials shortages. By hearing from the Chief Executive and members of the Operating Board, the Directors were able to factor these issues into their assessments of business performance.

OUR STAKEHOLDERS CONTINUED



SHAREHOLDERS

How and why we engage Impact on Board decisions

2 4 5

Our shareholders are the owners of the business, and we have obligations to keep them apprised of significant developments. We do this through our regular reporting schedule and through meetings with institutional shareholders across the year, conducted mainly by the Chief Executive and Finance Director. We hold an annual general meeting after which Directors mix with attendees whilst enjoying a Greggs lunch. Sadly in recent years we have had to exclude personal attendance because of Covid-19 restrictions, but we hope to return to a degree of normality in 2022.

Following a temporary suspension of dividend payments during the pandemic, we announced as part of our half-year results in August 2021 that an interim dividend of 15.0p per share would be paid. A special dividend of 40.0p per share was declared on 8 March 2022 and a final dividend in respect of 2021 of 42p per share has been proposed, subject to shareholder approval. The Board has also indicated a return to its progressive dividend policy.



LENDERS

How and why we engage Impact on Board decisions

1 2 3 4 5

Greggs is a cash-generative business and historically has not needed to approach capital and debt markets to fund its growth strategy. With the onset of the pandemic, it became clear that it would be appropriate and prudent to have in place a formal bank facility, and consequently, towards the end of 2020, a revolving credit facility of £100 million was put in place with two commercial banks. Although that facility remains undrawn, as part of that ongoing relationship, the Finance team provide regular performance and covenant compliance updates to banking partners.

In determining the use of cash resources, the Board has regard to a number of stakeholders, including shareholders (through the potential for dividend payments), colleagues (through pay awards and bonus entitlements) and pension scheme obligations through managing the scheme alongside the Trustee to ensure it is successful on its journey to de-risking in the next ten years. Should the Board authorise a draw down of the revolving credit facility, it would take that debt into consideration when determining the allocation of cash resources.



COMMUNITIES

How and why we engage Impact on Board decisions

1 5

The sheer 'localness' of our operations and our longstanding relationship with The Greggs Foundation helps us to better understand the needs of our communities and how we are best placed to make a positive impact. Through initiatives such as supporting Greggs Breakfast Clubs, our food donation programme and working with people in the community to help get them get back into employment through our Fresh Start programme, as well as facilitating fundraising activities for many other good causes, including Children in Need and the Poppy Appeal, we aim to build stronger, healthier communities – a fundamental tenet of The Greggs Pledge.

During the year the Company implemented operational changes to enable compliance with 'Natasha's Law' on allergen labelling, so named following the tragic death of Natasha Ednan-Laperouse in 2016, having eaten a sandwich to which she suffered a fatal allergic reaction. The Board approved a significant further donation in December 2021 to the Natasha Allergy Research Foundation, adding to that made in December 2019. The Board is anxious to support research into the causes of allergies in the hope that tragedies like that which the Ednan-Laperouse family suffered can be avoided.

OUR STAKEHOLDERS CONTINUED

During 2021, the Board was again restricted in the number of face-to-face sessions with stakeholders that it was able to undertake. Nevertheless, through the use of video-conferencing, there were many opportunities for the Board to engage with stakeholders.

By stakeholder, some of the activities of and information provided to the Board in the year were:

Colleagues	Customers	Shareholders
Attendance at Greggs Negotiating Committee meetings	Progress report on App development	Declaration of interim dividend
Attending LGBTQ+ network group (see case study on page 48)	Market insight presentations	Extension of RCF with lenders
Attending opening of Balliol National Distribution Centre (see case study on page 51)	Pricing strategy and impact of inflation	Virtual AGM
Updates on progress towards achieving National Equality Standard (see case study on page 49)	Natasha's Law compliance - monitoring and approval of the allergen labelling system (see case study on page 54)	Share register monitoring
Findings from the Employee Opinion Survey	Undertaking a review of franchise partner activity	Investor relations strategy review

Colleague engagement

The Board's contact with its colleagues was again significantly impacted by the pandemic, with the priority being to ensure that colleagues who were not able to work from home were able to operate in as safe an environment as possible. For part of the year this has meant restricting visits to production sites for anything other than 'essential' activities. Our shops have remained open throughout the year, save for isolated incidents where trading hours were reduced, or a shop even closed temporarily, whilst team

members were either isolating themselves as a result of contracting Covid-19, or because of a family member's isolation. So shop visits have been informal and restricted to 'front of house'.

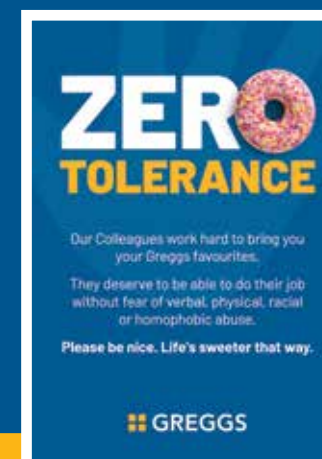
Nevertheless, the Board was able to make good use of virtual communication tools to engage with a wide range of colleagues and hear their feedback.

Expanding our LGBTQ+ colleague network

Our LGBTQ+ network was formed at our head office, Greggs House, a couple of years ago. This year they have been working hard to expand their network to include colleagues in other areas of the business.

This meeting is chaired by one of the Commercial team. It is supported by two Operating Board sponsors, Richard Hutton and Malcolm Copland, and a number of Retail colleagues have joined in. Sandra Turner attended the meeting in November, where there were 12 colleagues in attendance and the topics discussed included:

- The network's vision and purpose
- Network name
- Pride 2022
- Use of pronouns on name badges
- Your Opinion Matters
- Zero Tolerance Customer poster - part of supporting our retail colleagues with customer abuse



OUR STAKEHOLDERS CONTINUED

CASE STUDY: DIVERSITY AND INCLUSION

As part of our moving towards achieving the National Equality Standard, we provided a training session to our Main Board and Operating Board. As part of that training, Directors were interviewed by EY prior to attending an 'Inclusive Leadership' workshop. This enabled EY to understand current views on cultural strengths and priorities in order to shape the content of the workshop. EY also spoke broadly to Directors about their personal involvement in driving Diversity and Inclusion (D&I) initiatives across teams, specifically in areas such as the approach taken when recruiting and promoting as well as understanding the culture of Greggs.

Building upon the knowledge taken from the interviews, the 'Inclusive Leadership' workshop was developed.

The session's priorities included:

- Understanding of the D&I imperative for Greggs.
- An enhanced awareness of how each individual's unique experience and view of the world has shaped their leadership style.
- An appreciation of how external and internal influences can impact an inclusive workplace.
- Ideas for a Greggs D&I strategy and a personal inclusive leadership legacy for Directors.

This workshop was then used as a basis to develop Inclusive Leadership and Inclusive Management workshops which were subsequently delivered to our 500-strong management population.

Later in the year, National Equality Standard assessment interviews were conducted individually with each of the Operating Board and formed part of the National Equality Standard assessment process. The outputs from those sessions, alongside focus groups with our wider workforce and a colleague survey completed by over 4,000 colleagues to assess our cultural health, were fed into the assessment process.

Towards the end of the year, the assessment outcomes were presented to the Main Board. There were a number of areas for the business to be proud of with the top five being:

- Culture – the assessment was overwhelmingly positive about the working culture and sense of inclusion at Greggs.
- Policies – clear policies were identified as being in place that support key diverse groups.
- Adjustments and accessibility – a proactive approach is in place to provide adjustments and accessibility for a range of requirements.

- Learning and development – there is comprehensive learning available for colleagues including a strong induction and career pathway programme. This includes a strand for women's development.
- Colleague networks – the establishment of colleague network and listening groups across a range of different diversity topics including ethnicity, LGBTQ+ and disability.

And there were key priorities and focus areas identified for 2022:

- Ensuring we continue to develop further a diverse talent attraction programme.
- Implement a cross-functional D&I steering group to review D&I plan and track progress.
- Focus on updating and understanding our colleague data to help inform decisions.
- Deliver Inclusive Management workshops across our Shop Manager, Supply Supervisor and Support Team Leader colleagues.



Board engagement sessions included the following: Greggs Negotiating Committee (GNC) – July 2021

As part of Greggs’ longstanding relationship with recognised unions (Bakers Food and Allied Workers Union (BFAWU) and Union of Shop, Distributive and Allied Workers (USDAW)), regular meetings are held covering a variety of topics, including trading, strategic initiatives, The Greggs Pledge and annual pay negotiations. The GNC is our national union forum which is attended by Sarah Woolley (General Secretary BFAWU) and union representatives from across the business. In July 2021, Ian Durant and Helena Ganczakowski attended a scheduled meeting to discuss the role of the Main Board, and the Remuneration Committee. This session primarily focused on building the team’s knowledge and providing information on the role of Main Board and more specifically the role of the Remuneration Committee and what the Committee has responsibility for.

Topics that came up for discussion included whether there could be an employee representation on the Board, the value of the Chief Executive's salary vs the lowest paid colleagues in Greggs, how the variable pay elements were constructed and succession plans for key roles in the business, specifically the Chief Executive.

Retail Partnership Forum – September 2021

The Retail Partnership Forum is made up of our union representatives from across retail and the teams specifically discuss operational issues across the retail estate. Sandra Turner attended as the Non-Executive Director having responsibility for overseeing colleague engagement. Key topics discussed in this meeting included visits to shop teams on their sites, getting back to ‘normal’, and communication between the Main Board and colleagues in the business.

Colleague engagement survey – Your Opinion Matters

Additionally, all Directors were present at the meeting in November when the People team presented the findings of the latest colleague engagement survey – ‘Your Opinion Matters’ (YOM). The Board received a presentation from members of the People team on the outcomes of the YOM survey conducted in the third quarter of 2021. Response rates achieved included 64% overall (14,656 respondents), made up of 89% management and support, 65% in retail and 49% of supply chain. This compared with a response rate of 91% the last time the survey was undertaken in 2019. An engagement score is also calculated using four questions from the survey including: “I am proud to say I work for Greggs” and “I would still like to be working at Greggs in two years’ time”. The engagement score was 82%, a slight drop of 2% versus 2019, but given the colleague experience over the 18 months of the pandemic at the time the survey was undertaken, the Board considered this to be an excellent outcome.

For the first time, responses were measured with reference to declared ethnicity sexual orientation and disability, with overall levels of engagement similar to those reported for the whole responding population.

The Board was informed that each function would be producing an action plan in response to specific findings.

Rewarding the workforce

As a result of the onset of the pandemic in 2020, which led to all shops being closed for several months, and the ensuing lockdowns and reduced trading that followed, the Company reported a loss for that year, and was not able to share profits with colleagues as it had done for many years. The Board is delighted that as a result of the return to profitability in 2021, we are able to recommence our long tradition of sharing 10% of our profits with employees, enabling them to share in our success.

Each year, members of the People team undertake negotiations with our relevant unions representing those colleagues covered under a collective bargaining agreement. Following the ballot, our shop teams receive a pay increase with effect from April in any year and our supply chain teams from January in any year.

Over recent years, the pay award applied to our graded management population and Directors has reflected the base increase for our wider workforce and is generally applicable from January in any year.

A similar position was set up for the 2022 pay award. However, the Board was cognisant of the continuing efforts being undertaken by all colleagues to keep the business going throughout the pandemic, and with continuing success. This recognition was in the context of a tough labour market where we required new colleagues to join the shop expansion and opening programme. A base pay award of 3.5% was agreed for all colleagues with an additional 3% for our lowest paid colleagues in retail. Following discussions with the union, as a thank you to our teams, it was agreed to backdate the implementation of this pay award by five months.

OUR STAKEHOLDERS CONTINUED

An increase of 3.5% was awarded to management and the award was backdated from January 2022 to November 2021. After careful consideration, Directors, and members of the Operating Board, also received a 3.5% increase, with no backdating. Further details are set out in the Directors' remuneration report on page 85.

The pension contributions (or cash equivalent) for Executive Directors are now on a phased downward trend to align with the majority of the workforce. The new CEO Designate, who was appointed to the Board on 1 February 2022, receives the same level of pension contribution as the majority of the workforce. Again, further details can be found in the Directors' remuneration report on page 89. To the extent that during 2021 Executive Directors' pension contributions were not consistent with the majority of the workforce, the Company was not compliant with the Corporate Governance Code Provision 38, although as set out on page 98 of the Directors' remuneration report the Remuneration Committee has set out a timetable to attain full compliance, with the terms for the new Chief Executive already aligned.

Provision 36 of the Governance Code requires the Remuneration Committee to develop a formal policy for post-employment shareholdings. The Committee has developed such a policy and applied it only to new Executive Directors, and in this respect, it has been applied to Roisin Currie who joined the Board on 1 February 2022 as CEO Designate. To the extent that this policy has not been applied to the then current Executive Directors when the policy was developed, this may be interpreted as a non-compliance with Provision 36. The Committee will be reconsidering this point as part of its policy review later in 2022.

CASE STUDY: THE OFFICIAL OPENING OF BALLIOL NATIONAL DISTRIBUTION CENTRE

In September 2021, the Company's £26 million frozen storage facility was opened on a site adjacent to the savoury production facility in the North East of England.

The facility was approved by the Board in 2019, and constructed through 2020 and 2021 during the pandemic. The facility is of strategic importance to Greggs, bringing together the majority of the Company's frozen storage requirements, improving efficiency, and has a hugely positive impact on reducing the carbon footprint – a key focus for Greggs as outlined in The Greggs Pledge.



The opening was attended by the Directors, who were given a presentation by the site management team and were then able to tour the facility and see its operation.

At a short ceremony following the tour, the Directors were able to mingle with a number of colleagues who work in the facility.

As part of his official opening speech, Ian Durant commented:

“To have built a facility of this scale and complexity at any time would have been an achievement, but to have built it during a global pandemic makes the achievement all the more remarkable! I want to take this opportunity to thank everyone associated with the project for all of their hard work in getting us to this point, and also to thank the operational team who I know have been going up a steep learning curve.”

Our other stakeholders

Our stakeholder population beyond our colleagues (and former colleagues through their pension scheme membership) encompasses our shareholders and the investment community including our lenders, our customers and the communities in which they live and work, without whom there is no Greggs brand, and our products and services suppliers who are such an integral part of the Greggs supply chain. We have set out on the following pages how the Board keeps apprised of significant developments across each of these groups.

Customers

The Board receives several reports and presentations across the year from the Customer Insight team, which helps the Board determine various commercial strategies, factoring in competitor activity, pricing and inflation, customer footfall for shop locations and marketing promotions. Specific topics covered in the year included:

- Macro customer trends
- Food-to-go market overview
- Greggs and competitor performance in food to go
- Brand health
- Brand perceptions/satisfaction
- Daypart performance
- Business plan, deep dives:
 - Focus on delivery/evening/hot food
 - Focus on coffee
 - Focus on health

Shareholders

It was regrettable that, once again because of the pandemic, we were unable to welcome shareholders to our annual general meeting usually held in May in Newcastle upon Tyne. Shareholders were given the opportunity to register to view the meeting online and encouraged to use their proxy vote.

Because of the restrictions, no external shareholders were permitted to attend the meeting in person, and the quorum was made up of the Finance Director, Company Secretary and one other employee shareholder. All of the Directors were otherwise present virtually.

At that meeting shareholders agreed to change the articles of association to allow fully for hybrid meetings in the future, although the Board are hopeful that a physical meeting will be possible on 17 May 2022, with shareholders present in the room for the first time in what will then be three years.

The Chair takes responsibility for ensuring that key shareholders are aware of, and supportive of, the Board's approach to governance, networking widely across the institutional shareholder population, and from time to time meeting with larger shareholders.

Much of the regular interaction with shareholders and the analyst community is undertaken by the Chief Executive and Finance Director, particularly around the times of the release of the preliminary and interim results. In between, the Finance Director is in regular contact with the investment community sharing details of the Company's performance and strategy. Following key announcements, the anonymised views of shareholders are reported to the Board by UBS and Investec, the Company's retained brokers, and press and analyst feedback is provided by Hudson Sandler, the Company's financial communications consultants.

In early 2021, the Board consulted with a number of institutional investors and proxy advisers over the Performance Share Plan and Employee Share Option Scheme awards made to the management population in 2018. Performance criteria had not been met as a result of the pandemic, and the Board asked shareholders whether they thought it appropriate that nevertheless the Remuneration Committee should exercise its discretion and allow 50% of awards to vest. Based on that consultation, the Board felt that, on balance, its proposal would not be supported, and therefore it did not proceed.

OUR STAKEHOLDERS CONTINUED**Suppliers**

The Chief Executive attended several so-called 'top-to-top' meetings with key suppliers. These included Fairtrade, Quorn and Biffa. Reports on these meetings, and others, are shared with the Board so that key issues can be understood and factored into the Board's decision-making processes. Quorn is a key partner in the development of the Board's plant-based food development programme, and Biffa is a significant service provider to the Company's waste management activity as part of The Greggs Pledge.

Lenders

The revolving credit facility that was put in place in 2020 remains undrawn. However, in December 2021 it was extended by one year, and will now expire on 8 December 2024. Nevertheless, the Finance Director maintained relationships with the two commercial lenders, meeting with them virtually and in person to keep them informed on business performance.

Other stakeholder considerations

Greggs is committed to acting fairly between all stakeholders of the Company. The impact of the Company's operations on the environment is covered in our sustainability reporting on pages 36 to 44. Details of our business conduct policy are set out on page 76.



CASE STUDY: IMPLEMENTING NATASHA'S LAW

Following the tragic death of Natasha Ednan-Laperouse, who suffered an allergic reaction as a result of eating another brand's shop-made sandwich, the Board oversaw the implementation of a new shop production and labelling system, in order to ensure compliance with new laws that came into effect on 1 October 2021. The law change required businesses such as Greggs, who had not previously been required to label products, for example, sandwiches made each day in shop, with consumer information regarding the food contents, highlighting allergens in particular.

The business saw this as an opportunity to support shop teams responsible for in-shop production of sandwiches, by helping them to manage ingredients and quantities, keep sight of ingredient stocks and batches made and allow central teams to monitor ingredient usage and plan for replenishment. The output was an ingredient label placed onto every item packaged instore.

The project team had a number of significant hurdles to overcome: the supply of the wrong equipment, delays to hardware delivery because of the Ever Given container ship episode in the Suez Canal, and the roll out and installation of multiple screens, tablets and label printers to over 2,000 shops.

Shop teams were trained on use of the new system, and compliance with the law is monitored on an ongoing basis by the shops teams themselves, area managers and retail auditors, as part of the Company's safety and compliance due diligence process.

Colleague engagement was key to landing this successfully in our shops and we worked closely with The Allergy Team, an organisation whose mission is 'Helping families living with food allergies to thrive', to produce a video which was shared Company-wide. The video helped our colleagues to understand the importance of food allergies and that they have a vital role to play in keeping families living with food allergies safe.

The new process was well received by colleagues and customers.

In November 2021, two of the lead project team were invited into a Board meeting to report on the success of the implementation, and to receive the Board's thanks for their efforts and achievements.



"The system is easy to use and it makes sure we get the right stuff in our sandwiches."

"The video really made my team get how important this is."



FINANCIAL REVIEW

Greggs came back strongly in 2021, restoring profitability and increasing the pace of growth in the shop estate. With comparatively modest capital expenditure in 2021 the Group's cash position is very strong. This will be put to use in 2022 as we pursue our ambitious growth plans whilst investing further in the sustainability of the business and enhancing returns to shareholders.



	2021 £m	2020 £m	2019 £m
Revenue	1,229.7	811.3	1,167.9
Operating profit/(loss)	153.2	(7.0)	114.8
Net finance expense	(7.6)	(6.7)	(6.5)
Profit/(loss) before tax	145.6	(13.7)	108.3
Income tax	(28.1)	0.7	(21.3)
Profit/(loss) after tax	117.5	(13.0)	87.0

Sales

Total Group sales for the 52 weeks ended 1 January 2022 were £1,229.7 million (2020: £811.3 million, 2019: £1,167.9 million). Sales continued to be affected by Government restrictions in the first quarter of the year but progressively improved as conditions eased. The comparative sales results for 2020 were significantly impacted by the closure of the Greggs shop estate for most of the second quarter therefore we have continued to report 2021 financial performance relative to the 2019 level.

Reporting 'like-for-like' sales (sales in company-managed shops with more than one calendar year's trading history) is a key alternative performance measure for Greggs, as it shows underlying estate sales performance excluding the impact of new shop openings and closures. In reporting like-for-like sales in 2021 we have compared our performance with the equivalent period of 2019, generating a 'two-year like-for-like' KPI. The results across 2021 reflected the difficult conditions at the start of the year, followed by a strong recovery and then the impact of the Omicron variant and VAT increase in the fourth quarter:

	Q1	Q2	Q3	Q4	2021
Company-managed like-for-like sales compared with 2019 level	(21.5%)	2.8%	3.5%	0.8%	(3.3%)

FINANCIAL REVIEW CONTINUED

Total Group revenue reflects sales from company-managed shops, which include delivery sales, and sales through business to business (B2B) channels with our franchise and wholesale partners. Whilst year-on-year comparisons are distorted by the closure period in Q2 2020, both company-managed and B2B sales developed through the year as customer numbers recovered and we grew the size of the shop estate. We are still learning how delivery sales behave seasonally and under different trading conditions. Absolute delivery sales were strongest in the second quarter of the year and reduced slightly in the fourth quarter. The primary driver of B2B sales growth continues to be expansion of the franchised shop estate.

	01 £m	02 £m	03 £m	04 £m	2021 £m
Company-managed shop sales	209	280	299	311	1,099
[£m relating to delivery channel]	[19.7]	[21.8]	[20.9]	[18.3]	[80.7]
B2B sales	27	30	35	39	131
Total revenue	236	310	334	350	1,230

Profit for the year

Profit before tax in 2021 was £145.6 million (2020: £13.7 million loss, 2019: £108.3 million profit). There were no exceptional items (2020: £0.8 million charge, 2019: £5.9 million charge).

Overall wage and salary cost inflation was 3.0% in 2021. The planned 2022 pay increase for operational teams was brought forward by five months, adding £4.5 million to costs in 2021. Looking forward, as a result of the latest pay awards overall wage and salary inflation is expected to be approximately 4.3% in 2022. In addition, the rate of National Insurance on wages and salaries is due to increase by 1.25% from April 2022.

As expected, the rate of food, packaging and energy cost inflation increased towards the end of the second half of 2021 as forward contracts were renewed, and in the year ahead we expect that cost inflation in these areas will increase further. In addition, the restoration of the full rate of VAT on hot food and drink sales will be effective from the start of April 2022.

Shop occupancy costs continue to improve as we negotiate rent reductions on renewal of our commitment to leased properties. Greggs strong covenant is attractive to the landlords of shop premises and this is an important factor in gaining access to new catchments as well as improving our cost ratios where we already trade. In 2021 the ratio of IFRS 16 'right of use' charges on leased property assets to company-managed shop sales was 4.9%, down from 5.1% in 2019, and we expect this ratio to improve further in the year ahead.

Taken together, the impact of inflation in employment and other input costs is expected to result in a cost inflation headwind of around 6-7% in 2022. A proportion of this is forward-covered but the outlook for many commodity costs remains uncertain. This has necessitated some price increases, which were made at the start of this year, and further changes are expected to be necessary. Our competitive pricing position is strong and, as ever, we will be protective of Greggs reputation for outstanding value for money in managing this inflationary environment.

As we reported at the half year stage, the improved performance and trading outlook of our shops resulted in us deciding to repay all Coronavirus Job Retention Scheme (CJRS) support claimed in the first half of 2021, a total of £4.9 million. The sector-wide business rates relief for retail, hospitality and leisure businesses temporarily reduced costs by £14.9 million in the first half of the year.

Turnover

£1,229.7m

Profit before tax

£146.5m

FINANCIAL REVIEW CONTINUED

The improved performance and trading outlook for our shops resulted in the net reversal of £2.2 million of previously-provided shop asset impairment charges. A further £1.3 million of impairment has been released in respect of land and bakery plant and machinery which is no longer considered to be impaired.

Financing charges

The net financing expense of £7.6 million in the year (2020: £6.7 million, 2019: £6.5 million) comprised £6.3 million in respect of the IFRS 16 interest charge on lease liabilities, £1.1 million of facility charges under the Company's (undrawn) financing facilities and £0.2 million relating to the Company's defined benefit pension scheme and foreign exchange losses.

Taxation

The Company has a simple corporate structure, carries out its business entirely in the UK and all taxes are paid here. We aim to act with integrity and transparency in respect of our taxation obligations.

The Group's overall effective tax rate on profit in 2021 was 19.3% (2020: 5.2% rate on losses, 2019: 19.7% rate on profit). The effective rate on profit in the year reflects the revaluation of deferred tax balances resulting from the expected increase in the Corporation Tax rate from April 2023 and additional 'super-deductions' relating to capital expenditure in 2021.

The impact of super-deduction capital allowances will affect the Group's effective rate of taxation in 2022. We expect the effective rate for 2022 to be around 17.5% and the effective rate for 2023 to be around 24.0%. Going forward the effective rate is expected to be around 1.0% above the headline corporation tax rate; this is principally because of disallowed expenditure such as depreciation on non-tax-deductible qualifying properties and costs of acquisition of new shops.

Earnings per share and dividend

Diluted earnings per share in 2021 were 114.3 pence (2020: 12.9 pence loss per share, 2019: 85.0 pence earnings per share).

The Board recommends a final ordinary dividend of 42.0 pence per share (2020: nil). Together with the interim dividend of 15.0 pence (2020: nil) paid in October 2021, this makes a total ordinary dividend for the year of 57.0 pence (2020: nil). This is covered two times by diluted earnings per share in line with our progressive ordinary dividend policy, which aims to increase the dividend in line with growth in earnings per share.

The ordinary dividend is set at a level designed to provide capacity for the Group to invest in the many attractive opportunities for further growth. In situations where the Board concludes that the cash position is above the level required to support the Group's investment and working capital needs its policy is to make an additional return to shareholders by way of a special dividend. In application of this policy the Board has declared a special dividend of 40.0 pence per share, to be paid on 29 April 2022 to shareholders on the register at 25 March 2022.

Subject to the approval of shareholders at the annual general meeting, the final dividend will be paid on 8 June 2022 to shareholders on the register at 13 May 2022.

Balance sheet Capital expenditure

We invested a total of £57.4 million (2020: £58.7 million, 2019: £86.0 million) in capital expenditure during 2021. In addition to expenditure on new shops, key projects included the roll out of new coffee machines as we extend our capabilities in hot drinks, the completion of the Balliol Park automated cold store and investments in increased capacity for savoury and pizza production. Retail estate expenditure continued to be relatively low and will increase in 2022 as we increase the

rate of company-managed shop openings and recommence the shop refurbishment programme.

Depreciation and amortisation on property, plant and equipment and intangibles in the year was £58.7 million (2020: £60.8 million, 2019: £59.9 million). A further £48.7 million (2020: £51.9 million, 2019: £50.8 million) of depreciation was charged in respect of right of use assets as a result of capitalised leases.

At our Capital Markets Day event in October 2021 we outlined ambitious targets to double turnover over the next five years. As well as investing in a faster rate of estate growth the plans require additional capacity in our manufacturing and logistics network. Our plans for 2022 include capital expenditure of around £170 million as we increase the pace of shop investment, invest in a new site to be the focus of our capacity expansion for southern England, and add further manufacturing capacity to our savoury manufacturing plant at Balliol Park in Newcastle upon Tyne. The required investment is planned to be funded from our existing cash reserves and future operational cash generation.

Management of return on capital

We manage return on capital against predetermined targets and monitor performance through our Investment Board, a management committee where all capital expenditure is subject to rigorous appraisal before and after it is made. For investments in new shops we target an average cash return on invested capital of 25%, with a hurdle rate of 22.5%, over an average investment cycle of eight years. Other investments are appraised using discounted cash flow analysis. With market conditions for the acquisition of shop sites being favourable we have been active in sourcing opportunities in locations such as transport hubs and in central London. Some of these sites will trade below their mature level in the short term but are expected to strengthen as the impact of the pandemic recedes.

Working capital

We ended the year with Group net current assets of £59.2 million (2020: net current liabilities of £45.4 million, 2019: net current liabilities of £66.4 million), the result of carrying a closing cash and cash equivalents position of £198.6 million (2020: £36.8 million, 2019: £91.3 million).

Excluding cash and cash equivalents, net current liabilities have increased from £82.2 million to £139.4 million over the year. This reflects the increase in trade and other payables as turnover levels have recovered over the past year, reversing the outflow experienced in 2020.

Pension scheme

The net liability shown on the balance sheet for the Company's closed defined benefit pension scheme was £2.4 million at the end of 2021 (2020: £11.9 million net liability). The improvement in the balance sheet position was mainly as a result of the increase in the discount rate applied to future liabilities. The scheme underwent a full actuarial revaluation in 2020, the results of which showed a deficit in funding. The Company is making additional contributions of £2.5 million each year from 2022 to 2026 to ensure that any funding requirements are met over the medium term as the scheme works towards full de-risking.

Cash flow and capital structure

The net cash inflow from operating activities after lease payments in the year was £236.5 million (2020: £1.5 million, 2019: £169.5 million). At the end of the year the Group had net cash and cash equivalents of £198.6 million (2020: £36.8 million, 2019: £91.3 million).

In normal circumstances the Group aims to maintain a year-end net cash position of around £50 million to allow for seasonality in its working capital cycle and to protect the interests of all creditors. The current cash position is clearly above this level, reflecting the strength of performance in 2021 and some short-term beneficial changes to working

capital. With a significant capital expenditure programme ahead it is appropriate to carry an above-normal level of cash into 2022; however, the Board's assessment is that the Group is in a position to make an additional distribution to shareholders of £40.6 million. As indicated above, the Board proposes to do so by way of a special dividend.

The Company's revolving credit facility, which runs to December 2024, allows it to draw up to £100 million in committed funds, subject to it retaining a minimum liquidity of £30 million (i.e. maximum net borrowings are £70 million). This facility is designed to provide protection to the business should it experience significant interruptions to trading.

With a strong cash position and committed facilities the Company is in a position to invest in its growth plans whilst supporting its many stakeholders and enhancing shareholder returns.

Richard Hutton

Finance Director

8 March 2022

Diluted earning per share

114.3p

Capital expenditure

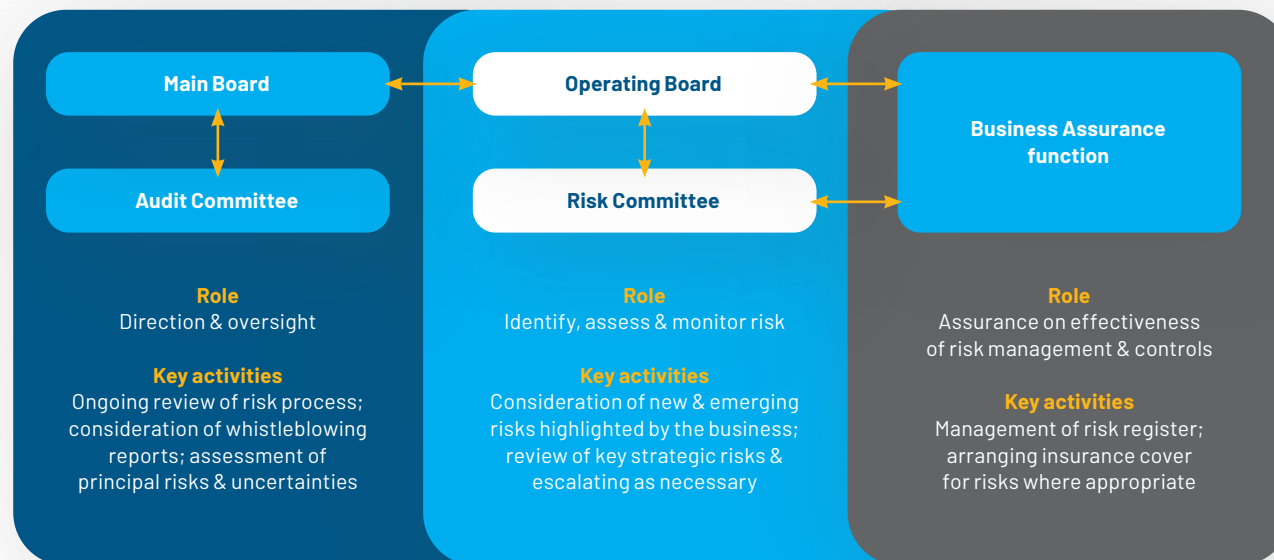
£57.3m

RISK MANAGEMENT

OUR APPROACH TO RISK MANAGEMENT

Understanding and managing our key risks is essential to enabling us to deliver our strategy and make sound decisions. Risk in the business cannot be avoided, but should be actively managed to help us to achieve our objectives. An effective and robust risk management process is fundamental to protecting the business, our customers and colleagues, and shareholder value.

The various roles of those involved in the risk process are summarised in the diagram below:



Our Board has ultimate responsibility for risk management across the business, and determines the nature and extent of risk we are prepared to take. The Audit Committee fulfils elements of the Board’s responsibility for risk which are delegated to it, such as reviewing the effectiveness of the overall approach, and receiving regular reports on assurance activity. Proactive risk management is the responsibility of the Risk Committee, which is a committee of our Operating Board and incorporates senior management representation from across the business. Throughout the business, the responsibility for operational management of risks sits within each function.

The Business Assurance function supports with the preparation and review of the risk registers across the business. The function also supports the Audit Committee in reviewing the effectiveness of our systems of internal control.

Changes in 2021

Although our risk management approach is well established and embedded in the business, we have taken the opportunity this year to reflect on our methodology and look for improvements. We appointed Marsh Advisory, who helped us to redefine our key risks and update our risk management process.

We have refreshed our strategic risk listing, identifying anything which may hinder the achievement of our strategic objectives or our commitments under The Greggs Pledge. Our risks are categorised into four broad groups – strategic, operational, financial and legal/regulatory. Each risk is also linked to the relevant strategic pillars of our plan (including The Greggs Pledge) which would be impacted if the risk were to occur.

Our new strategic risk register describes the causes and consequences of each risk, which is allocated to a risk owner from our Operating Board. Key controls are recorded, and their effectiveness in terms of design and implementation is

assessed. Residual risk is scored in terms of likelihood and impact, and we retain a trend of historic scoring. Actions taken and potential further mitigations are also recorded. We continue to review all of our key strategic risks at each Risk Committee meeting, to discuss any movement in the risk level, and determine whether any additional mitigating action is required. Risk owners provide an update on current and planned activity which may impact on levels of risk. Committee meetings take place at least three times a year. Where a significant risk is identified or there is a marked change in exposure, this is raised directly with the Operating Board to facilitate a timely assessment and response.

Plans for 2022

During the coming year, we plan to transfer our existing functional risk registers into the same format as that used for our strategic risks, to ensure consistency across the whole organisation. This will help us to ensure the 'bottom-up' approach for operational risk is clearly linked and aligned to the 'top-down' approach for principal risks. It will also provide a standardised approach for identifying, measuring and managing risk.

We are developing a risk management tool which will enable us to produce a series of dashboards and visual representations of our risks. It will also allow us to capture future planned and potential mitigations more effectively, to inform our decision-making.

Risk appetite

Risk appetite is the level of risk which we are prepared to accept in working towards our strategic priorities. Significant decisions taken by the business will always involve an assessment of the level of risk to which we may be exposed and the risk we are prepared to take. We will reassess our appetite for risk and formalise our assessment process in the coming months as part of our ongoing project. The Board will then include a consideration and approval of our appetite as part of its annual review of our risk management processes.

Changes to principal risks and our risk profile

Principal risks and uncertainties are those which could result in a threat to our business model, future performance, solvency or liquidity, or significantly erode the value of the business. The key changes to principal risks and our risk profile identified by the Board are as follows:

- Our previously identified risk relating to business transformation is no longer considered a principal risk, due to the project nearing completion. The impact of any delay or disruption is therefore significantly reduced.
- A previous risk relating to third-party relationships has been refined to focus on our franchise, wholesale and delivery partners.
- We disclosed a risk relating to allergens and associated labelling requirements in our 2020 annual report, in response to the increased focus on this area and new legislation being introduced. These specific requirements are now embedded within our standard procedures, and we have redefined the risk more broadly to acknowledge this.
- The Brexit risk has reduced since our last annual report, when there was significant uncertainty about the regulatory requirements and operational disruption. Although we still suffer some operational challenges, this is now treated as 'business as usual', so no longer merits disclosure as a principal risk. Similarly, our response to the pandemic is not a principal risk, as we have established ways of working safely. However, its ongoing impact is felt through a number of the other principal risks.
- We are working with our cyber security specialists and other advisors to improve our management of our cyber and data security risk, due to the rapidly evolving nature and complexity of the threat. Projects are in progress across the business to increase our resilience, working towards the implementation of globally accredited standards. We have robust security measures in place to protect our network, and provide our teams with the knowledge and equipment to manage our cyber risk effectively. However, we consider our exposure to cyber and data security risk to be increased at the present time compared to that disclosed previously.

Emerging risks

The identification and subsequent management of emerging risks forms a key component of our risk process. Such risks are raised and discussed at our Risk Committee meetings and, where appropriate, they are documented in the strategic risk register and escalated to the Board if the potential impact is significant.

Emerging risks are identified using the following approaches:

- Horizon scanning by the relevant subject matter experts in the business;
- Monitoring consumer trends; and
- Taking advice from third parties with whom we work.

Current areas of emerging risk which we are monitoring include climate change, our Environmental, Social and Governance (ESG) strategy and various changes to regulation. Further information on climate change risk can be found on pages 42 and 43 in our TCFD reporting.

Risk management framework

The Directors have carried out a robust assessment of the principal and emerging risks facing the business, focusing on those which would impact our business model or the achievement of our strategy, or threaten Greggs' solvency or liquidity.

The following table sets out our principal risks, movement during the year and a summary of key developments and mitigations. This does not include all of our risks, and is not in priority order. Additional risks not presently known to us, or which we currently consider to be less significant, may also have a negative impact on the business. The exposure to each of the risks will change as we take mitigating actions, or as new risks emerge. The position stated below is a summary of the status at the date of the annual report.

RISK MANAGEMENT CONTINUED

- 1 Great tasting, freshly prepared food 2 Best customer experience 3 Competitive supply chain 4 First class support teams 5 The Greggs Pledge

Principal risks and uncertainties

What is the risk?	Key developments	Key mitigations	Strategic pillars	Movement
SUPPLY CHAIN DISRUPTION	<p>There is a risk that we could be subject to a significant business interruption event impacting key operational locations. Examples include a physical damage incident, a prolonged power outage or denial of access.</p> <p>External supply could also be disrupted, which would have an impact on our ability to operate our production sites.</p> <p>Either of these events would impact our ability to supply our customers.</p>	<p>We have contingency plans in place for our sites which are tested periodically.</p> <p>Our new freezer facility has redundancy built into its design, allowing it to continue operating in the event of a breakdown to one of its primary systems.</p> <p>If a distribution centre is impacted, we are able to flex up operations at other centres to meet demand.</p> <p>Insurance cover is in place, and we work closely with our insurers throughout the year.</p> <p>We avoid single source supply for key ingredients, and implement contingency plans when necessary.</p>	<p>1 2 3 4</p> <p>5</p>	↑
DETERIORATION OF RELATIONSHIP WITH KEY PARTNER	<p>In addition to our company-managed shops, we also work with key franchise, wholesale and delivery partners to help us broaden our service offer. For this to be effective, we must be fully aligned in our strategy, goals and operation.</p>	<p>We work with respected brands, and have an onboarding process.</p> <p>We have widened the range of partners with whom we are working.</p> <p>Contracts and service level agreements are in place.</p> <p>Franchise partners are subject to the same audit process as our company-managed shops.</p>	<p>1 2 3 4</p>	↓
ABILITY TO ATTRACT/RETAIN/MOTIVATE PEOPLE	<p>In an increasingly competitive labour market, we need to be able to offer opportunities which meet individual needs. Without the right people with appropriate skills, we are unable to offer the range and service levels which our customers expect. We may lose talented resource, resulting in increased workloads and greater training needs. Our Company culture may change as a result.</p>	<p>We offer competitive remuneration and benefit packages, and flexible working arrangements.</p> <p>Our teams are supported and developed through training and appraisal.</p> <p>Opinion surveys and listening groups help us to identify where we can improve our approach to recruitment and retention.</p>	<p>1 2 3 4</p> <p>5</p>	↑
DAMAGE TO REPUTATION	<p>As the business grows, so does the risk of our brand reputation being damaged, and customer trust being lost if we fail to respond appropriately to an incident.</p> <p>Our greater digital presence increases this risk due to the speed of public communication.</p> <p>Working with a wider range of partners also results in greater risk, as we have less direct control.</p>	<p>Our company-managed shops and those of our franchise partners are subject to regular audits to make sure that appropriate standards are met.</p> <p>We have a robust crisis management process in place.</p> <p>We work with PR agencies to support us where appropriate.</p>	<p>2 3</p>	↔

Principal risks and uncertainties continued

What is the risk?	Key developments	Key mitigations	Strategic pillars	Movement
CYBER & DATA SECURITY INCIDENT	A cyber security incident could impact our IT infrastructure, potentially leading to the loss of data. This could cause operational disruption, litigation and fines, and reputational damage.	Third parties provide expertise and support, including penetration testing. Appropriate technical measures are in place and updated in line with changing requirements. We have cyber insurance in place. Training and education for colleagues, including a planned simulation exercise for the Operating Board. We are implementing recognised information security control sets.	2 3 4	↑
PROLONGED SYSTEM DOWNTIME/ INTERRUPTION	Our systems are becoming more integrated and interconnected as we streamline the business and increase our reliance on technology. Any system issues therefore have a much greater impact, potentially resulting in disruption to operations and supply into our shops.	We continue to invest significantly in our IT infrastructure. Multiple layers of resilience are built into our SAP system. We work with partners to provide additional expertise when required.	2 3 4	↔
SIGNIFICANT FOOD SAFETY INCIDENT/ PRODUCT QUALITY ISSUE	The products which we sell may be unsafe, or not of the expected quality. This could be caused by contamination, incorrect allergen labelling or procedures not being followed correctly. This would damage our reputation as a food retailer, could cause harm to our customers and affect our financial performance.	Internal and external audit and quality assurance monitoring processes are in place across our operations. We audit our key ingredient suppliers, based on the level of risk. Defined specifications are in place for all of our manufactured goods to ensure consistency. Training is provided on a regular basis to our teams. Complaints are fully investigated to determine the root cause. Stringent hygiene measures are in place.	1 2 3 4 5	↔
CHANGES IN REGULATORY LANDSCAPE	In an increasingly challenging regulatory environment, we need to be ready to adapt quickly to comply with any new legislation. In particular, environmental and health concerns may result in new requirements being implemented, which could require changes to our range. We have greater exposure in some areas than our competitors.	Regular horizon scanning activities are undertaken. Our Trade Association involvement and Government links allow us to monitor upcoming legislative changes. We also monitor new legal requirements, including information from industry forums.	1 2 3 4	↔
SIGNIFICANT FINES FOR NON-COMPLIANCE	We are potentially exposed to large fines for legislative breaches across many parts of our business, such as Health and Safety, transport and environmental requirements. This would also damage the reputation of the business.	Due diligence controls are in place across the business to monitor our compliance. Audit processes confirm whether the correct procedures are being followed. Modern slavery considerations are taken into account when we appoint new suppliers.	1 2	↔

RISK MANAGEMENT CONTINUED

Viability statement

The Directors have assessed the Company's prospects and viability taking into account its current position, plans and principal risks. The assessment has considered the continuing uncertainty around the pace of recovery from the pandemic, however given the recovery through 2021 this is less of a concern than it was at the prior year reporting date.

In carrying out its assessment the Board has reviewed the three-year operational and financial plans to 2024. This is the period over which the Board reviews management's business planning and sets performance targets, and therefore the Board believes that this is the most appropriate timeframe over which to make the viability assessment.

The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The impact of the pandemic has been reflected in the risk that the entire business could be temporarily prevented from trading and be faced with prolonged periods of subdued demand, with consequent pressures on liquidity.

The principal risks to which the Company is exposed ultimately affect the ability of its shops to trade successfully, either due to reduced demand or because of operational interruptions, including those to its internal supply chain. A significant loss of sales is particularly damaging given the Company's vertical integration in that the cost of the internal supply chain cannot be reduced quickly.

In order to stress-test the Company's financial resilience scenarios were created to simulate the impact arising from the occurrence of the following principal risks:

1. Pandemic threat – the risk that the Company is forced to close its shops to walk-in customers for three months as a result of lockdown rules, and experiences subdued levels of walk-in trade as the economy recovers. Delivery channel sales are assumed to continue through the lockdown months with a 50% increase in volume as customers switch channels, as are 'bake at home' sales through the Company's wholesale relationship with Iceland Foods. This forward scenario assumes that Government support would continue to be available for the support of employment and that relief from business rates would be available during the periods of forced closure.

2. A brand-damaging food scare resulting in a significant one-year sales reduction followed by gradual recovery of confidence. In making assumptions the Directors considered real examples of companies in the food sector that had experienced such issues.
3. Temporary loss of production capacity for the Company's iconic pastry savoury products and the consequences for liquidity as capacity is restored.

In each case the Directors reviewed the mitigating actions that would be necessary to protect the Company's liquidity.

These included:

- The temporary suspension of dividend payments in order to preserve cash for operational use;
- Restriction of capital expenditure whilst protecting essential infrastructure maintenance and commitments to strategic investments;
- Access to Government support;
- Drawing on existing committed financing facilities; and
- Calling on the Company's insurance arrangements on the occurrence of an insured risk.

The scenarios tested were capable of being managed within the Company's existing, committed financing facilities. The pandemic scenario presents by far the greatest financial stress to the business, and this simulation does show a breach to the fixed interest cover covenant at one reporting date. Given the Company's relationship with lenders, and the actions of banks through the original Covid-19 pandemic, the Directors believe it is reasonable to conclude that a waiver would be secured.

Given the opening cash position in 2022 the Company does have sufficient existing and committed financing facilities to manage in a situation where multiple principal risk scenarios occurred concurrently. This will likely not be the case in future years as we increase capital expenditure and dividend payments. In the event of multiple principal risk scenarios occurring concurrently which necessitate additional financing facilities the Directors believe that the borrowing capacity of the Company would be sufficient to allow it access to temporary additional facilities.

Based on the results of the analysis, the Directors have 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 of their detailed assessment.

Covid-19 pandemic response

The Covid-19 pandemic has continued to impact the business throughout the year. Although our response has now become part of our 'business as usual' process, a summary of additional actions taken during the year to mitigate the risks facing the business is set out below. We continue to prioritise the safety, health and wellbeing of our customers and colleagues.

- Government guidelines continue to be followed as a minimum, with processes being amended as required to reflect changes.
- Colleagues required to self-isolate have been supported.
- Where resource levels have been insufficient to operate safely, we have reduced our operating hours, or closed shops completely to allow us to consolidate our staff into fewer shops.
- Central support teams have continued to work from home where appropriate, to ensure that office capacity is managed. Our homeworking guidance and associated policies have been refreshed.
- We have moved to a blend of virtual and physical meetings, to allow us to meet face-to-face where there is a benefit in doing so.
- We have continued to engage with key external stakeholders, including regulatory bodies, advisors and Government agencies.
- Communication with our teams has continued, to ensure that everyone is aware of changes to process and the reasons behind them.
- Operational costs continue to be managed tightly across the business.
- Our digital roll out has continued at pace, giving us access to new customers via the Greggs App.
- Our partnership with Just Eat has been further expanded, to cover more of our estate.
- We are taking additional opportunities to expand and diversify our shop estate, for example, through increasing our presence in Greater London and engaging with new franchise partners to access travel locations.

We believe that our ongoing response to the pandemic demonstrates the resilience and adaptability of the business.

The strategic report was approved by the Board of Directors on 8 March 2022 and signed on its behalf by

Roger Whiteside

Chief Executive

8 March 2022

BOARD OF DIRECTORS AND SECRETARY



IAN DURANT
Chair



ROGER WHITESIDE
OBE
Chief Executive



RICHARD HUTTON
FCA
Finance Director



ROISIN CURRIE
CEO Designate



MOHAMED ELSARKY
Independent Non-Executive
Director



KATE FERRY
Independent Non-Executive
Director



**HELENA
GANCZAKOWSKI**
Independent Non-Executive
Director



SANDRA TURNER
Independent Non-Executive
Director



JONATHAN JOWETT
Company Secretary
and General Counsel

BOARD OF DIRECTORS AND SECRETARY CONTINUED

<p>IAN DURANT Chair</p>	<p>ROGER WHITESIDE OBE Chief Executive</p>	<p>RICHARD HUTTON FCA Finance Director</p>	<p>ROISIN CURRIE CEO Designate</p>	<p>MOHAMED ELSARKY Non-Executive Director</p>
<p>Ian has a background in international finance and commercial management, with experience in the retail, property, hotels and transport sectors. His career includes leadership roles with the retail division of Hanson and Jardine Matheson, Hongkong Land, Dairy Farm International, Thistle Hotels and SeaContainers and as Finance Director of Liberty International. Ian is an experienced non-executive director of UK-listed companies, having previously served on the Boards of Westbury, Home Retail Group and Greene King. He was Chair of Capital and Counties Properties plc between 2010 and 2018.</p>	<p>Roger began his career at Marks and Spencer where he spent 20 years, ultimately becoming head of its food business. He was then one of the founding team of Ocado, serving as Joint MD from 2000 to 2004. From 2004 to 2007 Roger led a successful turnaround as Chief Executive of the Thresher Group off-licence chain before joining Punch Taverns, ultimately becoming Chief Executive. Roger was appointed as Chief Executive of Greggs on 4 February 2013, and awarded an OBE for services to Women and Equality in the 2019 New Year Honours List.</p>	<p>Richard qualified as a Chartered Accountant with KPMG and gained career experience with Procter and Gamble before joining Greggs in 1998.</p>	<p>Roisin currently holds the position of CEO Designate, having been appointed to the Board on 1 February 2022 from the role of Retail and Property Director. Prior to joining Greggs in 2010, Roisin worked at Asda where she held People Director roles responsible for the organisation's retail and distribution operations.</p>	<p>Mohamed is an experienced international food manufacturing executive, who has held senior positions in Kellogg, Danone and Godiva Chocolatier. He is currently Executive Chair of Artisan du Chocolat, and has previously held non-executive director positions including at Nomad Foods, a company listed on the New York Stock Exchange.</p>
<p>Appointed since 5 October 2011</p>	<p>Appointed since 17 March 2008 (Non-Executive Director until 3 February 2013)</p>	<p>Appointed since 13 March 2006</p>	<p>Appointed since 1 February 2022</p>	<p>Appointed since 21 June 2021</p>
<p>Independent Yes</p>	<p>Independent n/a</p>	<p>Independent n/a</p>	<p>Independent n/a</p>	<p>Independent Yes</p>
<p>Committee membership Chair of Nominations Committee.</p> <p>External appointments Chair of DFS Furniture plc. Non-Executive Chair – Warren Partners & Director of Employee Ownership Trust.</p>	<p>External appointments Member of the Women's Business Council. Non-Executive Director of Card Factory plc.</p>	<p>External appointments Non-Executive Director and Chair of the Audit Committee of The Lakes Distillery Company plc. Trustee Director of Business in the Community. Trustee of Greggs Foundation.</p>	<p>External appointments Chair of the Employers Forum For Reducing Re-offending.</p>	<p>Committee membership Audit, Remuneration and Nominations Committees.</p> <p>External appointments Executive Chair Artisan du Chocolat</p>

BOARD OF DIRECTORS AND SECRETARY CONTINUED

KATE FERRY

Non-Executive Director

Kate is CFO at McLaren Group. Prior to that Kate was CFO of TalkTalk Group plc, having previously held positions on the Dixons Carphone plc Executive Committee, originally joining the Carphone Warehouse Group plc in 2010 as Corporate Affairs Director to facilitate the demerger from TalkTalk.

Kate began her career in audit with PricewaterhouseCoopers, qualifying as a Chartered Account before moving to Merrill Lynch as a Director within the retail sector equity research team, where she spent the next ten years.

Appointed since

1 June 2019

Independent

Yes

Committee membership

Chair of Audit Committee. Remuneration and Nominations Committees member.

External appointments

CFO McLaren Group.

HELENA GANCZAKOWSKI

Non-Executive Director

Helena worked for Unilever for 23 years and held senior positions in brand management and marketing, including UK Marketing Director and ultimately Head of Global Agencies. Helena has a PhD in Engineering from the University of Cambridge.

Appointed since

2 January 2014

Independent

Yes

Committee membership

Chair of Remuneration Committee. Member of Audit and Nominations Committees.

External appointments

Senior Independent Non-Executive Director and Remuneration Committee Chair of Croda International Plc. Owner and manager of a consulting business working at a global level with multi-national food businesses, helping them to develop and implement strategies.

SANDRA TURNER

Non-Executive Director

Sandra has been involved in the retail sector throughout her career and was employed by Tesco PLC, latterly as Commercial Director for Tesco Ireland, from 1987 to 2009. Prior to this she worked in sales and marketing roles for Unilever and Wilkinson Sword.

Sandra has held a number of non-executive directorships in UK-listed companies, including McBride plc and Countrywide PLC

Appointed since

1 May 2014

Independent

Yes

Committee membership

Senior Independent Non-Executive Director and Non-Executive Director having oversight of colleague engagement. Member of Remuneration, Audit and Nominations Committees.

External appointments

Non-Executive Director of Huhtämaki OYJ.

JONATHAN JOWETT

Company Secretary & General Counsel

Jonathan is a lawyer by profession and has held the position of Company Secretary for a number of FTSE 250 and FTSE Smallcap companies. His previous employers include Avon Cosmetics Limited, SSL International plc, Wagon plc and Bakkavor Group.

Appointed since

12 May 2010

Independent

n/a

Committee membership

Secretary to Board and all its Committees.

External appointments

Member of the British Retail Consortium Policy Board. Senior Independent Non-Executive Director of Newcastle Hospitals NHS Foundation Trust.

BOARD OF DIRECTORS AND SECRETARY CONTINUED

The Nominations Committee uses a skills matrix as it assesses the requirements for new recruits. This is shown below, with incumbents' attributes:



	Ian Durant	Kate Ferry	Helena Ganczakowski	Mohamed Elsarky	Sandra Turner	Roger Whiteside	Richard Hutton	Roisin Currie
UK PLC Executive Director experience	●	●				●	●	
UK PLC Non-Executive Director outside Greggs	●		●		●	●	●	
Finance/banking	●	●		●		●	●	
Mergers and acquisitions	●	●		●				
HR and Remuneration Committee experience	●	●	●	●	●	●		●
Food manufacturing experience	●			●		●	●	●
Food retailing experience	●			●	●	●	●	●
Food safety, Health and safety	●			●		●	●	●
International experience	●		●	●	●			
Broader consumer sector experience	●	●	●	●	●	●	●	●
Marketing expertise			●	●		●		
Digital expertise		●	●			●		
Gender diversity		●	●		●			●
Ethnicity diversity				●				
Corporate governance	●		●	●	●			

**“BENCHMARKING
SUGGESTS THAT
THE BOARD IS
HIGHLY EFFECTIVE.”**

Grant Thornton
Board evaluation report
January 2022



GOVERNANCE REPORT CONTINUED

Dear Shareholder,

Welcome to my introduction to the Governance section of our 2021 annual report. As in 2020, much of our governance focus has been on the health and safety of our colleagues and customers and our ongoing response to the pandemic. You can see from the table on page 73 that this has not prevented us from overseeing a significant schedule of business across the year, which has included Board recruitment, operational updates and a strategic review which was shared with shareholders in October.

Board composition and roles

Our Nominations Committee has had a busy year, appointing both Executive and Non-Executive Directors. As I note in my main statement at the front of this annual report, there is more to do as we execute our succession plan by recruiting additional Non-Executive Directors, and later in the year, seeking a new Chair to replace me, in respect of which our Senior Independent Director, Sandra Turner, will take the lead. More information is set out in on pages 71 and 72.

The planning for our search for a new Chief Executive commenced in 2019, but activity was suspended with the onset of the pandemic. During 2021, in my conversations with some of our largest institutional shareholders, I indicated that we hoped to be making progress in the year, and that I had been asked by the Board to remain as Chair beyond my nine-year term on the Board to complete the succession. As noted above, I anticipate stepping down later in 2022, with a longstop date of our annual general meeting in 2023.

We were delighted to announce on 6 January 2022 the appointment of Roisin Currie as our future Chief Executive. Details of the appointment process are set out in this report, and it is proposed that Sandra and I will meet with institutional shareholders who would like to hear more detail of the search.

We welcomed Mohamed Elsarky as a Non-Executive Director in June, replacing Peter McPhillips who stood down after seven years' service. Otherwise all of the Directors served throughout the year. Sandra Turner volunteered to take on Peter's role as our Non-Executive Director having oversight of colleague engagement, and there is more information on our activities and decisions on page 73.

Board operations and responsiveness

As the waves of Covid-19 have ebbed and flowed, we have adjusted our Board arrangements to suit. At the start of the year, our meetings were held virtually, but we were delighted to be able to get together for our annual strategy meeting in early summer, and for our meetings for the remainder of the year. We were together in September, when we toured our new state-of-the-art frozen food distribution centre, and again in November when we visited our savoury production facility.

The partial relaxation of Covid restrictions has also meant that we have been able to resume our individual visits to our shops, speaking to colleagues and learning how the pandemic has affected them. We will be building on this through 2022 as we hope society and business learn to live with the legacy of the Covid-19 pandemic.

We undertook an externally facilitated evaluation of our Board and practices towards the end of the year, and appointed Grant Thornton (who have no connection with the Company or any individual Director) to assist with this. Further detail is set out on page 72. Whilst we were happy that the Board is considered 'highly effective', there are certainly areas for development, and with Board changes in prospect over the next 18 months, Grant Thornton's report and suggestions will provide a useful focus.

Our people

The Board is cognisant that our decisions affect the lives of our 25,000 employees and their dependents as well as those of our many suppliers and contractors. Thankfully we have not had to repeat the restructuring activity undertaken in November 2020, and as we have opened up more shops and reintroduced pre-pandemic shift patterns, we have been recruiting people into the business.

Culture

The way that our culture pervades the organisation is, I believe, a fundamental tenet of the sustained success that Greggs has achieved over recent years. It is a feature of every recruitment that we undertake, to ensure that we maintain our values of friendliness, inclusivity, honesty, respectfulness, being hardworking and appreciative of everyone. It is sometimes easy to underestimate the impact of this when reading words in annual reports, but it is quickly evident to anyone who joins or engages with the business. We recognise that culture is not immutable and nor is it consistent across a business of our size, and the Board will continue to monitor this closely and challenge ourselves accordingly.

Stakeholder engagement

We have continued throughout the year to engage with colleagues, and examples of the sessions attended by Directors are detailed on page 48. The Board has been kept informed of the developments in the business for listening to colleagues from minority sections of our workforce, including groups set up to hear about ethnicity, gender and sexual orientation, and how working for Greggs can have both a positive and negative impact on our colleagues from these parts of our society. We are committed to doing more to hear from and support all colleagues in the hope that they will recognise Greggs as a 'great place to work'. Our diversity and inclusion activities are among the ten commitments launched in 2021 as part of The Greggs Pledge, and we are pleased to be able to report good progress in this report.

We incorporate by reference pages 45 to 54 of this annual report which set out how the Directors have met their obligations under s172 Companies Act 2006.

At the beginning of 2021, our Remuneration Committee sought the views of a number of institutional shareholders and proxy agencies regarding the possibility of exercising its discretion by allowing the vesting of a proportion of share-based awards, even though financial performance criteria had not and could not have been met as a result of the pandemic. Our management teams had worked incredibly hard during 2020, to overcome the significant impact of the pandemic, and the Remuneration Committee was of the view that soundings be taken from shareholders in the interests of fairness. Despite support from a number of shareholders, it was clear that, on balance, the Committee was unlikely to gain sufficient support for the proposal and therefore it was not pursued.

Committees

As noted above our Nominations Committee has had a busy year, as have other committees. Our Audit Committee oversaw the appointment of RSM as our Auditor, replacing KPMG after many years' support.

The Greggs Pledge

Our commitment to developing our approach to economic, social and governance (ESG) principles mainly comes in the form of our Greggs Pledge commitments, which were published in February 2021, and on which we provide our first full update on progress on page 37 of this report and in the separately published Greggs Pledge report 2021.

We are seeing increased interest in our approach to ESG from a variety of stakeholders, and we will be building our engagement levels, particularly as we set out on our journey towards achieving net zero carbon in the years to come. As an important milestone, we will now set science-based targets for achieving our contribution to the reduction in carbon emissions that is needed to protect the future.

Our AGM 2022

Over the past two years we have greatly missed the shareholders who regularly come to our annual general meeting held in our native North East, and we hope that we will be able to welcome as many as possible to our meeting which will be held on 17 May 2022. We are planning for that meeting to be 'in person' for the first time since 2019, although we will have contingency plans in place should the pandemic take its toll for a third year.

As always, I invite you to review the following pages which set out how we have complied with the UK Corporate Governance Code (2018) (which is available at www.frc.org.uk) across the year, and also our statement on pages 45 to 54 describing how the Directors have fulfilled their duties to our key stakeholders under section 172 of the Companies Act 2006.

Ian Durant
Chair

8 March 2022

Division of responsibility

The Board considers that all of the Non-Executive Directors are independent. Sandra Turner is the Senior Independent Director, and meets with the other Non-Executive Directors in the absence of the Chair at least once per year. There is a written statement of the responsibilities of the Senior Independent Director, duly approved by the Nominations Committee and the Board.

There is a clear written statement of the division of responsibilities between the Chair and the Chief Executive, and the Chair is considered by all of the Board to have been independent on his appointment, and that he remains so.

As was highlighted in the annual report for 2020, and following an informal consultation with a number of major shareholders, the Board had asked the Chair to remain in post beyond the nine years now expected of a Non-Executive Director under the corporate Governance Code. This was to enable him to oversee the process of the recruitment of a new Chief Executive during 2021, and during a transition period in 2022. Ian Durant was appointed as a Non-Executive Director in December 2011, becoming Chair in May 2013, and so has now been on the Board for ten years and three months as at the date of this report. In this respect, the Company is not compliant with Provision 19 of the Corporate Governance Code. As set out later in this report, it is anticipated that in 2022 a new Chair will be appointed allowing Ian to step down.

Away from the Boardroom the Chair communicates regularly with the Non-Executive Directors, both collectively and individually, giving them plenty of opportunity to express their opinions and raise any concerns that they may have. The Board has three main committees, being Audit, Remuneration and Nominations, details of which are set out later in this report. Each committee has its own set of terms of reference, which are reviewed at least annually to ensure that they are compliant with the code and meet current best practice.

During the year, the Board generally schedules six formal meetings, and then on an ad hoc basis as required. Board meetings are well attended, and Board and committee attendance is set out in the following table:

Attendance	Main Board	Audit Committee	Remuneration Committee	Nominations Committee
Ian Durant	7/7	-	-	9/9
Roger Whiteside	7/7	-	-	-
Richard Hutton	7/7	-	-	-
Helena Ganczakowski	7/7	4/4	6/6	8/9
Kate Ferry	7/7	4/4	5/6	9/9
Sandra Turner	7/7	4/4	6/6	9/9
Mohamed Elsarky	4/4	2/2	2/3	2/5
Peter McPhillips	3/5	2/3	2/4	4/5

Notes:

Mohamed Elsarky joined the Board on 21 June 2021. For a period towards the end of the year he was undergoing medical treatment in Australia and was not able to attend all of the scheduled Nominations and Remuneration Committees.

Roisin Currie joined the Board on 1 February 2022, and consequently was not present at Board meetings during the year other than as an attendee on various topics.

Peter McPhillips stepped down from the Board on 31 July 2021. He did not attend the strategy meeting held in June 2021, and was absent during a suite of meetings held in May for personal health reasons.

Board composition, succession and evaluation

During the year, there were two changes to the Board of Directors. Peter McPhillips stepped down from the Board on 31 July 2021, and Mohamed Elsarky joined the Board on 21 June 2021 ahead of the two-day strategy meeting.

Since the turn of the year, on 6 January 2022 the Board announced that Roisin Currie, its then Retail and Property Director would join the Board on 1 February 2022 as CEO Designate, and would become Chief Executive following the AGM scheduled for 17 May 2022. Roger Whiteside gave notice of his retirement from the Company on 5 January 2022, and he will step down from the Board following the AGM, and leave the Company on 5 January 2023.

NON-EXECUTIVE DIRECTOR INDUCTION

In June 2021, the Board appointed Mohamed Elsarky as an Independent Non-Executive Director. Details of Mohamed's background are set out on page 65.

As part of the appointment of any new Director, a number of engagements with colleagues are set up to familiarise the Director with all operations, including those in shops, at production and distribution sites, and at Head Office. On joining the Board, Mohamed was taken around a variety of Greggs and competitor shops by the Retail Director and a Head of Retail, and around a supply site and a distribution centre with the Supply Chain Director. Mohamed also met with all of the Operating Board Directors and members of their teams.

Once a new Non-Executive Director has been on the Board for around six months, they are asked to present to the Board their 'first impressions'. This provides feedback on strategy, processes and procedures including the induction process, and a view on key strategic priorities for the future. This facilitates further debate and discussion around the Board table, with agreed areas for attention in the coming months. In particular it helps identify areas within the induction process where greater or lesser focus may be appropriate.

The Board will continue through a period of change, and is now setting about recruiting at least one further Non-Executive Director in the first half of 2022, to replace Helena Ganczakowski and Sandra Turner whose terms expire in 2023 having then served for nine years on the Board. Sandra will lead the Nominations Committee in the appointment of a new Chair, expected to occur during the second half of 2022.

The Nominations Committee's responsibilities are set out in written terms of reference, available on the Company's website. Its primary responsibility is to ensure plans are in place for orderly succession to the Board and Operating Board. The Board Chair is chair of the Committee, and all Non-Executive Directors are members. The Chief Executive is a regular attendee at meetings, and from time to time the Finance Director is also invited. The CEO Designate will also be in attendance on occasion.

During 2021, the Nominations Committee was tasked with recruiting a new Chief Executive, anticipating that Roger Whiteside would wish to retire before reaching the age of 65. The Nominations Committee appointed Heidrick & Struggles (who have no connection with the Company or any individual Director) to advise and assist in the search for a Chief Executive. The key stages of that process are set out below, and consisted of:

- A market mapping exercise to determine the candidate pool.
- The identification of 20 potential candidates, with 13 of the 20 being approached to determine their interest, and eight of the 13 being interviewed by Heidrick & Struggles.
- The Chair undertook a first meeting with eight external candidates, three of which were female, before the external selection was reduced to four contenders, who were met by Sandra Turner and Helena Ganczakowski, and two candidates were put forward to meet with the remaining members of the Nominations Committee, Kate Ferry and Mohamed Elsarky. External candidates were also measured against the Heidrick & Struggles Culture Assessment undertaken by the Board towards the end of 2020.

- At this point, an internal candidate, Roisin Currie, joined the process.
- The two external candidates, one male, one female then met Roger Whiteside, Chief Executive, and Richard Hutton, Finance Director, for information gathering purposes which included a discussion about the culture and values within Greggs.
- Heidrick & Struggles interviewed the internal candidate and drafted their confidential candidate report, and the candidate had further interviews with the Chair and Non-Executive Directors.
- All final candidates undertook psychometric testing with a professionally-qualified psychologist partner at Heidrick & Struggles who presented the results of the psychometrics to the Non-Executive Directors.
- Finally, each of the three candidates gave a 90-minute in-person presentation to the Non-Executive Directors, plus the Chief Executive.
- A preferred candidate was identified, and negotiations commenced, ultimately leading to an announcement.

The Nominations Committee has a 'skills matrix' which it uses to assess the requisite skills that are needed on the Board, and this is to be re-assessed by Heidrick & Struggles ahead of the commencement of the further searches for Non-Executive Directors and Chair in the coming 12 months. The Nominations Committee has considered the contribution of each of the Directors, and has confirmed to the Board that, save in respect of Roger Whiteside who will step down from the Board, the Board recommends their re-appointment at the annual general meeting. It goes without saying that the Board recommends that shareholders elect Roisin Currie as a Director at the annual general meeting, following which she will be appointed as Chief Executive.

During the year, the Board received a presentation from the Chief Executive on the succession plan for Operating Board Directors, to include a review of potential candidates, and their proximity to being ready to take up an appointment as and when appropriate. This plan was used to determine the appointments to the Operating Board of a new Retail Director and a Property Director, both of whom were internal appointments, following Roisin's elevation to CEO Designate.

Board evaluation and focus

As required by the Corporate Governance Code, the Board undertakes an annual evaluation of its activities, and in 2021, following an informal tender process run by the Company Secretary (who kept the Chair apprised of his activities), it appointed Grant Thornton to provide external facilitation of that evaluation. This represented a change of adviser from the Board's two previous externally facilitated evaluations, both of which had been conducted by Nigel Davies of NJMD Corporate Services.

The process agreed between the Board and Grant Thornton consisted of:

- A survey undertaken using a Board Clic questionnaire, completed by all members of the Board, plus the Company Secretary, and also a shorter more specific questionnaire completed by all Operating Board Directors.
- A review of key governance documentation and Board papers.
- An interview with all Directors, the Company Secretary, and Operating Board Directors.
- Attendance at a suite of Board and Committee meetings held in person (and also observed online).
- Review meetings with the Chair and Company Secretary.
- The circulation of a detailed report and presentation of key findings at a Board meeting.

GOVERNANCE REPORT CONTINUED

The Board then met to discuss and agree an action plan prepared by the Company Secretary.

Grant Thornton concluded that there are three key areas for the Board to develop its action plan, being:

- Reviewing the Board’s balance of focus between operational activities and the strategic long-term success drivers.
- An assessment of the assurance that the Board can gain that there are capacity and skills in the organisation to implement and execute strategic plans.
- Documenting how the Board considers its appetite for risk.

In summary however, Grant Thornton reported that: “Benchmarking data suggests the Board is highly effective, ... and that there is clear evidence of this ...given the Board’s achievements over the past five years.”

In benchmarking the 2020 annual report, Grant Thornton concluded that “key areas of strength include Board leadership and purpose where Greggs is one of the top five organisations within the FTSE 350.”

The Board made a number of key decisions across the year, including a phased commitment to achieving net zero carbon emissions, and monitoring the implementation of the systems and processes needed to implement Natasha’s Law. Further details of certain matters considered by the Board during the year are set out in the table on this page.

Matters considered across the year:

January	Budget, risk review, evaluation outcomes, annual report
March	Next Generation Greggs with a focus on the evolving delivery arrangements with Just Eat, AGM plans, new articles, pension scheme funding and the preliminary results
May	Supply chain review including SAP rollout, Triton cold store progress, the shop production and allergen labelling system (Natasha’s Law), information security update, review of The Greggs Pledge progress and planning for an externally facilitated Board evaluation. Appointment of Mohamed Elsarky as a Non-Executive Director
June	Board strategy including review of five-year plan
July	Review of strategy day actions, RCF review, interim results, and confirmation of Non-Executive Director with colleague engagement oversight
September	Broking report and share register review, Covid insurance claim litigation, succession planning and franchise partners review
November	Investor relations strategy development, Diversity & Inclusion programme update and report on employee opinion survey outcomes, Greggs Foundation update, first thoughts of Mohamed Elsarky after six months on the Board, food safety and health & safety performance review
December/ January	Appointment of new Chief Executive

Diversity & inclusion

The Board as a whole, rather than the Nominations Committee, monitors the gender balance in the Company. 69% of our employees are women, with female workers largely within retail shops. There is a strong representation of women at the most senior level. Of the five Non-Executive Directors (including the Chair) three are female, placing us 7th in the FTSE 250. Greggs will be one of 19 FTSE 350 companies to be led by a female Chief Executive. At Operating Board level, including the three Executive Directors, four out of 12* are women and approximately 46% of roles reporting into an Operating Board Director are held by women. Until his anticipated retirement from the Board on 17 May, our Chief Executive Roger Whiteside sits on the Women’s Business Council. Further information on our statutory gender reporting can be found on page 44.

In 2021, whilst working towards achieving the National Equality Scheme accreditation, we worked with EY who undertook a survey to assess our cultural health across different demographic groups. The findings from that work concluded that:

- Greggs values are well embedded, and consistently appeared in the top ten current cultural traits selected across all demographic groups; and
- There is very little difference in the current cultural health and experience between different demographic groups.

The culture of Greggs is especially important, and we know we cannot be complacent in this area. We will continue to focus on understanding our culture, and how we can measure its progress through our annual engagement survey.

* following Roger Whiteside stepping down as Chief Executive on 17 May 2022, the ratio will be four women out of 11 members of the Operating Board

We expanded our colleague networks and listening groups in 2021. Our LGBTQ+ colleague network continued to grow and expanded to include colleagues from Retail and Supply. We also set up groups for our ethnically diverse colleagues and those colleagues with disabilities, each sponsored by members of the Operating Board. All these sessions have allowed us to gather valuable feedback and insight into the way we do things at Greggs and how we can be more inclusive of colleagues from minority groups.

A more comprehensive outline of our achievements can be found on page 49 and in The Greggs Pledge report available at corporate.greggs.co.uk/responsibility/the-greggs-pledge.

As part of the DTR 7.2.8A disclosure, pages 36, 37 and 49 are incorporated by reference into this Directors' report.

Other disclosures

Directors and their interests

The names of the Directors in office during the year, together with their relevant interests in the share capital of the Company at 2 January 2021 and 1 January 2022 are set out in the Directors' remuneration report on page 104. Details of the Directors' share options are set out in the Directors' remuneration report on page 103.

Directors' indemnities and conflicts

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law, in respect of losses arising out of, or in connection with, the execution of their duties, powers or responsibilities as Directors of the Company. The indemnities do not apply in situations where the relevant Director has been guilty of fraud or wilful misconduct.

Under the authority granted to them in the Company's articles of association, the Board has considered carefully any situation declared by any Director pursuant to which they have or might have a conflict of interest and, where it considers it appropriate to do so, has authorised the continuation of that situation. In exercising their authority, the Directors have had regard to their statutory and other duties to the Company. All Directors have access to the Company Secretary as and when required.

Substantial shareholdings

At 7 March 2022 the only notified holdings of substantial voting rights in respect of the issued share capital of the Company (which may have altered since the date of such notification, without any requirement for the Company to have been informed) were:

Shareholder	Number of shares held	Percentage of issued share capital
Royal London Asset Management	6,147,139	6.03%
Blackrock, Inc	5,514,881	5.40%
MFS Investment Management	5,049,548	4.95%
Aviva plc	3,900,428	3.83%

Additional information

- Future business developments: details of future business developments can be found throughout the strategic report on pages 1 to 63.
- Financial risk management: details of our financial risk management policies and objectives can be found in Note 2 of the accounts.
- The information set out within the governance report in pages 68 to 76 forms part of the Directors' report.
- Greenhouse gas emissions: All disclosures concerning the Group's greenhouse gas emissions (as required to be disclosed under the Companies Act 2006 (strategic report and Directors' report) Regulations 2013) are contained in the sustainability report on page 43.
- Dividends: details of the dividends declared and paid are given in Note 23 of the accounts.

Non-financial reporting regulations

The information required by sections 414CA and 414CB of the Companies Act 2006 is included within the strategic report on pages 1 to 63 and the Directors' report on pages 64 to 107.

Authority to purchase shares

At the AGM on 14 May 2021, the shareholders passed a resolution authorising the purchase by the Company of its own shares to a maximum of 10,150,000 ordinary shares of two pence each.

That authority had not been used as at 1 January 2022.

The authority remains in force until the conclusion of the AGM in 2022 or 13 August 2022, whichever is the earlier. It is the Board's intention to seek approval at the 2022 AGM for the renewal of this authority.

Takeover directive information

Following the implementation of the European Directive on Takeover Bids by certain provisions of the Companies Act 2006, the Company is required to disclose certain additional information in the Directors' report. This information is set out below:

- The Company has one class of share in issue being ordinary shares of 2 pence each. As at 8 March 2022, there were 101,899,371 such ordinary shares in issue. There are no shares in the Company that grant the holder special rights with regard to the control of the Company;
- At general meetings of the Company, on a show of hands, every shareholder present in person or by proxy has one vote only and, in the case of a poll, every shareholder present in person or by proxy has one vote for every share in the capital of the Company held;
- The Company's articles of association set out the circumstances in which shares may become disenfranchised. No shareholder is entitled, unless the Directors otherwise determine, in respect of any share held to be present or vote at a general meeting either personally or by proxy (or to exercise any other right in

GOVERNANCE REPORT CONTINUED

- relation to meetings of the Company) in respect of that share in certain circumstances if any call or other sum is payable and remains unpaid, if the shareholder is in default in complying with a duly-served notice under section 793(1) of the CA 2006 or if any shareholder has failed to reply to a duly-served notice requiring them to provide a written statement stating they are the beneficial owner of the shares;
- A notice convening a general meeting can contain a statement that a shareholder is not entitled to attend and vote at a general meeting unless their name is entered on the register of members of the Company at a specific time (not more than 48 hours before the meeting) and if a shareholder's name is not so entered, they are, not entitled to attend and vote;
 - Under the Company's articles of association the Directors may, in their absolute discretion, refuse to register the transfer of a share in certified form in certain circumstances where the Company has a lien on the share (provided that the Directors do not exercise their discretion so as to prevent dealings in partly paid shares from taking place on an open and proper basis), where a shareholder has failed to reply to a duly-served notice under section 793(1) CA 2006 or if a transfer of a share is in favour of more than four persons jointly. In addition, the Directors may decline to recognise any instrument of transfer unless it is in respect of only one class of share and is deposited at the address at which the register of members of the Company is held (or at such other place as the Directors may determine) accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. In respect of shares held in uncertificated form the Directors may only refuse to register transfers in accordance with the Uncertificated Securities Regulations 2001 (as amended from time to time);
 - Under the Company's code on dealings in securities in the Company, persons discharging managerial responsibilities
- and some other senior executives may in certain circumstances be restricted as to when they can transfer shares in the Company;
- There are no agreements between shareholders known to the Company which may result in restrictions on the transfer of shares or on voting rights;
 - Where, under an employee share plan operated by the Company, participants are the beneficial owners of shares but not the registered owner, the voting rights are normally exercised by the registered owner at the direction of the participant;
 - The Company's articles of association may only be amended by special resolution at a general meeting of the shareholders;
 - The Company's articles of association set out how Directors are appointed and replaced. Directors can be appointed by the Board or by the shareholders in a general meeting. At each annual general meeting, any Director appointed by the Board since the last annual general meeting must retire from office but is eligible for election by the shareholders. Furthermore, the Board has resolved that, in line with Corporate Governance Code (2018 revision), all the Directors will be subject to annual re-election by shareholders. Under the CA 2006 and the Company's articles of association, a Director can be removed from office by the shareholders in a general meeting;
 - The Company's articles of association set out the powers of the Directors. The business of the Company is to be managed by the Directors who may exercise all the powers of the Company and do on behalf of the Company all such acts as may be exercised and done by the Company and are not by any relevant statutes or the Company's articles of association required to be exercised or done by the Company in general meeting, subject to the provisions of any relevant statutes and the Company's articles of association and to such regulations as may be prescribed by the Company by special resolution;
- Under the CA 2006 and the Company's articles of association, the Directors' powers include the power to allot and buy back shares in the Company. At each annual general meeting resolutions are proposed granting and setting limits on these powers;
 - The Company is not party to any significant agreements which take effect, alter or terminate upon a change in control of the Company, following a takeover bid; and
 - There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid. Details of the Directors' service agreements and terms of appointment are set out in the Directors' remuneration report on page 93. However, provisions in the employee share plans operated by the Company may allow options to be exercised on a takeover.

Significant relationships

The Group does not have any contractual or other relationships with any single party which are essential to the business of the Group and, therefore, no such relationships have been disclosed.

Colleagues

What makes Greggs so special is its culture – the way our people behave and support each other. We want everyone to feel welcome at Greggs and our colleagues to be able to be themselves at work, whatever their background, preferences, or views. In the event our colleagues require adjustments to be made to support their employment then every effort will be made to ensure they are supported. Greggs is committed to creating a work environment free of discrimination, bullying, harassment and victimisation, where everyone is treated equally with dignity and respect. This applies in all aspects of employment including, recruitment and selection, promotion, transfer, training or other developmental opportunities, pay and benefits, other terms of employment, discipline and selection for redundancy.

Accountability, audit and going concern

The Board acknowledges its responsibility to present a fair, balanced and understandable assessment of the Company's position and prospects. In order to assist the Board to comply with the requirements within the Corporate Governance Code, each year the Audit Committee is requested to undertake an assessment of the annual report and to make a recommendation to the Board. This request has been enshrined within the Audit Committee's terms of reference, which are available at corporate.greggs.co.uk.

The actions undertaken by the Audit Committee in confirming its advice to the Board included the consideration of a detailed review that has been undertaken by the Head of Business Assurance and reviewing the annual report as a whole to confirm that it presents a fair, balanced and understandable assessment. In considering the advice of the Audit Committee, and having reviewed the annual report including the contents of the strategic report on pages 1 to 63, together with the statutory accounts themselves, the Board duly considers the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the

necessary information for shareholders to assess the Company's performance, business model and strategy.

A statement of Directors' responsibilities in respect of the preparation of accounts is given on page 107. A statement of auditor's responsibilities is given in the report of the auditor on page 113.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts (see basis of preparation on page 125). The Board's viability statement made in accordance with Corporate Governance Code Provision 31 can be found on page 63.

Policies

Freedom of association

At Greggs, we recognise the right of all employees to freedom of association and collective bargaining. Whilst we do not have a formal Freedom of Association policy, the Company encourages all its employees in supply sites, shops and offices to become, and remain, members of a union.

Bribery and corruption

Greggs has an Anti-Bribery and Corruption policy which applies to all employees and prohibits the offering, giving, seeking or acceptance of any bribe in any form to any person or company by acting on its behalf, in order to gain an advantage in an unethical way.

Business conduct

We have a specific policy that sets out the standards of ethical behaviour that are expected of all employees. All graded managers, and members of the procurement department, are required to make an annual confirmation of their compliance with the policy.

Whistle-blowing

Our 'whistle-blowing' policy creates an environment where employees are able to raise concerns without fear of disciplinary action being taken against them as a result of any disclosure. Any matters raised are treated in confidence and an independent review will be undertaken where it is appropriate. The Chair of the Audit Committee is the designated first point of contact for any concerns which cannot be addressed through normal management processes.

Political donations

Greggs has a clear policy forbidding political donations or contributions. This includes financial and in-kind contributions made by the Company.

Disclosure of information to the auditor

Each of the Directors who held office at the date of approval of this Directors' report confirms that, so far as they are individually aware there is no relevant audit information of which the Company's auditor is unaware and that they have taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

Jonathan D Jowett

Company Secretary

8 March 2022

Greggs plc (CRN 502851)

Greggs House, Quorum Business Park
Newcastle upon Tyne

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REPORT

Dear Shareholder

As Chair of the Audit Committee, I am pleased to present the Committee's report for the 52 weeks ended 1 January 2022.

The Committee plays an important part in the governance of the Company with its principal activities focused on the integrity of financial reporting, quality and effectiveness of internal and external audit, risk management and the system of internal control.

In this report, I aim to share some of the Committee's discussions from the year, providing insight regarding the role of the Committee, the main matters considered by it during the year and the conclusions drawn. The Committee meets formally at key times within the reporting calendar and the agendas for its meetings are designed to cover all significant areas of risk over the course of the year and to provide oversight and challenge to the key financial judgements, controls and processes that operate within the Company.

The Committee continues to keep its activities under review in the light of regulatory developments and the emergence of best practice.

During 2021 it has continued to ensure that the impact of the ongoing pandemic and the Company's recovery from it is clearly reported and accounted for. It has overseen the transition of external auditor from KPMG LLP to RSM UK Audit LLP. It has also overseen a review of the Company's risk management processes, facilitated by Marsh Advisory, which has resulted in the implementation of a new 'enterprise risk management' model.

The Committee has also overseen the production of the Company's first report in line with the requirements of the Task Force on Climate-related Financial Disclosures (TCFD) which is set out on 38 to 43.

Key topics for consideration by the Committee in 2022 will be the review of auditor performance after the first full audit cycle for RSM, the continuing development of our enterprise risk management model and the further development of the Company's ESG reporting.

Overall, I am satisfied that the activities of the Committee enable it to gain a good understanding of the key matters impacting the Company during the year along with oversight of the governance and operation of its key controls, and ultimately to draw the conclusions set out in the following report. I will be available at the AGM to answer any questions about our work.

Kate Ferry
Chair of the Audit Committee
8 March 2022

AUDIT COMMITTEE REPORT CONTINUED

Composition

The Audit Committee is comprised of the following:

Kate Ferry (Chair)
Helena Ganczakowski
Sandra Turner
Mohamed Elsarky (appointed as Director and Audit Committee member on 21 June 2021).

Peter McPhillips retired as a Director and member of the Audit Committee on 31 July 2021.

It is the practice of the Company for all independent Non-Executive Directors to serve as members of the Audit Committee.

Training is provided for any new members of the Audit Committee by way of a thorough induction process which includes access to the external auditor, the Head of Business Assurance and relevant members of management.

The Directors' biographies on pages 65 and 66 detail the Committee members' previous experience and demonstrate that they have experience individually in a range of disciplines relevant to Greggs' business. The Board considers that Kate Ferry has recent and relevant financial experience.

Role and responsibilities

The Terms of Reference of the Committee can be accessed at: corporate.greggs.co.uk/investors/corporate-governance/company-documents.

The key responsibilities of the Audit Committee are:

- ensuring that the accounting and financial policies of the Company are proper and effective;
- assisting the Board in fulfilling its oversight responsibilities by monitoring the integrity of the accounts and information published by the Company and reviewing significant financial judgements contained in them;
- advising the Board on whether it believes the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- reviewing the internal financial controls and the Group's approach to risk management;
- overseeing whistle-blowing arrangements;
- monitoring compliance with the Listing Rules and the recommendations of the Governance Code;
- overseeing the Company's internal auditors and reviewing the effectiveness and objectivity of the audit process;
- overseeing the Company's external auditors, reviewing their independence and objectivity and monitoring the effectiveness of the audit process;
- developing and implementing policy on the external auditor's provision of non-audit services; and
- reporting to the Board on how it has discharged its responsibilities.

Meetings during the year

The Audit Committee met four times during the year. Details of Committee members' attendance are given on page 71.

The Committee normally invites the Company Chair, the Executive Directors, the Head of Business Assurance and the external auditor to attend its meetings. Time is set aside bi-annually for discussion with the external auditor and with the Head of Business Assurance, in each case in the absence of all Executive Directors. The Committee also has access to the Company's management team and to its auditor and can seek further professional advice, at the Company's cost, if required. The Chair has regular contact with the Finance Director, and internal and external auditors, in addition to scheduled Committee meetings to ensure that emerging issues are addressed. She also has access to an audit partner independent of the partner responsible for the audit.

AUDIT COMMITTEE REPORT CONTINUED**Financial reporting**

In 2021 the Audit Committee reviewed the 2020 annual report, interim results, preliminary results announcement and reports from the external auditor on the outcome of their reviews and audits.

During the year, and up to the date of this report, the Committee considered key accounting issues and judgements and related disclosures in the Group's accounts. The significant areas of judgement considered by the Committee in relation to the accounts for the 52 weeks ended 1 January 2022 are as follows:

Area of focus**Impairment of assets**

Property, plant and equipment and right-of-use assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. When a review for impairment is conducted the recoverable amount is estimated based on either value-in-use calculations or fair value less costs of disposal. Value-in-use calculations are based on management's estimate of future cash flows generated by the assets and an appropriate discount rate. Consideration is also given to whether the impairment assessments made in prior years remain appropriate based on the latest expectations in respect of recoverable amount. Where it is concluded that the impairment has reduced, a reversal of the impairment is recorded.

The Covid-19 crisis meant that during 2020 all shops had periods of no, or reduced, sales. This was deemed to be an impairment trigger and as a result assets in company-managed shops were tested for impairment. Sales have recovered during 2021 but in some locations the level of sales is still below that seen in 2019. As recovery from the pandemic continues, there remains inherent uncertainty in the rate of sales.

An impairment review was carried out for the company-managed shop estate using the assumptions set out in the basis of preparation on page 126. As a result of this review a net impairment release of £2.2 million has been recognised in 2021 resulting in an impairment of £4.9 million remaining at 1 January 2022 in respect of shop fittings and right-of-use assets for 59 shops. In 2020 £5.3 million of impairment was recognised in respect of 38 shops which did not reopen following the lockdown period and a further £8.7 million in respect of 87 shops where the carrying value was not considered to be recoverable in full.

In addition to the above £1.3 million has been released to the income statement in 2021 in respect of land and bakery plant and machinery which is no longer considered to be impaired.

The sensitivities of the assumptions on this amount are set out on page 127.

Action taken

The Committee reviewed management's assessment of the impact of the Covid-19 crisis on the shop estate and the ongoing recovery and concurred that all shops should be re-tested for impairment at the end of 2021. It has reviewed the assumptions made and the resulting impairment releases and has concluded that the principles and judgements applied were appropriate.

AUDIT COMMITTEE REPORT CONTINUED

Area of focus

Accounting for leases

IFRS 16 Leases became effective for 2019 and was adopted by the Group on 30 December 2018. As a result of this, lease liabilities, representing the obligation to make lease payments, are recognised on the balance sheet together with corresponding right-of-use assets. In the income statement rent costs were replaced by a straight-line depreciation charge on each right-of-use asset and an interest charge that reduces over the lease term.

At the end of 2021 the Group has recognised right-of-use assets of £263.6 million (2020: £270.1 million) and lease liabilities totalling £283.2 million (2020: £291.7 million). Charges to the income statement of £48.7 million (2020: £51.9 million) in respect of depreciation and £6.3 million (2020: £6.5 million) in respect of interest were recognised.

The sensitivities of the assumptions on these amounts are set out on page 127.

Accounting for defined benefit pension schemes

The valuation of the defined benefit obligation depends on the selection of certain assumptions including the discount rate, inflation rates and mortality rates.

In addition, judgement is required in determining the appropriate accounting under IAS 19 and IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction as to whether a net pension surplus should be recognised and whether a liability should be recognised for any minimum funding requirements.

The net liability recognised in relation to defined benefit pension schemes at the end of 2021 was £2.4 million (2020: £11.9 million).

The sensitivities of the assumptions on these amounts are set out in Note 21 to the accounts.

Fair, balanced and understandable

The Committee is responsible for advising the Board on whether it believes the annual report and accounts, taken as a whole, is fair, balanced and understandable.

Action taken

The Committee continues to review and monitor developments in this area to ensure that judgements made are up to date and remain valid and that the approach adopted is still appropriate to the Group's circumstances.

The Committee considers that the judgements made are appropriate to the Group's particular circumstances.

Pension scheme liabilities are assessed on behalf of the Company by independent actuaries. The Committee assessed the underlying assumptions and concluded that they were appropriate and also discussed the appropriateness of the assumptions with the external auditor.

The Committee also considered and discussed the judgements involved in applying the requirements of IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, including whether the Group has an unconditional right to refund.

The Committee received a report from the Head of Business Assurance who is not involved in the preparation of the annual report and accounts and who conducted an independent review of it.

The following factors were considered during the course of this review:

- ensuring that all the statements are consistent with one another;
- verifying that figures in the narrative sections are consistent with the relevant financial detail;
- identifying any duplication of information;
- ensuring that the disclosure of non-underlying items is balanced;
- confirming that 'bad news' is included, as well as 'good news'; and
- highlighting any inappropriate use of technical language or jargon.

The Audit Committee considered the feedback from this report alongside its own review of the annual report and accounts when making its recommendation to the Board regarding fair, balanced and understandable.

AUDIT COMMITTEE REPORT CONTINUED

Area of focus	Action taken
<p>Going concern</p> <p>The accounts continue to be prepared on a going concern basis.</p>	<p>Information provided by the Finance Director regarding future financial plans, risks and liquidity was presented to the Committee to enable it to determine whether the going concern basis of accounting remained appropriate.</p> <p>The Committee reviewed and challenged the assumptions used and concluded that the Board is able to make the going concern statement on page 76 of the Directors' report.</p>
<p>Viability</p> <p>The Board is required to consider the period over which it is able to conclude that the Company will remain viable, having taken into account severe but plausible risks and risk combinations.</p>	<p>The Committee reviewed the process undertaken by management to support and allow the Directors to assess the Group's long-term prospects and make its viability statement. The Committee considered and provided input into the determination of which of the Group's principal risks and combinations thereof might have an impact on the Group's liquidity and solvency.</p> <p>The Committee reviewed the results of management's scenario modelling and the stress testing of these models. The Committee reviewed and challenged the assumptions used and concluded that the Board is able to make the viability statement on page 63 of the strategic report.</p>

The Committee considered the accounting requirements of IAS 1 relating to the separate disclosure of material items of income or expense together with the FRC's guidance on the subject. It concluded that there were no material items in the year (2020: £0.8 million) where separate disclosure should be made and consequently has not included the understanding and treatment of exceptional items as a significant judgement in the table above.

The Committee also considered other key accounting issues and related disclosures in the Group's accounts as follows:

- whether any changes in accounting policy were required following changes in the business or in legislation;
- whether the Company's tax policy remains appropriate;
- the impact of changes in accounting standards and their relevance, if any, to the Company;
- reports from the Company Secretary and Finance Director which assess the Company's compliance with the Listing Rules.

External audit**Assessing external audit effectiveness**

The Audit Committee discussed and agreed the scope of the audit with the external auditor and agreed their fees in respect of the audit.

The Committee reviewed the effectiveness of the external audit in line with the Financial Reporting Council's 'Practice aid for audit committees' (December 2019). It sought feedback from senior management, by way of a detailed questionnaire, in respect of the effectiveness of the audit process with particular reference to audit planning, design and execution of a partly remotely-conducted audit.

The Committee also considered the effectiveness of the audit through the reporting from and communications with the auditor and an assessment of the auditor's approach to key areas of judgement and any errors identified during the course of the audit.

The Committee concluded that the audit was effective and that the relationship and effectiveness of the external auditor be kept under review.

Appointing the auditor and safeguards on non-audit services

The Committee's policy on auditor appointment is to consider annually whether to conduct an audit tender for audit quality or independence reasons. During 2020 the Audit Committee conducted a full tender exercise for the appointment of a new auditor which resulted in the appointment of RSM UK Audit LLP (RSM) as auditor at the AGM in May 2021.

It is the responsibility of the Committee to monitor the independence and objectivity of the external auditor (including the impact of any non-audit work undertaken by it) and its suitability for reappointment.

AUDIT COMMITTEE REPORT CONTINUED

The Company has a formal policy to ensure that the provision of non-audit services by the external auditor for non-audit work does not compromise the auditor's independence or objectivity. It monitors the level and type of non-audit fees on an annual basis and ensures that the overall level of non-audit fees remains in line with current ethical guidance governing the accounting profession.

The Audit Committee favours a presumption that non-audit work will be awarded to a firm other than the audit firm unless there is a good reason to use the auditor. An annual base plan for non-audit fees paid to the external auditor is agreed in advance by the Audit Committee. Expenditure in accordance with this plan can then be committed without further referral to the Audit Committee. Expenditure that is not included in the agreed plan is subject to strict authority limits and is reviewed by the Committee.

All use of the external auditor for non-audit work must be reported to and approved by the Committee. In circumstances where non-audit fees are significant relative to the audit fee an explanation would be provided in the subsequent Audit Committee Report. In addition, the Audit Committee ensures that the external auditor has its own policies and is subject to professional standards designed to safeguard their independence as auditor.

The Audit Committee has reviewed whether, and is satisfied that, the Company's current auditor, RSM, continues to be objective and independent of the Company. During 2021 the Committee approved RSM to provide non-audit services in respect of the review of turnover certificates as required by certain shop landlords. No fees were billed in respect of this service during 2021, although the work started in the year.

Appointment of auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of RSM UK Audit LLP will be proposed at the forthcoming AGM.

Risk management and internal control Internal control

The Group has an internal control environment designed to protect the business from the material risks which have been identified. Management is responsible for establishing and maintaining adequate internal controls and the Audit Committee has responsibility for ensuring the effectiveness of these controls. The Committee receives updates from Business Assurance on the internal control environment at each meeting, covering both risk management and internal audit perspectives. This regular reporting ensures timely review of any key issues. Whilst the Committee is updated on all internal audit activity, those reports which conclude only limited assurance are considered in greater detail. This gives Committee members assurance that appropriate actions have been taken or are in progress to implement the audit recommendations.

The Committee considers the matters described above to be the main features of the Group's internal control and risk management systems in relation to the financial reporting process for the undertakings included in the consolidation as a whole.

Whistle-blowing

The Company's whistle-blowing policy is available to all employees via the intranet, as well as via posters displayed across the business. This gives information regarding how to raise a concern in strict confidence, and incorporates three escalation levels. Our Audit Committee Chair is the final contact and resolution point for this process, and received two calls during the year. Both of these were investigated, and no action was required as a result.

Risk management process

The Audit Committee receives an update on risk management at each of its meetings, and an annual report providing detail on the overall process, and key activities during the year. This process ensures that the Committee meets its obligation to oversee the effectiveness of risk management, and allows it to confirm to the Main Board that arrangements are appropriate.

The risk management process is explained in more detail on page 59.

AUDIT COMMITTEE REPORT CONTINUED

Key areas subject to specific review by the Committee include the following:

Area of focus	Action taken
Financial reporting	All judgemental areas in the accounts are considered by the Committee, to provide independent challenge to the process.
Task Force on Climate-related Financial Disclosures (TCFD)	The Committee considered and confirmed the proposed statement regarding TCFD requirements.
Cyber risk and information security	Cyber risk and information security is considered at every Audit Committee meeting, within the Head of Business Assurance's activity update. In particular, there have been regular updates on the implementation of a new Information Security Management System. This allows the Committee to satisfy itself as to the adequacy of current arrangements and future plans.
Enterprise Risk Management	The Audit Committee has received updates on the new Enterprise Risk Management model being implemented by the business.
New and emerging risks	New and emerging risks are raised and discussed by members of the Risk Committee at each of its meetings. Any significant matters are escalated to the Audit Committee for further discussion.
Review of principal risks and uncertainties	The Risk Committee discussed the key risks faced by the business during 2021 and used this to develop the content of the statement of principal risks and uncertainties. This in turn was considered by the Audit Committee after the year end, and approved for inclusion in this report, on pages 61 and 62.
Viability and going concern status	As part of the annual report review, the Committee has considered and agreed the viability statement and the various scenarios modelled within it as part of the assessment. The Company's adoption of a going concern basis for accounts preparation was reviewed at the mid-year, as well as during the consideration of the annual report.
Internal audit function	The Committee has reviewed the work and output of the internal audit function, and concluded as to its effectiveness throughout the year.

Internal audit

The work of the internal audit function is set out in more detail within the principal risks and uncertainties statement on pages 61 and 62 of this annual report. The team is led by the Head of Business Assurance, supported by 26 auditors, along with the Data Protection Analyst. The majority of the audit resource is dedicated to the retail estate, including our franchise shops, providing the Audit Committee with assurance that the required controls for safe operation within the shops are in place and operating effectively.

The Business Assurance team presents an annual plan to the Audit Committee for approval, setting out how the resource will be allocated across the business. Progress against this plan is monitored at subsequent meetings throughout the year. The effectiveness of the team and its level of resource are reviewed by the Committee on an annual basis, including a consideration of outputs, and customer feedback received.

Committee effectiveness

As noted in the Governance report on page 72 there was an externally facilitated evaluation of the Board and its committees during 2021. We are pleased that the overall conclusion in respect of the Audit Committee is that it is effective and valuable and has a good balance of skills, experience, diversity, independence and knowledge to enable it to discharge its responsibilities effectively. The evaluation has identified areas for development, including integrating risk management processes more closely with strategy and we will look to build on the evaluation feedback in the coming year.

Kate Ferry
Chair of the Audit Committee
8 March 2022

DIRECTORS' REMUNERATION REPORT

Dear Shareholders

On behalf of the Remuneration Committee (the 'Committee'), I am pleased to present our Directors' remuneration report for 2021. I would like to thank my colleagues for their engagement throughout the year and welcome Mohamed Elsarky as a new member of the Committee.

As outlined in the Chair's statement, 2021 was a year of further recovery for Greggs as we navigated the ongoing challenges posed by the pandemic. The Committee continues to have a transparent and open approach to remuneration at Greggs, taking into account the experience of our colleagues, shareholders and wider stakeholders. Our report aims to be clear, simple and easy to read, providing explanations and rationale for our decision-making throughout and in particular in response to the continued uncertainty that we faced through 2021.

The report is made up of three key sections:

- My annual Chair's letter;
- A summary of our three-year Directors' remuneration policy, which was formally agreed at our AGM held on 13 May 2020; and
- Our annual remuneration report, split into sections that set out:
 - A. How our policy links to strategy and reward across the wider workforce;
 - B. Remuneration Committee activity for the 52 weeks ended 1 January 2022;
 - C. How Directors' remuneration will be implemented in 2022 in line with the approved policy; and
 - D. How our remuneration policy was implemented in 2021. This is an audited section of the report outlining the remuneration of the Executive and Non-Executive Directors during the 52 weeks ended 1 January 2022.

The annual remuneration report, together with this Chair's statement, will be subject to an advisory shareholder vote at the 2022 AGM.

Remuneration policy

Our remuneration policy consists of the following elements:

- fixed pay – base salary, pension and benefits; and
- variable pay – annual bonus (paid in both cash and deferred shares) and performance share plan (PSP) measuring long-term performance and delivered in shares.

As we move into year three of the policy, the Committee believes that this structure has served us well. It is simple and consistent, with pay outcomes dependent upon performance linked to our business strategy and growth plans as well as taking into account our wider workforce remuneration and specific Greggs culture. It ensures a significant proportion of pay is delivered in shares to provide alignment with investors and incorporates other best practice features in line with the UK Corporate Governance Code and investor guidelines. We are comfortable that in the final year of its application, the policy continues to ensure that the team running the business is incentivised appropriately. Accordingly, there are no formal changes to our proposed policy for 2022.

During 2022, we will start the process of reviewing the remuneration policy and engaging with stakeholders ahead of presenting a new policy for shareholder approval at our AGM in 2023.

Business performance in 2021 and incentive outcomes

As outlined in the Chair's statement and the Chief Executive's review, 2021 was a year of further recovery for Greggs as we navigated the ongoing challenges posed by the pandemic. The team continued to react to changing conditions and produced a strong 2021 financial result in the face of ongoing disruption to demand and in our supply chain. As we reported at the half year, the improved performance and trading outlook resulted in us deciding to repay all Coronavirus Job Retention Scheme (CJRS) support claimed in the first half of 2021.

Consideration of the wider workforce

The Committee monitors and reviews the effectiveness of the Directors' remuneration policy and its impact on and alignment with the remuneration policies in the wider workforce. To support decisions on Executive Directors' pay, the Committee is provided with information detailing the pay and benefits of the wider workforce which gives additional context for the Committee to make informed decisions. The Remuneration Committee engaged with a representative group of colleagues in 2021 to explain how remuneration for Directors aligns with wider Company pay policy. Through 2022 we are looking to engage with our colleagues on the terms of Executive Director remuneration and the development of the new three-year remuneration policy.

In recognition of the magnificent job our teams have done in coping under such difficult circumstances through 2021 and to recognise their hard work we brought forward the planned 2022 pay award for our operational teams by five months and for our graded management team by two months. This 3.5% increase in pay (with an additional 3% for our lowest paid colleagues in retail) was therefore implemented in 2021 and was in addition to the pay award the teams received earlier in the year.

As well as this, as we had a strong year of profit delivery (with 10% of all our profits being shared with eligible colleagues), the profit share payment this year will be at a record level for the wider workforce.

Bonus 2021

As disclosed last year, the annual bonus scheme for 2021 was set up with performance targets based on profit (50%), sales (20%) and strategic objectives (30%). We set target ranges which were designed to ensure that bonus payments would only be made for appropriately stretching levels of performance. This included profit targets designed to incentivise growth after a challenging 2020, and sales targets aimed at minimising the shortfall (on a like-for-like basis) with 2019, a record-breaking year.

Despite continued disrupted trading conditions, Greggs came back strongly in 2021, restoring profitability and increasing the pace of growth in the shop estate. Our results and achievements in 2021 show that we have emerged from the crisis both stronger and better as a business. Through the year, demand in our walk-in channels rose alongside strong delivery sales. We had done well to accelerate our services in the delivery channel as Covid struck and, now that walk-in footfall was returning, delivery demand was proving to be incremental to this, extending the reach of our shops beyond customers passing by. Employee absence and skill shortages contributed to the broader challenges we experienced in our supply chain. Despite all these challenges we continued to deliver positive like-for-like sales growth and, as a

consequence of this financial performance over the year, both the profit (50%) and sales (20%) elements of the bonus were met in full and achieved maximum payout.

The strategic objectives comprised three separate elements with 10% based on business efficiency/cost savings, 10% on food waste targets and 10% on sustainability.

Cost pressures remained significant in 2021; we worked to keep a tight control on these, resulting in the business efficiency/cost saving element of the bonus paying out the maximum of 10%.

The 10% food waste element was split equally between reducing food waste and increasing food redistribution. These were challenging targets and the teams across the business worked hard to meet them. For food waste reduction, the stretch target was a 10% reduction in food waste across our supply sites based on our 2019 year end waste figure of £5.4 million. The teams actually achieved an impressive 17.7% reduction, resulting in a full 5% pay out of this element. For food redistribution, the stretch target was 29.25% of unsold food redistributed versus the 2019 year end actual of 19.5%. Again, the teams did a tremendous job, achieving 28.4%, resulting in 4.7% of this element of the bonus paying out.

The final 10% of the bonus was based on our 2040 'net zero' ambition as outlined in The Greggs Pledge. The metric involved a comprehensive analysis and modelling of Scope 3 carbon emissions with the stretch target being a robust and clear action plan for the top two focus areas as identified through the modelling. The Board was satisfied with both the modelling that was undertaken, in that it clearly mapped out the key elements of the Scope 3 emissions, and the action plan that was subsequently produced. The outputs of the work were externally verified by a third party, the Carbon Trust, and as such the Committee agreed all elements were met in full and achieved maximum payout. We will be actioning key elements of this carbon reduction plan in 2022 and will carry forward the work completed in 2021 into the remuneration policy review, where we will explore broadening the use of ESG/strategic measures in our variable pay metrics in 2023 and beyond.

The Committee is cognisant that the payout of the bonus is very near to maximum but is satisfied that this outcome aligns well with the business performance in what were tough trading conditions in 2021. The Committee carefully reviewed management's performance against these targets, taking the full business context and stakeholder experience into account and determined that this level of payout was appropriate with no need to apply discretion. Overall, annual bonuses were paid at a level of 99.7% of the maximum equating to payments of 124.6% (out of a maximum of 125%) and 99.7% (out of a maximum of 100%) of salary to the Chief Executive and Finance Director, respectively. Any element of the bonus earned above 50% of the maximum will be paid in shares and will be subject to a two-year

holding period. As previously mentioned, as we had a strong year of profit delivery (with 10% of all our profits being shared with eligible colleagues), the profit share payment this year will be at a record level for the wider workforce.

PSP vesting in 2022

The three-year performance period for the PSP awards made in April 2019, and due to vest in April 2022, ended on 1 January 2022. As noted in the 2020 remuneration report, the Committee made no adjustments to the targets for these awards, and had assumed then that, due to the impact of Covid-19, the threshold performance targets for both EPS and ROCE were unlikely to be met. However, due to the exceptional recovery in performance of the business through 2021 a proportion of these awards will now vest.

50% of these awards were based on EPS growth of 5-11% p.a. over three financial years to 1 January 2022, with the other 50% based on average annual ROCE over the period of 24-28%. In the event, EPS grew by 22.7% p.a. and our average annual ROCE was 23.18%. This meant that the EPS performance condition vested in full but the ROCE performance condition was not met, therefore delivering a 50% vesting rate for this award.

The Committee has reviewed this outcome in the context of wider business performance and stakeholder experience, and is very comfortable that vesting is justified at this level with no need to apply discretion to adjust the outcome.

Approach for 2022

Having demonstrated our resilience as a business over the last two years, we held a capital markets day in October in which we set out our ambitious plan to double sales in the next five years. The fundamental strategic pillars of our business model have not changed but we have identified four key growth drivers which will become the focus of our plan to reach our potential in the years ahead. In delivering the strategic pillars, the four key growth drivers and The Greggs Pledge, it is vital that there continues to be a sustained focus and alignment to our remuneration policy and approach. As noted above we will start the process of reviewing the remuneration policy in 2022 and whilst we continue to act with restraint in remuneration matters, it is important that we set policy and incentive plans that strike the right balance between achievability and stretch, driving the right decisions for the business, supporting the wider workforce and shareholders, and at the same time motivating and enabling the retention and recruitment of senior talent.

Appointment of new Chief Executive

As announced on 6 January 2022, Roger Whiteside has given notice of his intention to retire from the Company and it has been agreed that he will step down from the Board at the close of the 2022 AGM, remaining available to support the transition process until his notice period expires on 5 January 2023.

Roisin Currie has been appointed Chief Executive, effective from the date of the AGM in May 2022, subject to shareholder approval. Pending this appointment, she joined the Board as CEO Designate and as an Executive Director with effect from 1 February 2022.

The Committee has approved good leaver status for Roger Whiteside. His leaving arrangements are in line with the provisions of the Directors' remuneration policy and good practice, and are set out later in this report. In brief, Roger will continue to receive his normal remuneration package until the AGM, after which he will continue to receive salary, benefits and pension throughout his notice period. Any bonus earned for 2022 will be only in respect of the period served to the AGM. His outstanding PSP awards remain subject to the satisfaction of the relevant performance conditions and will be scaled back for the proportion of the vesting period that he is employed.

The reward package for Roisin Currie has been set in line with the existing remuneration policy. Further details are set out below and in the rest of this report.

Salaries and fees

In recognition of the magnificent job our teams have done in coping under such difficult circumstances through 2021 and to recognise their hard work, we brought forward the planned 3.5% pay award for our operational teams (with an additional 3% for our lowest paid colleagues in retail) by five months and for our graded management team by two months, meaning that their 2022 pay increases took effect in 2021.

With effect from 1 January 2022, the Committee agreed a salary increase of 3.5% for the Finance Director, in line with the base increase for the workforce generally. The same increase was agreed for the Chair and a consistent approach was taken by the Board in relation to the Non-Executive Directors' fees. Due to Roger Whiteside's impending retirement, the base pay award was not applied to his salary. This early implementation of the pay award for our wider workforce was not applied to our Executive Directors, Non-Executive Directors or Operating Board.

Roisin Currie's salary as CEO Designate was set at £400,000 with effect from the date of her appointment to the Board (1 February 2022). This will rise to £600,000 with effect from the AGM, when she becomes Chief Executive. This salary level is in line with the salary Roger Whiteside would have received for 2022 were he continuing as Chief Executive (and remains well below median compared with relevant peer companies). Roisin Currie's pension contribution will be in line with the rate applying to the majority of the workforce, at 4% of salary (significantly below the pension contribution for Roger Whiteside).

The Committee will carry out a review of the fee for the Board Chair in 2022 as part of the process of appointment of a new Chair, to ensure that the fee is appropriate in the context of attracting high-quality talent and reflective of the demands of the role. The Board (excluding the Non-Executive Directors) has separately reviewed the fee levels for Non-Executive Directors.

Annual bonus

The maximum bonus opportunity for Roger Whiteside as Chief Executive will remain at 125% of salary although, as noted above, he will participate in the bonus scheme only until the AGM in May. The Committee has decided to increase the annual bonus opportunity for Richard Hutton, the Finance Director, from 100% to 125% of basic salary to align with the current bonus level for the Chief Executive and the limit in the remuneration policy to further incentivise him to drive outperformance during a period of management change and to help ensure his ongoing commitment and retention. Roisin Currie has a bonus opportunity of 100% of salary for the period she serves as CEO Designate, rising to 125% with effect from her appointment as Chief Executive.

The Committee believes that the current performance measures – profit (50%), sales (20%) and strategic objectives (30%) remain appropriate and no changes are proposed to these weightings. The strategic objectives will continue to comprise three separate elements with 10% based on business efficiency/cost savings, 10% based on evening sales and 10% based on an element of The Greggs Pledge (food waste targets).

Targets for these measures for the 2022 bonus will be set in line with the financial plan for the business for the year and the rolling strategic plan and will continue to be stretching. Due to the commercial sensitivity of the 2022 bonus targets they are not disclosed within this report, but will be disclosed retrospectively in next year's report.

PSP

For the 2022 PSP, the Finance Director, Richard Hutton will receive an award at a level of 150% of salary. Although the normal maximum grant level under the remuneration policy is 125% of salary, we can grant up to 150% in exceptional circumstances. The Committee believes such circumstances now exist, as the Company undergoes an evolution in leadership and Richard Hutton is critical in helping to support this transition. The Committee believes his knowledge and experience will be essential and therefore his long-term incentive award should be appropriately pitched to reflect the key contribution he is expected to make over the next few years. Roisin Currie will receive an award at a level of 150% of salary following her appointment as Chief Executive in May. Roger Whiteside will not receive an award in 2022.

The Committee has considered the performance conditions and has determined that EPS and ROCE should continue to be used, with an equal weighting given to each. We have set appropriately stretching performance targets for each measure reflecting the strategic plan and business outlook over the performance period, whilst taking into account the impact of corporation tax changes on the metrics. Full details of the targets are set out later in this report.

The Committee will be reviewing the performance measures for future PSP awards later in 2022 as part of the remuneration policy review including the possibility of including strategic measures linked to elements of The Greggs Pledge.

UK Corporate Governance Code

In line with the remuneration policy, as a new Executive Director, the CEO Designate will be required to maintain a shareholding in the Company for at least two years following cessation of their employment. We do not currently apply the post-employment shareholding requirements for the Executive Directors who were in place when the Directors' remuneration policy was approved in 2020, i.e. the Finance Director and the outgoing Chief Executive. As previously explained, the Committee did not apply the policy for the incumbent Directors as their PSP and deferred bonus awards are considered to provide a very significant post-employment interest stretching out several years from the point of cessation. The Committee intends to address this when reviewing the remuneration policy ahead of the 2023 AGM with a view to proposing an updated policy encompassing all Executive Directors.

As previously reported, the pension contribution rates for the Finance Director and the outgoing Chief Executive are reducing over a five-year period until they match those contributions available to the workforce. As such, the Company was not fully compliant with Provision 38 of the Code during the year under review. As noted above, and in line with the Directors' remuneration policy for new Executive Directors, the CEO Designate's pension rate is aligned with that of the wider workforce.

Shareholder engagement

We continue to welcome all feedback from our shareholders as their views help us inform our thinking on remuneration matters and in particular when evaluating and setting the remuneration strategy. The Committee is committed to continue consulting with key shareholders and we hope we can rely on your ongoing support as we commence the work in 2022 on our new three-year remuneration policy, for which formal approval will be sought at the 2023 AGM.

AGM

We trust that you will find this report transparent, clear and informative. The Committee has remained focused on ensuring that executive remuneration is closely aligned to the delivery of Greggs' business strategy whilst continuing to take account of stakeholder experience, best practice and the wider workforce.

I look forward to receiving your support at this year's AGM with regards to the annual report on remuneration. If you would like to contact me directly to discuss any aspect of this report then please email me at investorrelations@greggs.co.uk.

Yours faithfully

Dr Helena Ganczakowski

Chair of the Remuneration Committee

8 March 2022

Remuneration policy report

This section of our report is a summary of the remuneration policy for all Executive and Non-Executive Directors at Greggs. It explains the purpose and strategy of each element of the package and demonstrates how the policy will incentivise Executive Directors to achieve sustainable long-term growth and value to best serve the interests of the Company, its shareholders, its colleagues and other stakeholders.

The current Directors' remuneration policy was approved by shareholders at our AGM on 13 May 2020 and became effective for three years from that date. There are no proposed changes to this policy in 2022.

The policy for the remuneration of the Executive and Non-Executive Directors is set out in the tables below:

Executive Directors

Element	Purpose and strategy	Operation	Maximum opportunity
Base salary	To attract and retain high-calibre individuals in order to promote the long-term success of the business.	Reviewed and set annually in January. Benchmarked periodically by the Committee against the remuneration levels for executives in similar roles in companies of a comparable size. Individual performance and contribution are recognised in setting salary levels. Salaries are paid monthly in cash.	No maximum limit is prescribed. Key reference points for salary increases are market and economic conditions and, in line with our values, the approach to colleague pay throughout the organisation.
Benefits	To support a competitive remuneration package in the marketplace.	Benefits include provision of a company car (or cash in lieu), private medical health care, life assurance and permanent health insurance.	No maximum limit is prescribed, particularly as the cost of providing insured benefits fluctuates over time. However, the Committee monitors on an annual basis the overall cost of the benefit provision.

Element	Purpose and strategy	Operation	Maximum opportunity
Pension	To support a competitive remuneration package in the marketplace and ensure that pension contributions are aligned to the rate applying to the majority of the workforce over time.	<p>Executive Directors can elect to either:</p> <ul style="list-style-type: none"> - participate in the Company defined contribution pension scheme (up to a cap). Above the cap Executive Directors receive a salary supplement; or - take cash in lieu of this contribution paid as a supplement to their salary on a monthly basis. <p>The Executive Directors are able to make this choice on an annual basis.</p> <p>The Executive Directors in place when this remuneration policy was approved are having their pension contributions reduced over five years, commencing in the financial year 2021. The reduction will be in equal proportions until their contribution rate matches that of the majority of the workforce.</p>	<p>Up to 22.5% of base salary contribution for the current Chief Executive and up to 15% of base salary for the Finance Director, but reducing to the percentage pension contribution of the majority of the workforce over time.</p> <p>All new Executive Directors (including the CEO Designate) will have their pension contribution aligned to the rate applying to the majority of the workforce.</p>
Annual bonus (including profit share)	To incentivise achievement of annual targets and objectives consistent with the short to medium-term strategic needs of the business, so as to encourage sustainable growth in the Company's operating profits.	<p>The bonus will be based on a mix of business KPIs, with operating profit being the largest component of the mix of metrics and this will not be less than 50% of the overall mix.</p> <p>Targets for each metric are set in advance and in line with business planning objectives set by the Committee.</p>	<p>Capped at 150% of base salary for the Chief Executive and 125% of base salary for other Executive Directors.</p> <p>On target performance delivers no more than 50% of the maximum.</p> <p>No more than 25% of the bonus opportunity is payable under each element for threshold performance.</p>

Element	Purpose and strategy	Operation	Maximum opportunity
Annual bonus (including profit share) continued		<p>Each Executive Director is entitled to participate in the Company's profit-sharing scheme available to all colleagues. The value of this is then deducted from their annual bonus and is subject to the individual cap.</p> <p>The Committee will use appropriate underpins for any non-profit based element of the annual bonus such that payment under these elements may be scaled back (potentially to zero), at the discretion of the Committee, if the operating profit performance for the year is judged to be running significantly below that required for the achievement of the long-term strategy.</p> <p>The Committee will be able to adjust the formula-driven outcome from any bonus plan if, in the judgement of the Committee, this does not reflect broader Company performance or the shareholder experience, or the payment level is otherwise inappropriate.</p> <p>Any bonus paid in excess of 50% of the maximum will be payable in shares, which (after any sales to pay tax and other statutory deductions) must be held in the Employee Benefit Trust for two years after receipt.</p> <p>The dividends payable on deferred bonus shares are paid to the individual as they fall due.</p>	

DIRECTORS' REMUNERATION REPORT CONTINUED

Element	Purpose and strategy	Operation	Maximum opportunity
Annual bonus (including profit share) continued		Recovery and withholding provisions allow the Company to recoup annual bonus payments within three years in the event of misstatement of performance, error, misconduct, reputational damage or corporate failure where this has led to an overpayment in the view of the Committee. There is a flexible mechanism which allows the Company to withhold outstanding deferred or future remuneration or recover the overpayment direct from the individual concerned.	

Element	Purpose and strategy	Operation	Maximum opportunity
Performance Share Plan (PSP)	To incentivise long-term value creation, retention of our talent and ensure alignment of Executive Directors' and shareholders' interests.	<p>Awards are granted under the PSP annually at the discretion of the Committee.</p> <p>Performance conditions will be based on appropriate financial measures with targets being set for each metric which reflect the strategic plan and business outlook over the respective performance period.</p> <p>Performance will be measured over a three-year period with an additional mandatory holding period of two years for the vested shares (net of tax and other deductions).</p> <p>A PSP award holder may be entitled to a dividend equivalent payment in respect of any vested shares.</p> <p>The Committee will be able to adjust the formula-driven outcome from the PSP if, in the judgement of the Committee, this does not reflect broader Company performance or the shareholder experience, or the vesting level is otherwise inappropriate.</p> <p>Recovery and withholding provisions allow the Company to recoup vested PSP awards within three years in the event of misstatement of performance, error, misconduct, reputational damage or corporate failure where this has led to an overpayment in the view of the Committee. There is a flexible mechanism which allows the Company to withhold outstanding deferred or future remuneration, or recover the overpayment directly from the individual concerned.</p>	<p>150% of base salary for Chief Executive and 125% of base salary for other Executive Directors (150% of base salary in exceptional circumstances).</p> <p>Threshold vesting at 25% of the maximum.</p>

Element	Purpose and strategy	Operation	Maximum opportunity
Savings-Related Share Option Schemes (SAYE and SIP)	To encourage colleagues at all levels within the Company to understand better and so participate in the growth in value of the Company.	No performance conditions have been attached to options granted pursuant to the Company's SAYE and SIP Schemes, which are available for all colleagues.	Executive Directors may enter into a contract to save up to an agreed saving limit in line with all colleagues in the business and HMRC guidelines.
Share retention guidelines	To further align the interests of Executive Directors to those of shareholders.	Executive Directors are required to build up a shareholding of 200% of base salary. Where an Executive Director has not reached the required level, 50% of the shares vesting from incentive schemes must be held until this requirement has been met. This is achieved through vested awards granted via the PSP and deferred bonus shares. For any new Executive Directors appointed there will be a two-year post-employment holding requirement at the lower of the level of the shareholding guideline immediately prior to departure or the actual shareholding at departure.	n/a

Non-Executive Directors

Element	Purpose and strategy	Operation	Maximum opportunity
Non-Executive Chair and Directors' fees	To attract and retain high-quality and experienced Non-Executive Chair and Directors.	The Chair is paid an all-encompassing fee. Non-Executive Directors are paid a basic fee and the Chairs of the Main Board Committees and the Senior Independent Director are paid an additional fee to reflect their additional responsibilities. These fees are usually reviewed and set annually. Additional fees may be paid where there is a material increase in the time commitments, responsibilities required of Non-Executive Directors or following a review of market rates. Non-Executive Directors are not eligible for pension scheme membership, bonus or incentive arrangements. They are entitled to reimbursement of reasonable business expenses and tax thereon. They may also receive limited travel or accommodation-related benefits in connection with their role as a Director.	There is no prescribed maximum.

Choice of performance measures and policy discretion

The remuneration policy provides the Remuneration Committee with the flexibility to choose appropriate performance conditions for the annual bonus scheme and for PSP awards, subject to the constraints set out in the table above. The choice of metrics will depend upon the strategic focus for the Group at the time decisions around the awards are taken. The specific measures and the targets used to assess performance will be disclosed in the Directors' remuneration report on an annual basis.

The Committee will operate incentive plans in accordance with their respective rules, the Listing Rules and HMRC limits where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of certain plan rules. These include (but are not limited to) the following:

- who participates;
- the timing of the grant of award and/or payment;
- the size of an award (up to plan/policy limits) and/or a payment;
- discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- determination of a good leaver (in addition to any specified categories) for incentive plan purposes and the treatment of leavers; and
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends); and the ability to adjust, but not waive, existing performance conditions for exceptional events so that they can still fulfil their original purpose.

Legacy arrangements

For the avoidance of doubt, in approving this policy report, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the unwinding of legacy share schemes) that have been disclosed to shareholders in previous remuneration reports. Details of any of these payments to former Directors will be set out in the annual report on remuneration as they arise.

Policy on recruitment remuneration

The Committee will set a new Executive Director's remuneration package in line with the Company's approved policy at the time of appointment. In arriving at a total package and in considering the quantum for each element of that package, the Committee will take into account the skills and experience of the candidate, the market rate for a candidate of that experience as well as the importance of securing the best available candidate.

Annual bonus and PSP awards will not exceed the policy maxima (not including any arrangements to replace forfeited deferred pay). Participation in the annual bonus plan will normally be pro-rated for the year of joining. The Committee may make one-off additional cash and/or share-based awards as it deems appropriate, and if the circumstances so demand, to take account of deferred pay forfeited by an Executive Director on leaving a previous employer. Awards to replace deferred pay forfeited would, where possible, reflect the nature of awards forfeited in terms of delivery mechanism (cash or shares), time horizons, attributed expected value and performance conditions. Other payments may be made in relation to relocation expenses and other incidental expenses as appropriate. Any buyout awards would be made under existing arrangements where possible or as permitted under the Listing Rules.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms and any other ongoing remuneration obligations existing prior to appointment would continue.

In line with our Remuneration Policy, all new Executive Directors will have their pension contribution aligned to the rate applying to the majority of the workforce.

For the appointment of a new Chair or Non-Executive Director, the fee arrangement would be set in accordance with the approved remuneration policy at that time.

Service contracts and policy on cessation

Executive Directors' service contracts contain the following remuneration-related aspects:

Provision	Detailed terms
Remuneration	<ul style="list-style-type: none"> - Salary, pension and benefits; - company car or cash allowance; - private medical health care for the Director; - permanent health insurance; - participation in annual bonus and profit share (subject to scheme rules); - participation in long-term incentive schemes or similar arrangements (subject to scheme rules); and - life assurance.
Notice period	<ul style="list-style-type: none"> - the Chief Executive's service contract is terminable on 12 months' notice served by either the Company or the Director; - the Finance Director's service contract is terminable on 12 months' notice served by the Company or by six months' notice served by the Director; - the CEO Designate's service contract is terminable on 12 months' notice served by either the Company or the Director; and - any future Executive Directors' service contracts will be terminable on up to 12 months' notice served by either party.
Termination payment	<ul style="list-style-type: none"> - Payment in lieu of notice equal to any unexpired notice of termination given by either party; and - payment in lieu shall not include: <ul style="list-style-type: none"> - any bonus payment; - any payment in respect of benefits which the Director would have been entitled to receive; and - any payment in respect of any holiday entitlement that would have accrued during the period for which the payment in lieu is made. <p>Details of the circumstances in which the Committee has the ability to exercise discretion with regards to termination payments are set out below.</p>

Under their service contracts, if notice is served the Executive Directors are entitled to salary, pension contributions and benefits for their notice period save where a payment in lieu is to be made. The Company would seek to ensure that any payment is mitigated by use of phased payments and offset against earnings elsewhere in the event that an Executive Director finds alternative employment during their notice period. There are no contractual provisions in force other than those set out above that impact any termination payment.

Areas where the Committee can exercise discretion with regards to termination payments are set out below:

- any right to annual bonus in the year of departure would lapse unless the individual is leaving in good leaver circumstances, in which case a bonus may be payable pro-rated for that part of the year worked;
- deferred bonus shares must normally be retained in trust until the end of their two-year holding period, but may be released early in exceptional circumstances, such as ill-health;
- any unvested awards held under the PSP will lapse at cessation, unless the individual is leaving in good leaver circumstances (defined under the plan as death, injury, ill-health, disability, redundancy, retirement, their office or employment being with either a company which ceases to be a Group member or relating to a business or part of a business which is transferred to a person who is not a Group member, a change of control or any other reason the Committee so decides). In these circumstances, unvested awards will normally vest at the normal vesting date (other than on death or where the Committee decides they should vest at cessation) subject to performance conditions being met and scaling back in respect of actual service as a proportion of the total vesting period (unless the Committee decides that scaling back is inappropriate). Vested awards will normally be subject to the mandatory two-year holding period although the Committee will have discretion to waive this in exceptional circumstances; and
- the Committee may agree to payment of disbursements such as legal costs and outplacement services if appropriate and depending on the circumstances of cessation.

The table below sets out the details of the Executive Directors' service contracts:

Director	Date of contract
Roger Whiteside	4 February 2013
Richard Hutton	7 April 2006
Roisin Currie	1 February 2022

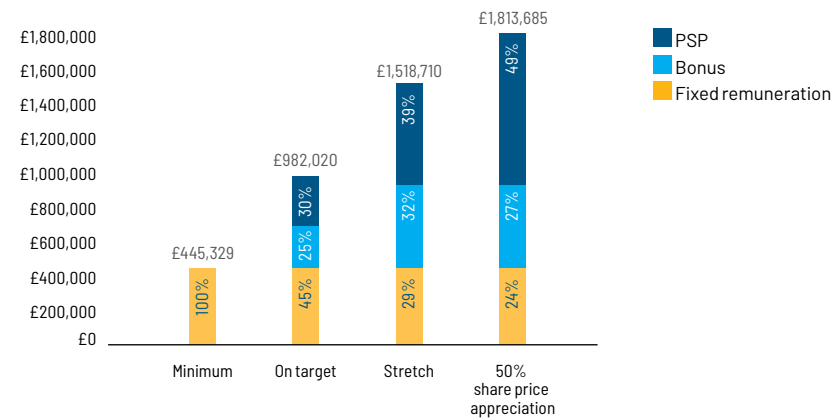
The service contracts are available for inspection during normal business hours at the Company's registered office, and are available for inspection at the AGM.

DIRECTORS' REMUNERATION REPORT CONTINUED

Expected value of the proposed annual remuneration package for Executive Directors

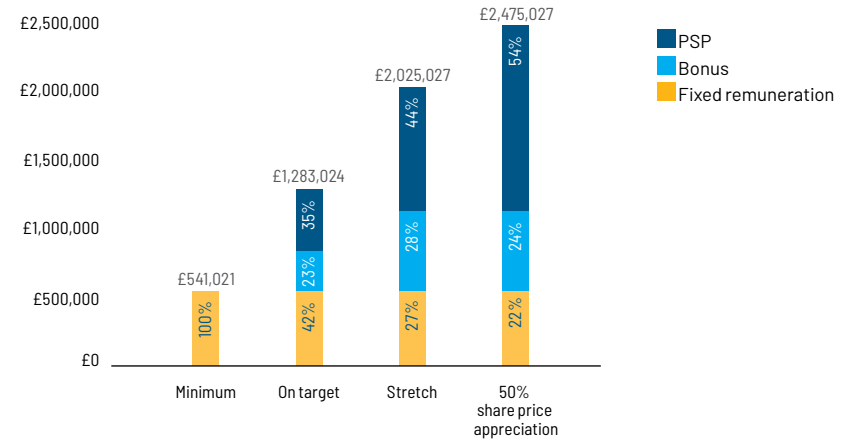
The following charts indicate the level of remuneration payable to Executive Directors (whilst on the Board) in 2022 based on policy at minimum remuneration, remuneration in line with 'on target' Company performance, and the maximum remuneration available.

Finance Director – Richard Hutton



	Minimum	On target	Stretch	50% share price appreciation
Fixed remuneration:				
- Salary	£393,300	£393,300	£393,300	£393,300
- Pension	£39,330	£39,330	£39,330	£39,330
- Benefits	£12,699	£12,699	£12,699	£12,699
Bonus	-	£241,716	£483,431	£483,431
Performance Share Plan	-	£294,975	£589,950	£884,925
Total	£445,329	£982,020	£1,518,710	£1,813,685

CEO Designate – Roisin Currie



	Minimum	On target	Stretch	50% share price appreciation
Fixed remuneration:				
- Salary	£490,860	£490,860	£490,860	£490,860
- Pension	£19,634	£19,634	£19,634	£19,634
- Benefits	£30,537	£30,537	£30,537	£30,537
Bonus	-	£292,003	£584,006	£584,006
Performance Share Plan	-	£450,000	£900,000	£1,350,000
Total	£541,021	£1,283,024	£2,025,027	£2,475,027

Assumptions used in the charts:

Base salary levels as at 1 January 2022 (Richard Hutton) or date of appointment (Roisin Currie).

The value of taxable benefits is based on the cost of supplying those benefits at the agreed level for Richard Hutton.

The value for Roisin Currie is estimated based on the cost of supplying those benefits at the agreed level and her expected travel arrangements.

Bonus

Minimum remuneration – assumes no award is earned under the annual bonus plan.

On target remuneration – the annual bonus plan assumes the target level is reached for each of the elements, resulting in a pay-out of 50% of the maximum.

Stretch remuneration – assumes satisfaction of all performance conditions for all elements under the annual bonus plan and therefore full pay out.

PSP element is calculated as award percentage of base salary multiplied by the relevant vesting percentage.

Share price movement and dividend accrual have been excluded, other than in the 50% share price appreciation model.

Minimum remuneration – assumes no vesting is achieved under the PSP.

On target remuneration – assumes 50% vesting is achieved.

Stretch remuneration – assumes 100% vesting is achieved.

Terms of appointment of Non-Executive Directors

Non-Executive Directors are appointed subject to the Company's articles of association, retiring and seeking election at the first AGM after appointment.

Thereafter, every Director will be subject to annual re-election by shareholders. The Nominations Committee advises the Board as to whether Directors should be nominated for re-election. Non-Executive Directors are not entitled to compensation for early termination of their appointments prior to the date on which they would next be due to offer themselves for election or re-election, or if not re-appointed at such time.

The letters of appointment for the Non-Executive Directors are available for inspection during normal business hours at the Company's registered office, and are available for inspection at the AGM.

The following table shows the effective date of appointment for each Non-Executive Director:

Non-Executive Director	Original date of appointment
Ian Durant	5 October 2011
Helena Ganczakowski	2 January 2014
Sandra Turner	1 May 2014
Kate Ferry	1 June 2019
Mohamed Elsarky	21 June 2021

Current Non-Executive Directors are appointed on an understanding that the appointment will last for at least six years, but without any commitment by either party.

All new Non-Executive Directors, from June 2019, are appointed for an initial term of three years unless terminated earlier by either party giving to the other party three months' written notice.

A. How our remuneration links to strategy and reward across the wider workforce

Link to strategy

Growth drivers – remuneration at Greggs is intended to incentivise sustainable and profitable business growth. This is reflected in key metrics in the variable pay incentive plans including operating profit, like-for-like sales, EPS, ROCE and cost savings.

Strategic pillars and key drivers of growth – delivery against the four strategic pillars and key drivers of growth is incentivised as appropriate by strategic metrics in the annual bonus scheme – for example specific project delivery.

The Greggs Pledge – our commitment to deliver these goals is supported with the inclusion of ESG (e.g. food waste) targets.

Reward across the wider workforce

The remuneration policy for the Executive Directors is designed having regard to the policy for colleagues across the Group as a whole and wider workforce remuneration and related policies. Through 2022 we are looking to engage with our colleagues on the terms of Executive Director remuneration and the development of the new three year Remuneration policy. The Remuneration Committee engaged with a representative group of colleagues in 2021 to explain how remuneration for Directors aligns with wider Company pay policy and plans further engagement sessions in 2022.

There are differences in salary levels and in the levels of potential reward depending upon seniority and responsibility, although a key reference point for Executive Director salary increases is the average base pay increase across the general workforce.

We share 10% of our profits annually with our colleagues across the business, and everyone is eligible to participate in this profit-sharing scheme after six months' service. A higher proportion of the Executive Directors' remuneration package is delivered through performance-related incentive schemes, much of which is in share-based form, which provides a good link to long-term Company performance and shareholder experience. Share option incentive schemes and bonus participation extends below Board level, with a separate share option scheme in place for Senior Management colleagues and a bonus scheme for graded management. Both the share option and management bonus schemes are aligned to those of the Executive Directors and are subject to the same performance targets and measures.

DIRECTORS' REMUNERATION REPORT CONTINUED

All colleagues with one year's service or more may participate in the Sharesave scheme (where colleagues can save to purchase shares at the end of a three-year period at a discount to the price at the date of grant) and in the Share Incentive Plan (SIP) (where colleagues can purchase shares from pre-tax salary subject to HMRC limits). These schemes are generally offered annually.

Compliance with the UK Corporate Governance Code

The Directors' remuneration policy is fully compliant with the relevant factors set out in the UK Corporate Governance Code:

Clarity	We are open and transparent in our approach to remuneration taking into account the experience of our colleagues, shareholders and stakeholders. We regularly engage with stakeholders on remuneration matters.
Simplicity	Our remuneration policy is simple and consistent in its approach. Senior management share option and management bonus schemes are aligned to those of the Executive Directors and are subject to the same performance criteria.
Predictability	Our remuneration policy clearly outlines the details of maximum opportunity levels for each component of pay. Incentive levels vary depending on the level of performance against specific metrics. The typical award levels and potential pay-outs are disclosed in the remuneration policy and it has been demonstrated in this statement how outcomes have been aligned with performance and strategy.
Proportionality, risk and alignment to culture	<p>Pay outcomes are dependent upon performance linked to our business strategy and growth plans as well as taking into account our wider workforce remuneration and specific Greggs culture. This ensures a significant proportion of pay is delivered in shares to provide alignment with investors and incorporates other best practice features in line with the UK Corporate Governance Code and investor guidelines.</p> <p>The use of annual bonus deferral and PSP holding periods provides a clear link to the ongoing performance of the business and therefore alignment with shareholders.</p> <p>The Committee has the discretion to apply malus and clawback in both annual bonus and PSP.</p>

B. Remuneration Committee activity for the 52 weeks ended 1 January 2022

Meetings during the year

The Remuneration Committee met four times during the year. Details of the Committee members' attendance are given on page 71.

All members are considered to be independent for the purpose of the UK Corporate Governance Code. The Company Secretary acts as Secretary to the Committee.

Role and responsibilities

Responsibility is delegated to the Remuneration Committee to ensure that an effective remuneration policy is in place for the Chief Executive, other Executive Directors, the Chair and senior management whilst reviewing and taking into account wider workforce remuneration and the Company values and culture. It is the Committee's role to establish a remuneration policy that promotes both long-term shareholdings by Executive Directors and ensures alignment of policies and practices to support business strategy, promote the long-term sustainable success of the business and meet shareholder expectations.

Summary of Committee activity during 2021

Details of some of the activities the Committee has undertaken have been outlined in the Chair's letter as well as being summarised below.

- Consulted in January 2021 with our largest shareholders on the potential of permitting some of the 2018-2020 PSP award to vest. We concluded that we would not exercise discretion and this decision was outlined in the 2020 Directors' remuneration report;
- Reviewed all colleague remuneration and agreed the early implementation of the 2022 pay award for colleagues;
- Discussed and reviewed Directors' salaries;
- Agreed the challenging targets for the 2021 bonus and PSP in a particularly uncertain and challenging environment;
- Discussed the 2021 bonus outturn and 2019 PSP award vesting in light of the wider socio-economic environment and the wider workforce;
- Reviewed the 2022 bonus metrics;
- Approved grants under the share option scheme (to senior managers below Operating Board level);
- Approved the all-colleague SAYE and SIP scheme grants;

- Reviewed Executive Directors' and senior management's shareholdings in the Company, in the context of shareholding guidelines;
- Held a listening group with colleagues to support understanding of the work of the Remuneration Committee;
- Agreed the leaving terms for Roger Whiteside;
- Agreed the appointment terms for Roisin Currie; and
- Reviewed and agreed changes to the variable pay elements of Richard Hutton's remuneration package.

Structure and content of the remuneration report

The remuneration report has been prepared in accordance with the provisions of the Companies Act 2006 (the 'Act') and The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations'). It also meets the requirements of the UK Listing Authority's Listing Rules.

The Regulations also require our auditor to report to shareholders on the audited information within this remuneration report and to state whether, in their opinion, the relevant sections have been prepared in accordance with the Act and the Regulations. The auditor's opinion is set out on pages 108 to 115 and we have indicated appropriately the audited sections of this remuneration report.

Remuneration advice

The Chief Executive along with Jonathan Jowett (Company Secretary and General Counsel), and Emma Walton (People Director) are normally invited to attend the Committee meetings in order to provide advice and support to the Committee. The Finance Director attends where required. During the year Korn Ferry (who have no connection to the Company or any individual Director) provided remuneration advice the Committee. Korn Ferry were appointed as advisors by the Committee in December 2017 following an informal tender process.

Korn Ferry is a signatory to the Remuneration Consultants' Code of Conduct in relation to executive remuneration consulting in the UK.

The Committee reviewed the operating processes in place at Korn Ferry and is satisfied that the advice it receives is objective and independent. Fees paid to Korn Ferry during the year were £65,000. Korn Ferry did not provide any other services to the Company during 2021.

Shareholder dialogue

The Committee actively engages with shareholders and their views and these are taken into account in shaping both remuneration policy and practice.

AGM voting outcomes

The voting outcome from the 2021 AGM reflected both strong individual and institutional shareholder support and the results are outlined below.

	Approve the remuneration report	
	Total number of votes	% of votes cast
For	64,565,155	97.32%
Against	1,780,311	2.68%
Total votes cast (excluding votes withheld)	66,345,439	100.00%
Votes withheld	5,354,514	
Total votes cast (including votes withheld)	71,699,980	

Shareholders were asked to approve the remuneration policy at the 2020 AGM and the results are outlined below:

	Approve the remuneration policy	
	Total number of votes	% of votes cast
For	66,782,219	95.71%
Against	2,990,047	4.29%
Total votes cast (excluding votes withheld)	69,772,266	100.00%
Votes withheld	4,777,374	
Total votes cast (including votes withheld)	74,549,640	

DIRECTORS' REMUNERATION REPORT CONTINUED

C. How our remuneration policy will be implemented in 2022 – Executive Directors

The section below summarises the implementation of our remuneration policy for 2022.

Base salary 2022

The annual base salaries for the Executive Directors were reviewed with effect from 1 January 2022; increases and current salaries are outlined below:

Director	Salary 1 January 2021	Salary 1 January 2022	% increase
Roger Whiteside (Chief Executive)	£575,209	£575,209	0%
Richard Hutton (Finance Director)	£380,000	£393,300	3.5%
		Salary 1 February 2022 (CEO Designate)	Salary 17 May 2022 (Chief Executive)
Roisin Currie		£400,000	£600,000

With effect from 1 January 2022 the Committee agreed a salary increase of 3.5% for the Finance Director, in line with the base increase for the workforce generally.

As Roger Whiteside is under his period of notice through to 5 January 2023 he was not awarded the annual base salary increase. His current salary and benefits will be payable up to and including 5 January 2023.

There will be a transition period for Roisin Currie prior to becoming Chief Executive. As of 1 February 2022, Roisin Currie was appointed as an Executive Director in the role of CEO Designate. Following the AGM, and subject to election by shareholders, she will be appointed as Chief Executive with immediate effect. Roger Whiteside will step down from the Board at the AGM.

Pension contribution 2022

As per our remuneration policy, contributions for the current Chief Executive (Roger Whiteside) and Finance Director will reduce following a glide path over a five-year period from 1 January 2021, reducing by 3.7% and 2% of salary p.a., respectively, until contributions are aligned to the rate applying to majority of the workforce.

On appointment as an Executive Director on 1 February 2022, in accordance with our Remuneration Policy, the pension contribution for Roisin Currie will be 4%, in line with the pension contribution of the majority of the workforce.

The pension contribution rates for 2022 (all of which are cash in lieu) are:

Roger Whiteside	15.1%
Richard Hutton	10.0%
Roisin Currie	4.0%

Annual bonus 2022

The annual bonus opportunity for 2022 is outlined below:

Chief Executive	Maximum opportunity of 125% of base salary. Bonus in excess of 50% of maximum will be payable in shares deferred for two years.
CEO Designate	Maximum opportunity of 100% of base salary. Bonus in excess of 50% of maximum will be payable in shares deferred for two years.
Finance Director	Maximum opportunity of 125% of base salary. Bonus in excess of 50% of maximum will be payable in shares deferred for two years.

Any bonus for Roger Whiteside for 2022 will be on the basis of his employment up to 17 May 2022. He will not be entitled to receive a bonus for the period from 18 May 2022.

Richard Hutton's bonus opportunity will increase from 100% to 125% of basic salary to align with the current bonus level for the Chief Executive and the limit in the remuneration policy to further incentivise him to drive outperformance during a period of management change, and to help ensure his ongoing commitment and retention.

Roisin Currie's maximum bonus opportunity will be 100% of base salary for the period she is in the role of CEO Designate from 1 February 2022 to 16 May 2022. As of 17 May 2022, when Roisin Currie is appointed as Chief Executive, her bonus opportunity will increase to 125% of salary.

The annual bonus is based on performance against a range of financial and strategic performance measures. This range of metrics measures achievement of the Company's key operational objectives. The Committee reviews the key performance indicators (KPIs) each year and varies them as appropriate to reflect the priorities for the business in the year ahead. Where appropriate a sliding scale of targets is set for each KPI to encourage continuous improvement, or sustained high performance with a maximum of 10% bonus paid out for threshold performance for the profit and sales elements of the bonus.

Targets are normally set at the start of the year by the Committee using the outturn and performance in the previous year, as well as the business plan, to determine appropriately stretching sliding scales. Bonus targets for the forthcoming year are considered to be

commercially sensitive. Retrospective disclosure of the targets and performance against them will be made in next year's annual report on remuneration.

The bonus metrics are:

Measure	Profit	Sales	Strategic objectives
Weighting	50% of total	20% of total	30% of total
Detail and link to strategy	Reflects the profit of the Group (excluding exceptional items) before tax. This will be based on meeting and exceeding budget for the year.	Based on company-managed shop like-for-like sales excluding any additional shops opened during the bonus year.	Outlined below.

The strategic objectives for each bonus cycle are based on measures which will provide a strong link to strategy and our four key growth drivers as well as recognising our responsibility and commitments in The Greggs Pledge. For the 2022 bonus there will be three strategic objectives each relating to 10% of the bonus opportunity. They are:

- 10% based on business efficiency/cost savings;
- 10% based on growth in evening sales; and
- 10% based on an element of The Greggs Pledge (food waste targets).

Following a review of performance by the Committee, any payment under the non-profit-based element of the bonus may be scaled back (potentially to zero) at the discretion of the Committee, in the event that the profit performance for the year is judged to be running significantly below that required for the achievement of the long-term strategy.

PSP award 2022

PSP awards will be granted as follows:

Chief Executive (Roisin Currie)	150% of base salary
Finance Director	150% of base salary

Richard Hutton will receive an award at a level of 150% of salary. Although the normal maximum grant level under the remuneration policy is 125% of salary, we can grant up to 150% in exceptional circumstances. The Committee believe such circumstances now exist, as the Company undergoes an evolution in leadership and Richard Hutton is critical in helping to support this transition. The Committee believe his knowledge and experience will be essential and therefore his long-term incentive award should be appropriately pitched to reflect the key contribution he is expected to make over the next few years.

The PSP awards for the Executive Directors are normally granted in the period following the announcement of the financial results for the prior year. This will continue to be the case for the 2022 PSP award for the Finance Director.

The 2022 PSP award for Roisin Currie will be granted the day after her appointment into the role of Chief Executive, 18 May 2022.

In light of his retirement, no PSP award will be granted to Roger Whiteside in 2022.

Performance conditions will continue to be based on an equal split of two different financial measures, EPS and ROCE. These measures provide a rounded assessment of our overall profitability against stretching targets set in line with the strategic plan and business outlook over the performance period. For these awards both the EPS and ROCE range have been set to ensure that the targets remain appropriate in light of our business strategy over the coming three-year period, whilst taking into account the impact of corporation tax changes on the metrics. For 2022 we will be reverting to the percentage growth in EPS instead of absolute growth.

For the 2022 awards the target ranges will be as follows:

- The EPS performance condition will require average annual growth in EPS over the performance period to be between 3.0% and 8.0%; and
- The ROCE condition will require average ROCE over the performance period to be between 19.6% to 22.6%.

In both cases 25% of an award will vest on achieving threshold performance and thereafter straight-line sliding scales will apply until stretch performance is achieved.

The EPS and ROCE targets represent a significant increase compared to the targets for the 2020 PSP awards.

A holding period is attached to vested PSP awards, requiring the vested shares to be held (net of tax and other deductions) for a further two years.

DIRECTORS' REMUNERATION REPORT CONTINUED

How our remuneration policy will be implemented in 2022 – Non-Executive Directors

In order to ensure that no Director is involved in deciding their own remuneration, the fees payable to Non-Executive Directors are set, after consultation with the Chair, by a Committee of the Board consisting only of the Executive Directors. The fees payable to the Chair are set by the Remuneration Committee.

The Non-Executive Directors are paid an annual base fee and additional responsibility fees for the role of Senior Independent Director (SID) or for chairing a Board Committee.

These fees are usually reviewed and set annually. The fees were increased by 3.5% on 1 January 2022 in line with the base salary increase for the whole workforce. Following a review of both the Audit and Remuneration committee chair roles and the Senior Independent Director role, the additional fee for these roles was increased to £12,000 pa from 1 April 2022. This is to ensure the fee reflects both the time commitment required and the current market rates.

Details of the fees being paid to Non-Executive Directors in 2022 are set out below:

Name	Position	Base fee	Annual additional fee to 31 March 2022	Annual additional fee from 1 April 2022	Fee to 31 March 2022	Fee from 1 April 2022
Ian Durant	Chair	£205,256	-	-	£205,256	£205,256
Kate Ferry	Chair of the Audit Committee	£52,630	£10,526	£12,000	£63,156	£64,630
Helena Ganczakowski	Chair of the Remuneration Committee	£52,630	£10,526	£12,000	£63,156	£64,630
Sandra Turner	Non-Executive Director & SID	£52,630	£7,894	£12,000	£60,524	£64,630
Mohamed Elsarky	Non-Executive Director	£52,630	-	-	£52,630	£52,630

These fees may be subject to change during the year based on any change in responsibility or time commitment or to ensure they remain in line with the current market rates.

D. How our remuneration policy was implemented in 2021

Total Executive Director remuneration payable for 2021 (audited).

The following table presents the remuneration payable for 2021 (showing the equivalent figures for 2020) for the Executive Directors.

	Salary £	Pension contribution (including salary in lieu) £	Taxable benefits ³ £	Total fixed remuneration £	Annual incentives (including profit share) £	Performance Share Plan ¹ £	Total variable remuneration £	Total remuneration £
Roger Whiteside								
2021	575,209	108,139	12,644	695,992	716,854	547,022	1,263,876	1,959,868
2020	518,461 ²	116,654	14,204 ⁴	649,319	-	-	-	649,319
Richard Hutton								
2021	380,000	44,387	9,500	433,887	378,860	258,121	636,981	1,070,868
2020	312,586 ²	42,549	10,441	365,576	-	-	-	365,576

Notes:

- The value of the PSP award for 2021, due to vest on 11 April 2022, is based on the level of vesting (50%) and the average share price over the final three months of the financial year of £30.78. The amount attributable to share price appreciation is £221,797 for Roger Whiteside and £104,661 for Richard Hutton. This figure will be trued up in the 2022 report to reflect the share price at the vesting date.
- For the period of 1 April 2020 to 31 August 2020 the salaries of the Executive Directors were voluntarily reduced by 20%.
- Taxable benefits relate to cash-in-lieu of a company car, private medical health care and travel expenses paid.
- This figure has been amended to include taxable travel expenses which were omitted in the 2020 report.

Fees for Non-Executive Directors (audited)

The fees for Non-Executive Directors were as follows:

	2021	2020
Ian Durant	£198,315	£178,750
Helena Ganczakowski	£61,020	£51,575
Peter McPhillips*	£29,663	£45,833
Sandra Turner	£58,478	£53,565
Kate Ferry	£61,020	£55,000
Mohamed Elsarky**	£26,966	-

* Peter McPhillips retired from the Board on 31 July 2021

** Mohamed Elsarky joined the Board on 1 June 2021

For the period 1 April 2020 to 31 August 2020 the fees of the Chair and Non-Executive Directors were voluntarily reduced by 20%.

Annual bonus 2021 (audited)

The table below outlines the bonus performance conditions in respect of the 2021 bonus scheme.

Measure	Strategic objective	Weighting	Entry	Target	Stretch	Actual	%
Profit (£)	To deliver target profit before tax (excluding exceptional items and property profits)	50%	£98.0m	£103.0m	£108.0m	£145.6m	50.0%
Sales (%)	Two-year like-for-like sales performance	20%	(8.0%)	(7.0%)	(6.0%)	(3.3%)	20.0%
Strategic (£)	Cost savings	10%	£3.0m	£5.0m	£7.0m	£7.78m	10.0%
Strategic	Reduction in food waste	5%	£5.13m		£4.86m	17.7% reduction to £4.44m	5.0%
Strategic	Increase food redistribution*	5%	21.45%		29.25%	28.4%	4.7%
Strategic	Sustainability*	10%		See below		Achieved	10.0%
Total weighting based on balanced scorecard		100%					99.7%

* further details on the strategic targets are set out below

Reduction in food waste (5%)

Metric	Strategic objective	Weighting	Entry	Target	Stretch	Actual	Maximum 10%
A 10% reduction in food waste across our supply sites based on our 2019 year end waste figure (£5.4m)	5% reduction in total food waste across our supply sites to £5.13m			sliding scale to...			10% reduction in total food waste across our supply sites to £4.86m

Increase food redistribution (5%)

Metric	Strategic objective	Weighting	Entry	Target	Stretch	Actual	Maximum 5%
Distribute an increased percentage of unsold food ahead of the 2019 end of year actual of 19.5%	10% increase in amount of unsold food redistributed year-on-year to 21.45%			sliding scale to...			50% increase in amount of unsold food redistributed year-on-year to 29.25%

Sustainability (10%)

Metric	Strategic objective	Weighting	Target	Stretch	Actual	Maximum 10%
Undertake analysis and modelling of Scope 3 carbon emissions in line with our Greggs Pledge ambition to be 'net zero' by 2040	Undertake analysis and modelling of Scope 3 carbon emissions and present findings to the Board					Agree and sign off with the Board a clear, robust action plan for the top two focus areas as identified through the analysis and modelling

Bonus achieved for 2021

Director	As % of maximum
Roger Whiteside	99.7%
Richard Hutton	99.7%

There were no bonus payments made in 2021 and therefore no deferred shares were awarded to the Executive Directors in 2021 in respect to the 2020 bonus year.

Performance Share Plan award for performance over 2019-2021 (audited)

The PSP award granted in 2019 measured EPS performance by reference to the three financial years to 1 January 2022 and average annual ROCE over the three-year performance period 2019 to 2021. The performance targets that were set, together with the performance delivered, are set out in the table below.

Metric	Condition	Threshold target	Stretch target	Actual*	% vesting
Earnings per share (50%)	Normalised ** average annual EPS growth of 5 - 11% per annum over three financial years	5% p.a. (12.5% vesting)	11% p.a. (50% vesting)	22.7%	50%
ROCE (50%)	Average annual ROCE over the three-year performance period	24% (12.5% vesting)	28% (50% vesting)	23.13%	0%
				Total vesting	50%

* from 30 December 2018 the Company implemented IFRS 16 and chose to use the modified transition approach. The figures for 2018 (which form the base for the measurement of the awards granted in 2019) were not restated and, as a result, were determined on a different accounting basis to the 2021 results. The Remuneration Committee agreed at the time IFRS 16 was implemented to make appropriate adjustments to reflect the impact of IFRS 16. The adjustment figure is an increase to

DIRECTORS' REMUNERATION REPORT CONTINUED

profit before tax of £4.749 million giving an adjusted figure of £150.0 million. The tax charge is increased by £0.890 million to give an adjusted profit after tax of £121 million. For the calculation of ROCE the total assets less current liabilities have been reduced by £245.872 million to reflect the impact of the inclusion of right-of-use assets and current lease liabilities.

** normalised EPS is the Company's reported earnings per share excluding exceptional items

The figures used for the measurement of PSP performance can be reconciled to the statutory accounts as follows:

EPS	2021 as reported (see page 116) £m	IFRS 16 adjustments £m	2021 for PSP calculations £m
Profit before tax	145.6	4.7	150.3
Income tax	(28.1)	(0.9)	(29.0)
Profit after tax	117.5	3.8	121.3
Weighted average number of ordinary shares during the year (see Note 9)	101,488,573	101,488,573	101,488,573
Earnings per share	115.7p	3.8p	119.5p

When compared to the 2018 base EPS of 71.1p the 2021 adjusted figure of 119.5p gives an annual average increase of 22.7%.

ROCE	2021 as reported £m	IFRS 16 adjustments £m	2021 for PSP calculations £m
Profit before tax (see page 116)	145.6	4.7	150.3
Capital employed			
Opening	586.5	(235.4)	351.1
Closing	681.5	(245.9)	435.6
Average	633.6	(240.6)	393.3
Return on capital employed	23.0%		38.2%

Adjusted ROCE in 2019 and 2020 was 33.6% and (2.4%), respectively, and when combined with the adjusted figure for 2021 of 38.2% this gives an average of 23.13%

These awards will vest on 11 April 2022.

Performance Share Plan awards granted in 2021 (audited)

Performance Share Plan Awards granted during 2021 are as follows:

Executive	Type of award	Basis of award granted	Share price at date of grant (6 April 2021)	Number of shares over which award was granted	Face value of award	% of face value that would vest at threshold performance	Vesting performance measurement period
Roger Whiteside	Nil-cost options	150% of salary	£22.72	37,975	£862,812	25%	Financial year 2023
Richard Hutton		125% of salary	£22.72	20,906	£475,000		

For the 2021 grant there are two independent performance targets applying to an award.

Each performance target accounts for 50% of the award:

- 50% is subject to a performance target based on the Company's earnings per share (pence per share) in 2023 being between 77.2p and 105.3p.
- 50% is subject to a performance target based on the Company's return on capital employed being in 2023 to be in the range 14.8 % to 19.5%.

For each metric, 25% of the award will vest on achieving threshold performance and thereafter straight-line sliding scales will apply until stretch performance is achieved. A holding period is attached to vested PSP awards requiring the vested shares to be held (net of tax) for a further two years.

Outstanding share awards (audited)

The following table sets out details of the PSP and savings-related share options (all of which were granted at a £nil cost to the Executive Director concerned) held by, or granted to, each Executive Director who served during the year:

	At 23 January 2021 or date of appointment	Granted number	Exercised number	Lapsed number	At 1 January 2022 number	Exercise price	Date of grant	Market price of each share at date of grant	Date from which exercisable	Expiry date	Scheme
Roger Whiteside	57,303	-	57,303 ¹	-	-	£nil	May 17	£10.72	May 20	May 27	PSP
	52,800	-	-	52,800	-	£nil	Mar 18	£11.96	Mar 21	Mar 28	PSP
	35,543	-	-	-	35,543	£nil	Apr 19	£18.30	Apr 22	Apr 29	PSP
	46,228	-	-	-	46,228	£nil	Oct 20	£14.07	Oct 23	Oct 30	PSP
	-	37,975	-	-	37,975	£nil	Apr 21	£22.72	Apr 24	Apr 31	PSP
	124	-	124 ²	-	-	£9.54	Apr 18		Jun 21	Nov 21	SAYE
	84	-	-	-	84	£14.84	Apr 19		Jun 22	Nov 22	SAYE
	88	-	-	-	88	£14.24	Apr 20		Jun 23	Nov 23	SAYE
	-	75	-	-	75	£16.72	Apr 21		Jun 24	Nov 24	SAYE
	192,170	38,050	57,427	52,800	119,993						
Richard Hutton	27,041	-	27,041 ³	-	-	£nil	May 17	£10.72	May 20	May 27	PSP
	24,916	-	-	24,916	-	£nil	Mar 18	£11.96	Mar 21	Mar 28	PSP
	16,772	-	-	-	16,772	£nil	Apr 19	£18.30	Apr 22	Apr 29	PSP
	23,024	-	-	-	23,024	£nil	Oct 20	£14.07	Oct 23	Oct 30	PSP
	-	20,906	-	-	20,906	£nil	Apr 21	£22.72	Apr 24	Apr 31	PSP
	124	-	124 ²	-	-	£9.54	Apr 18		Jun 21	Nov 21	SAYE
	84	-	-	-	84	£14.84	Apr 19		Jun 22	Nov 22	SAYE
	88	-	-	-	88	£14.24	Apr 20		Jun 23	Nov 23	SAYE
	-	75	-	-	75	£16.72	Apr 21		Jun 24	Nov 24	SAYE
	92,049	20,981	27,165	24,916	60,949						

Notes:

- The market value on the date of exercise was £22.78 and the resultant gain on exercise was £1,305,362.
- The market value on the date of exercise was £25.72 and the resultant gain on exercise was £2,006.
- The market value on the date of exercise was £24.74 and the resultant gain on exercise was £668,994.

Options granted under the all-colleague SAYE scheme are not subject to performance conditions. All PSP options are subject to performance conditions as detailed elsewhere in this report.

The mid-market price of ordinary shares in the Company as at 1 January 2022 was £33.37. The highest and lowest mid-market prices of ordinary shares during the financial year were £34.16 and £17.71, respectively.

Legacy defined benefit pension scheme (audited)

The following table sets out the change in each Director's accrued pension in the Company's defined benefit pension scheme during the year and their accrued benefits in the scheme at the year end:

Executive Director	Date of birth	Date service commenced	Accrued annual pension entitlement as at 3 January 2021 £	Accrued annual pension entitlement as at 1 January 2022 £	Increase in accrued pension entitlement for the year £	Increase in accrued pension entitlement for the year net of inflation of 1.297% £	Transfer value of increase in accrued pension entitlement for the year £
Richard Hutton	3/6/68	1/1/98	18,522	18,522	-	-	-

Notes:

- The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year, but excluding any statutory increases which would be due after the year end.
- The inflation rate of 1.297% shown in the table above is that published by the Secretary of State for Work and Pensions in accordance with Schedule 3 of the Pensions Schemes Act 1993.

	Cash equivalent transfer value as at 2 January 2021 £	Cash equivalent transfer value as at 1 January 2022 £	Increase in the cash equivalent transfer value since 3 January 2021 £
Richard Hutton		392,930	412,351

Note:

Cash equivalent transfer values have been calculated in accordance with Actuaries Guidance Note GN11 and the increase is stated net of contributions made by the Director. The transfer values disclosed above do not represent a sum paid or payable to the individual Director. Instead they represent a potential liability of the pension scheme.

The main features of the defined benefit pension scheme are:

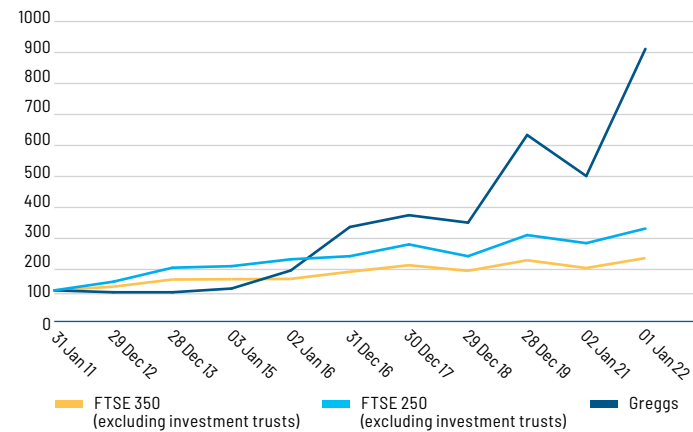
- Pension at normal retirement age of 1/60th of member's final pensionable salary for each complete year and a proportionate amount for each additional complete month of service from the date of joining the scheme until 5 April 2008 when the scheme was closed to future accrual;
- choice of giving up part of the pension in exchange for a tax-free cash sum subject to a limit of 25% of the total value of the member's benefits under the scheme;
- pension payable in the event of ill health;
- spouse's pension on death; and
- normal retirement at age 65.

DIRECTORS' REMUNERATION REPORT CONTINUED

Chief Executive pay compared to performance

The graph below shows a comparison of the total shareholder return for the Company's shares for each of the last ten financial years against the total shareholder return for the companies comprised in the FTSE 250 Index (excluding Investment Trusts) and the FTSE 350 Index (excluding Investment Trusts).

These indices were chosen for this comparison because they include companies of broadly similar size to the Company.



Remuneration outcomes for Chief Executive over last ten years

The table below shows the total remuneration figure for the Chief Executive over the same ten-year period as the graph above. The total remuneration figure includes the annual bonus, pension and PSP/option awards which vested based on performance in those years.

	2012	2013	2014	2015 ¹	2016 ¹	2017 ¹	2018 ¹	2019 ¹	2020 ¹	2021
Total remuneration	£635,030	£1,011,381	£1,238,248	£2,473,695	£2,147,229	£1,689,265	£1,737,953	£2,540,966	£649,319	£1,959,868
Bonus (% of max potential)	18.0%	20.0%	100.0%	93.7%	86.7%	64.3%	59.2%	97.7%	0.0%	99.7%
PSP/options (% max potential)	78.3%	n/a	n/a	100%	100%	100%	80.2%	100%	0.0%	50%

¹ total remuneration adjusted in these years to include expenses omitted in previous reports

Directors' shareholding and share interests (audited)

Details of the shareholdings of each Executive Director and their connected persons as at 1 January 2022 and their interests in shares are detailed below with the percentage holding calculated using the share price at that date. As stated in the Directors' remuneration policy, Executive Directors are required to build a shareholding equivalent in value to 200% of basic salary.

Director	Beneficially owned at 1 January 2022	Beneficially owned at 2 January 2021	Outstanding PSP awards	Outstanding option awards	% shareholding achieved at 1 January 2022
Roger Whiteside	88,661	161,846	119,746	247	514%
Richard Hutton	98,391	94,014	60,702	247	864%
Ian Durant	11,700	11,700	-	-	n/a
Helena Ganczakowski	1,100	1,100	-	-	n/a
Sandra Turner	1,000	1,000	-	-	n/a
Kate Ferry	562	562	-	-	n/a
Mohamed Elsarky	-	¹	-	-	-

¹ As at date of appointment (21 June 2021)

There have been no changes since 1 January 2022 in the Directors' interests noted above. Further details of outstanding share awards are given on page 103.

Roisin Currie was appointed to the Board as CEO Designate on 1 February 2022. As at the date of this report, she had a beneficial interest in 3,188 shares, options over 247 shares and outstanding PSP awards over 42,510 shares.

Exit payments or payments to past Directors (audited)

No payments for compensation or loss of office were paid to, or receivable by, any former Director during the current or prior year.

Roger Whiteside will step down as Chief Executive and from the Board on 17 May 2022. Prior to this date, he will receive his salary, pension and benefits as normal. As stated on page 98, his pension contribution rate for 2022 is set at 15.1% of his base salary. During the balance of his notice period (which ends on 5 January 2023), he will receive monthly payments of his salary, pension and benefits. During this period he will also be available to support the transition process.

As he is retiring, the Remuneration Committee and the Board have agreed to treat Roger as a good leaver. He will be entitled to receive an annual bonus for 2022 for the period worked up to 17 May, with any bonus payment pro-rated to cover this period only. The bonus outcome will depend on the achievement of the specific targets set for the year, and will be determined at the normal time in early 2023.

His outstanding PSP awards will continue to vest at the normal time and be subject to the satisfaction of the agreed performance targets. The awards granted in 2020 and 2021 will be pro-rated to reflect the proportion of the vesting period completed by the time employment ceases at the end of the notice period.

External directorships

Executive Directors may take up one Non-Executive Directorship outside of the Company subject to the Board's approval and provided that such an appointment is not likely to lead to a conflict of interest. It is recognised that this can support a Director's development and enhance experience as well as benefit the Company. Executive Directors will be entitled to retain the fees of such an appointment.

Roger Whiteside was appointed as Non-Executive Director of Card Factory plc effective from 4 December 2017. He retains the fees that he earns. In 2021 this fee was £45,000 (2020: £45,000).

Richard Hutton was appointed as Non-Executive Director of The Lakes Distillery Company plc effective from 1 June 2018. He retains the fees that he earns. In 2021 this fee was £25,000 (2020: £19,167).

Relative importance of spend on pay

The Committee is aware of the importance of pay across the business and the table below shows the expenditure and percentage change in the overall spend on all colleague costs compared to other key financial indicators.

	2021 £m	2020 £m	% increase/ (decrease)
All colleague costs	429.3	414.8	3.5%
Dividends	15.3	0.0	100%

Percentage change in remuneration of all Directors

The table below sets out the percentage change in remuneration for all Directors (Executive and Non-Executive) compared to the wider workforce.

For this purpose the wider workforce is defined as all full-time head office management colleagues as they too are entitled to receive benefits and annual bonus awards.

	2021			2020		
	Salary ¹ % change	Benefits % change	Bonus % change	Salary ¹ % change	Benefits % change	Bonus % change
Roger Whiteside	10.9%	(11.0%)	100.0%	(8.3%)	(39.2%)	(100.0%)
Richard Hutton	21.6%	(9.0%)	100.0%	(3.3%)	(13.6%)	(100.0%)
Ian Durant	10.9%	n/a	n/a	(2.8%)	n/a	n/a
Helena Ganczakowski	18.3% ²	n/a	n/a	7.5% ²	n/a	n/a
Sandra Turner	9.2%	n/a	n/a	(5.0%)	n/a	n/a
Kate Ferry	10.9%	n/a	n/a	(8.3%) ³	n/a	n/a
Peter McPhillips	10.9% ³	n/a	n/a	(4.5%)	n/a	n/a
Mohamed Elsarky	n/a ⁴	n/a	n/a	n/a	n/a	n/a
All colleagues	1.9%	(1.2%)	100%	4.1%	3.2%	(100%)

- For the period of 1 April 2020 to 31 August 2020 the salaries of the Executive Directors and Non-Executive Directors were voluntarily reduced by 20%
- Helena Ganczakowski was appointed Chair of the Remuneration Committee during 2020 and therefore received an additional payment for this role for part of the year
- In order to provide a meaningful comparison where a director was appointed or retired during the year, the percentage change figures have been calculated on a full-year equivalent value
- Mohamed Elsarky was appointed during 2021 and therefore no annual change is shown

DIRECTORS' REMUNERATION REPORT CONTINUED

Chief Executive pay ratio reporting

Outlined below is the ratio of the Chief Executive's single figure of total remuneration for 2021 expressed as a multiple of total remuneration for UK colleagues.

The three ratios referenced below are calculated by reference to the colleagues at the 25th, 50th and 75th percentile. We additionally disclose the total pay and benefits and base salary of the colleagues used to calculate the ratios.

In time, the table below will build to represent ten years of data:

Financial year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021	Option B	99:1	98:1	68:1
2020	Option B	30:1	30:1	28:1
2019	Option B	132:1	126:1	108:1

The 25th, median and 75th percentile data were calculated as at 21 February 2022. Full year pay data for the 2021 financial year has been used to calculate the ratios.

Disclosure of colleague data used to calculate the ratios	25th percentile	Median	75th percentile
Total pay and benefits	£19,824	£19,966	£28,792
Base salary	£18,853	£18,963	£26,577

The following adjustments have been made in order to calculate the figures above:

- We have used the assumption of a 40-hour week in order to calculate the hourly rate for the Chief Executive from the single total remuneration figure; and
- As the hours our colleague work vary week to week we have converted their hourly rate of pay into the equivalent 40-hour week in order that this is directly comparable with the hourly rate for the Chief Executive.

Of the three options set out in the legislation for calculating the Chief Executive pay ratio, we are using Option B – which uses Gender Pay Gap (GPG) data – to calculate the pay ratio. We believe the steady nature of our workforce ensures that the representative group remains the same as those individuals who are identified through the GPG reporting process. The individuals represented at the 25th, median and 75th percentile are all colleagues within our retail shops. The nature of our workforce and demographics are such that we have over 80% of our colleagues working in our front-line shop operations which is characteristic of our sector.

As required in the regulations, we confirm our belief that the median pay ratio for the year is consistent with the Company's wider pay, reward and progression policies affecting our colleagues and the impact that Covid-19 has had on executive remuneration.

Our pay reflects the key market in which we operate, although we also support our colleagues with additional benefits such as profit share and SAYE participation. As previously outlined in both our Chair's statement and this report, we worked hard to support our colleagues in 2021. In recognition of the magnificent job our teams have done in coping under such difficult circumstances through 2021 and to recognise their hard work we brought forward the planned 2022 pay award for our operational teams by five months and for our graded management team by two months. This increase in pay for these teams was therefore implemented in 2021 and was in addition to the pay award the teams received earlier in the year.

Changes in the basic salary of our Chief Executive have consistently been in line with the base award given to all our colleagues over the last five years. Due to the impact of Covid-19 the base pay award for our Chief Executive was cancelled in 2020 and he voluntarily took a 20% reduction in base salary for the five-month period between April and August 2020. His variable pay was also impacted in 2020.

Although the variable pay of the Chief Executive has increased over the representative period, this was due to a strong 2021 financial result. Subsequently all eligible colleagues will benefit from a record profit share pay out in their March 2022 pay.

This report was approved by the Board on 8 March 2022.

Signed on behalf of the Board

Dr Helena Ganczakowski
Chair of the Remuneration Committee
8 March 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The Directors are responsible for preparing the strategic report and the Directors' report, the Directors' remuneration report and the accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company accounts for each financial year. The Directors have elected under company law and are required under the Listing Rules of the Financial Conduct Authority to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards. The Directors have elected under company law to prepare the Company accounts in accordance with UK-adopted International Accounting Standards.

The Group and Parent Company financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the Group and the Parent Company and the financial performance of the Group; the Companies Act 2006 provides in relation to such accounts that references in the relevant part of that Act to accounts giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- d. prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Parent Company and enable them to ensure that the accounts and the Directors' remuneration report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' statement pursuant to the disclosure and transparency rules

Each of the Directors, whose names and functions are listed in the Directors' report confirm that, to the best of each person's knowledge:

- a. the accounts, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Parent Company and the undertakings included in the consolidation taken as a whole; and
- b. the strategic report and the Directors' report contained in the annual report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Greggs plc website.

Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Roger Whiteside
Chief Executive
8 March 2022

Richard Hutton
Finance Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREGGS PLC

Opinion

We have audited the financial statements of Greggs plc (the 'Parent Company') and its subsidiaries (the 'Group') for the 52 weeks ended 1 January 2022 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, Balance Sheets, Statements of Changes in Equity, Statement of Cashflows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and UK-adopted International Accounting Standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 1 January 2022 and of the Group's profit for the 52 weeks then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the Parent Company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	Group and Parent Company <ul style="list-style-type: none">- Valuation of lease liabilities- Impairment of property, plant and equipment and right of use assets- Accounting for defined benefit pension arrangements
Materiality	Group <ul style="list-style-type: none">- Overall materiality: £7.00 million- Performance materiality: £4.55 million Parent Company <ul style="list-style-type: none">- Overall materiality: £6.90 million- Performance materiality: £4.48 million
Scope	Our audit procedures covered 100% of revenue, total assets and profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group and Parent Company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, 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 were addressed in the context of our audit of the Group and Parent Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREGGS PLC**Key audit matters** continued**Valuation of lease liabilities**

Key audit matter description	<p>Refer to page 80 – Audit Committee report</p> <p>Refer to page 127 and 128 – Basis of preparation (Key estimates and judgements)</p> <p>Refer to page 146 and 147 – Note 11, Leases</p> <p>Lease Liability – £283.2 million (2020: £291.7 million)</p> <p>As the Group occupies and manages approximately 1,700 shops/leases, the application of IFRS 16 is considered to give rise to a significant risk of material misstatement. IFRS 16 involves a significant element of judgement and estimation derived from a number of key assumptions. We consider the most significant assumptions affecting the valuation of lease liabilities to be:</p> <ul style="list-style-type: none"> – the lease term assumed in determining the lease liability (particularly in respect of circumstances where the Group remains in occupation using rights from the Landlord and Tenant Act 1954); and – the discount rate applied to calculate the lease liability. <p>Changes to the assumptions included above are likely to have a material impact on the valuation of lease liabilities and given the value of these liabilities in comparison to Group materiality, as well as the significant estimates and judgements involved, we consider this area to represent a significant audit risk.</p>
How the matter was addressed in the audit	<p>Our audit work relating to the valuation of lease liabilities included:</p> <ol style="list-style-type: none"> 1. Testing the accuracy and completeness of the underlying information used in the application of IFRS 16. 2. Critically assessing the key assumptions utilised by management including the lease term and discount rate. 3. Testing that the calculations made were accurate through reperformance. 4. Assessing the application of and accounting for changes throughout the year including the treatment of new leases, modifications to leases, the unwinding of interest and capital payments in respect of lease liabilities. 5. Reviewing disclosures relating to lease liabilities to ensure they are in accordance with the applicable financial reporting framework.
Key observations	<p>Our audit work in respect of the valuation of lease liabilities concluded that the related balances are not materially misstated, and the disclosures management have made are appropriate.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREGGS PLC

Impairment of property, plant and equipment and right of use assets

Key audit matter description	<p>Refer to page 79 – Audit Committee report</p> <p>Refer to page 126 – Basis of preparation (Key estimates and judgements)</p> <p>Refer to pages 148 to 151 – Note 12, Property, plant and equipment</p> <p>Net impairment reversal of £3.5 million (2020: £14.0 million impairment charge)</p> <p>The emergence of Covid-19 during the prior year, the resultant closure of stores during lockdown and the impact on footfall/demand following reopening gave rise to risks relating to the impairment of property, plant and equipment and right of use assets.</p> <p>As a result, significant impairment charges were recognised in the prior year. While Covid-19 has impacted the early part of 2021 with further national lockdowns, a strong recovery in performance across the business in the remainder of 2021 resulted in reversals of impairment. There remains significant uncertainty in respect of the ongoing impact of the Covid-19 pandemic with sales in some locations remaining below 2019 (pre-pandemic) levels.</p> <p>Property, plant and equipment includes the assets located in shops associated with the direct service of customers and supply chain assets fundamental to manufacture and delivery of products to shops and right of use assets principally comprise the Groups' approximately 1,700 company-managed shops.</p> <p>In assessing impairment, management's discounted cash flow analysis incorporates a number of significant judgements, estimates and assumptions including:</p> <ul style="list-style-type: none">- the use of historic cashflows (particularly where the environment in which the shops operate is fundamentally different as a result of Covid-19)- attributable overheads- growth rates- discount rates- the remaining lease term and whether it is appropriate to assume a longer period in performing the impairment assessment. <p>The existence of significant elements of judgement and estimation, combined with the rapidly changing economic environment means that we considered the impairment/reversal of impairment of property, plant and equipment and right of use assets to be a significant audit risk.</p>
How the matter was addressed in the audit	<p>In addressing the risk relating to impairment of property, plant and equipment and right of use assets we:</p> <ol style="list-style-type: none">1. Assessed the appropriateness of underlying assumptions applied in the impairment calculations in the context of current and future forecast performance of the underlying assets in line with IAS 36.2. Performed sensitivity analysis to assess the level of headroom in the impairment calculations and to identify the most sensitive assumptions on which we should focus our work.3. Reviewed key inputs such as the discount rate and long-term growth rates, utilising valuation specialists in respect of discount rates.4. Discussed future plans with key management outside of the finance function to further assess the assumptions used in the model.5. Assessed the accuracy of historic forecasts to support the assumptions used in the current year model.6. Checked for consistency of the forecast information used and sensitivities applied in respect of the impairment of assets to other areas considered as part of the audit which rely on similar information and assumptions, including going concern.7. Reviewed the adequacy of disclosures made in respect of key estimates and judgements used in impairment reviews.
Key observations	<p>Our audit work in respect of the impairment of property, plant and equipment and right of use assets concluded that the related balances were not materially misstated, and the disclosures management have made are appropriate.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREGGS PLC**Accounting for defined benefit pension arrangements**

Key audit matter description	<p>Refer to page 80 – Audit Committee report</p> <p>Refer to page 128 – Basis of preparation (Key estimates and judgements)</p> <p>Refer to pages 156 to 160 – Note 21, Employee benefits</p> <p>Defined Benefit Pension Liability – £2.4 million net liability (2020: £11.9 million net liability)</p> <p>The liability recognised in respect of defined benefit pension scheme obligations is based on a valuation undertaken by an actuary and key estimates and assumptions include:</p> <ul style="list-style-type: none"> - discount rates - inflation rates - mortality rates - future pension increases - commutation - guaranteed minimum pension <p>These assumptions are subject to significant management judgement on concluding if the actuarial assumptions are appropriate and are also sensitive to small changes.</p> <p>In addition, judgement is required in determining whether under IAS 19 and IFRIC 14 a net pension surplus should be recognised and whether a liability should be recognised for any minimum funding requirements. Specifically judgements include assessing whether the Group have an unconditional right to refund and estimating the recoverable amount of any potential refunds. The Group committed during the year to make additional payments of £2.5 million per year, of which £12.5 million were outstanding at 1 January 2022.</p>
How the matter was addressed in the audit	<p>Our audit work relating to the valuation of lease liabilities included:</p> <ol style="list-style-type: none"> 1. Utilising an actuarial expert to review the adequacy of the key actuarial assumptions. 2. Reviewing management's assessment of IFRIC 14 including legal advice obtained. This included reviewing the Scheme Rules and consulting with our actuarial expert in considering if management's assessment was appropriate. 3. Considered the adequacy of the Group's disclosures in respect of the sensitivity of the defined benefit pension scheme to the key actuarial assumptions and the judgements involved in respect of the application of IFRIC 14.
Key observations	<p>Our audit work in respect of the defined benefit pension obligation concluded that the related balances were not materially misstated and the disclosures management have made are appropriate.</p>

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREGGS PLC

	Group	Parent Company
Overall materiality	£7.00 million	£6.90 million
Basis for determining overall materiality	4.8% of profit before tax	4.7% of profit before tax
Rationale for benchmark applied	Profit before tax is the primary measure used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark.	
Performance materiality	£4.55 million	£4.48 million
Basis for determining performance materiality	65% of overall materiality	65% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £350,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £345,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

The materiality for the audit was revisited during the audit to reflect the changes to expected outturn for the period.

An overview of the scope of our audit

The Group consists of the Parent Company and nine subsidiaries all of which are dormant or non-trading. The Group audit team audited the only significant component being the Parent Company. In doing so the coverage achieved by our audit procedures was 100% of Group revenue, total assets and profit before tax.

Conclusions relating to going concern

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. Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

1. Assessing the forward-looking assumptions used by management in their assessment of going concern.
2. Corroborating key management assumptions to supporting evidence including financing arrangements in place.
3. Challenging management's assumptions including performing downside sensitivities in respect of key assumptions.
4. Considering the adequacy of management's scenario analysis and contingency plans.
5. Checking the integrity and mechanism of the forecast model provided by management.
6. Obtaining evidence of Board approval of the budgets and forecasts.
7. Assessing historical forecast accuracy.
8. Re-calculating management's covenant calculations to assess the risk of forecast non-compliance.
9. Evaluating the adequacy of going concern related disclosures in the financial statements.

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 or the Parent Company's ability to continue as a going concern for the period of assessment to December 2023.

In relation to the entity 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.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREGGS PLC

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate governance statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

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:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 125;
- Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 125;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 125;
- Directors' statement on fair, balanced and understandable set out on page 76;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 60;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 82; and
- Section describing the work of the Audit Committee set out on pages 77 to 83.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 107, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 Parent 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREGGS PLC

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

The most significant laws and regulations were determined as follows:

Legislation/regulation	Additional audit procedures performed by the Group audit engagement team included:
IFRS/UK adopted IAS and Companies Act 2006	<ul style="list-style-type: none"> - Review of the financial statement disclosures and testing to supporting documentation - Completion of disclosure checklists to identify areas of non-compliance
Tax compliance regulations	<ul style="list-style-type: none"> - Inspection and review of tax computations prepared by management - Input from a tax specialist was obtained regarding significant and complex matters - Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity
Distributable profits legislation	<ul style="list-style-type: none"> - Assessment of extent of compliance as part of our audit work relating to reserves
Pension legislation	<ul style="list-style-type: none"> - Assessment of extent of compliance as part of our audit work relating to defined benefit pensions
Coronavirus Job Retention Scheme	<ul style="list-style-type: none"> - Obtaining an understanding of the process by which claims were calculated and submitted - Input from a tax specialist was obtained regarding significant and complex matters - Inspection of correspondence with HMRC
Food Safety/Health and Safety/Employment/General Data Protection Regulation	<ul style="list-style-type: none"> - Inquiry of management and Directors - Inspection of correspondence with legal advisors and regulators (where applicable)

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition – cut off	<ul style="list-style-type: none"> - Testing a sample of transactions accounted pre and post year end for each significant revenue stream ensuring that revenue is recognised in the correct accounting period in line with the Group's accounting policy
Management override of controls	<ul style="list-style-type: none"> - Testing the appropriateness of journal entries and other adjustments - Assessing whether the judgements made in making accounting estimates are indicative of a potential bias - Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the Group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the Group and Parent Company operates in and how the Group and Parent Company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud for regulated entities, as defined in ISA 250B: having obtained an understanding of the effectiveness of the control environment.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREGGS PLC

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the shareholders on 14 May 2021 to audit the financial statements for the 52-week period ended 1 January 2022 and subsequent financial periods.

The period of total uninterrupted consecutive appointments is one year, covering the 52-week period ended 1 January 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee in accordance with ISAs (UK).

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Rachel Fleming (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants
1 St. James' Gate
Newcastle upon Tyne
NE1 4AD

8 March 2022

CONSOLIDATED INCOME STATEMENT

FOR THE 52 WEEKS ENDED 1 JANUARY 2022 (2020: 53 WEEKS ENDED 2 JANUARY 2021)

	Note	2021 £m	2020 £m
Revenue	1	1,229.7	811.3
Cost of sales		(447.7)	(300.4)
Cost of sales excluding exceptional items		(447.7)	(299.6)
Exceptional items	4	-	(0.8)
Gross profit		782.0	510.9
Distribution and selling costs		(567.6)	(465.8)
Administrative expenses		(61.2)	(52.1)
Operating profit/(loss)		153.2	(7.0)
Finance expense (net)	6	(7.6)	(6.7)
Profit/(loss) before tax	3-6	145.6	(13.7)
Income tax	8	(28.1)	0.7
Profit/(loss) for the financial year attributable to equity holders of the Parent		117.5	(13.0)
Basic earnings/(loss) per share	9	115.7p	(12.9p)
Diluted earnings/(loss) per share	9	114.3p	(12.9p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52 WEEKS ENDED 1 JANUARY 2022 (2020: 53 WEEKS ENDED 2 JANUARY 2021)

	Note	2021 £m	2020 £m
Profit/(loss) for the financial year		117.5	(13.0)
Other comprehensive income			
<i>Items that will not be recycled to profit and loss:</i>			
Remeasurements on defined benefit pension plans	21	7.1	(11.2)
Tax on remeasurements on defined benefit pension plans	8	(1.7)	2.1
Other comprehensive income for the financial year, net of income tax		5.4	(9.1)
Total comprehensive income for the financial year		122.9	(22.1)

BALANCE SHEETS

AT 1 JANUARY 2022 (2020: 2 JANUARY 2021)

	Note	Group		Parent Company	
		2021 £m	2020 £m	2021 £m	2020 £m
ASSETS					
Non-current assets					
Intangible assets	10	14.9	15.6	14.9	15.6
Property, plant and equipment	12	343.8	345.3	344.4	345.9
Right-of-use assets	11	263.6	270.1	263.6	270.1
Investments	13	-	-	5.0	5.0
		622.3	631.0	627.9	636.6
Current assets					
Inventories	15	27.9	22.5	27.9	22.5
Trade and other receivables	16	37.6	39.4	37.6	39.4
Assets held for resale		1.6	-	1.6	-
Current tax	19	0.4	-	0.4	-
Cash and cash equivalents	17	198.6	36.8	198.6	36.8
		266.1	98.7	266.1	98.7
Total assets		888.4	729.7	894.0	735.3
LIABILITIES					
Current liabilities					
Trade and other payables	18	(153.4)	(91.1)	(161.1)	(98.8)
Lease liabilities	11	(49.3)	(48.6)	(49.3)	(48.6)
Provisions	22	(4.2)	(4.4)	(4.2)	(4.4)
		(206.9)	(144.1)	(214.6)	(151.8)
Non-current liabilities					
Other payables	20	(3.2)	(3.7)	(3.2)	(3.7)
Defined benefit pension liability	21	(2.4)	(11.9)	(2.4)	(11.9)
Lease liabilities	11	(233.9)	(243.1)	(233.9)	(243.1)
Deferred tax liability	14	(10.0)	(2.3)	(9.4)	(1.8)
Long-term provisions	22	(2.8)	(3.0)	(2.8)	(3.0)
		(252.3)	(264.0)	(251.7)	(263.5)
Total liabilities		(459.2)	(408.1)	(466.3)	(415.3)
Net assets		429.2	321.6	427.7	320.0
EQUITY					
Capital and reserves					
Issued capital	23	2.0	2.0	2.0	2.0
Share premium account	23	20.0	15.7	20.0	15.7
Capital redemption reserve	23	0.4	0.4	0.4	0.4
Retained earnings		406.8	303.5	405.3	301.9
Total equity attributable to equity holders of the Parent		429.2	321.6	427.7	320.0

Of the Group profit for the year £117.6 million (2020: loss of £12.9 million) is dealt with in the books of the Parent Company.

The accounts on pages 116 to 167 were approved by the Board of Directors on 8 March 2022 and were signed on its behalf by:

Roger Whiteside

Richard Hutton

Company Registered Number 502851

STATEMENTS OF CHANGES IN EQUITY

FOR THE 52 WEEKS ENDED 1 JANUARY 2022 (2020: 53 WEEKS ENDED 2 JANUARY 2021)

Group

53 weeks ended 2 January 2021

	Note	Attributable to equity holders of the Company				Total £m
		Issued capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	
Balance at 29 December 2019		2.0	13.5	0.4	325.2	341.1
Total comprehensive income for the year						
Loss for the financial year		-	-	-	(13.0)	(13.0)
Other comprehensive income		-	-	-	(9.1)	(9.1)
Total comprehensive income for the year		-	-	-	(22.1)	(22.1)
Transactions with owners, recorded directly in equity						
Issue of ordinary shares		-	2.2	-	-	2.2
Sale of own shares		-	-	-	1.5	1.5
Purchase of own shares		-	-	-	(0.5)	(0.5)
Share-based payment transactions	21	-	-	-	0.9	0.9
Dividends to equity holders	23	-	-	-	-	-
Tax items taken directly to reserves	8	-	-	-	(1.5)	(1.5)
Total transactions with owners		-	2.2	-	0.4	2.6
Balance at 2 January 2021		2.0	15.7	0.4	303.5	321.6

STATEMENTS OF CHANGES IN EQUITY CONTINUED
FOR THE 52 WEEKS ENDED 1 JANUARY 2022 (2020: 53 WEEKS ENDED 2 JANUARY 2021)

Group

52 weeks ended 1 January 2022

	Note	Attributable to equity holders of the Company				Total £m
		Issued capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	
Balance at 3 January 2021		2.0	15.7	0.4	303.5	321.6
Total comprehensive income for the year						
Profit for the financial year		-	-	-	117.5	117.5
Other comprehensive income		-	-	-	5.4	5.4
Total comprehensive income for the year		-	-	-	122.9	122.9
Transactions with owners, recorded directly in equity						
Issue of ordinary shares		-	4.3	-	-	4.3
Sale of own shares		-	-	-	0.3	0.3
Purchase of own shares		-	-	-	(10.0)	(10.0)
Share-based payment transactions	21	-	-	-	2.2	2.2
Dividends to equity holders	23	-	-	-	(15.3)	(15.3)
Tax items taken directly to reserves	8	-	-	-	3.2	3.2
Total transactions with owners		-	4.3	-	(19.6)	(15.3)
Balance at 1 January 2022		2.0	20.0	0.4	406.8	429.2

STATEMENTS OF CHANGES IN EQUITY CONTINUED
FOR THE 52 WEEKS ENDED 1 JANUARY 2022 (2020: 53 WEEKS ENDED 2 JANUARY 2021)

Parent Company

53 weeks ended 2 January 2021

	Note	Attributable to equity holders of the Company				Total £m
		Issued capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	
Balance at 29 December 2019		2.0	13.5	0.4	323.5	339.4
Total comprehensive income for the year						
Loss for the financial year	7	-	-	-	(12.9)	(12.9)
Other comprehensive income		-	-	-	(9.1)	(9.1)
Total comprehensive income for the year		-	-	-	(22.0)	(22.0)
Transactions with owners, recorded directly in equity						
Issue of ordinary shares		-	2.2	-	-	2.2
Sale of own shares		-	-	-	1.5	1.5
Purchase of own shares		-	-	-	(0.5)	(0.5)
Share-based payment transactions	21	-	-	-	0.9	0.9
Dividends to equity holders	23	-	-	-	-	-
Tax items taken directly to reserves	8	-	-	-	(1.5)	(1.5)
Total transactions with owners		-	2.2	-	0.4	2.6
Balance at 2 January 2021		2.0	15.7	0.4	301.9	320.0

STATEMENTS OF CHANGES IN EQUITY CONTINUED
FOR THE 52 WEEKS ENDED 1 JANUARY 2022 (2020: 53 WEEKS ENDED 2 JANUARY 2021)

Parent Company

52 weeks ended 1 January 2022

	Note	Attributable to equity holders of the Company				Total £m
		Issued capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	
Balance at 3 January 2021		2.0	15.7	0.4	301.9	320.0
Total comprehensive income for the year						
Profit for the financial year	7	-	-	-	117.6	117.6
Other comprehensive income		-	-	-	5.4	5.4
Total comprehensive income for the year		-	-	-	123.0	123.0
Transactions with owners, recorded directly in equity						
Issue of ordinary shares		-	4.3	-	-	4.3
Sale of own shares		-	-	-	0.3	0.3
Purchase of own shares		-	-	-	(10.0)	(10.0)
Share-based payment transactions	21	-	-	-	2.2	2.2
Dividends to equity holders	23	-	-	-	(15.3)	(15.3)
Tax items taken directly to reserves	8	-	-	-	3.2	3.2
Total transactions with owners		-	4.3	-	(19.6)	(15.3)
Balance at 1 January 2022		2.0	20.0	0.4	405.3	427.7

STATEMENTS OF CASHFLOWS

FOR THE 52 WEEKS ENDED 1 JANUARY 2022 (2020: 53 WEEKS ENDED 2 JANUARY 2021)

	Note	Group		Parent Company	
		2021 £m	2020 Restated (see page 125) £m	2021 £m	2020 Restated (see page 125) £m
Operating activities					
Cash generated from operations (see page 123)		312.1	61.6	312.1	61.6
Income tax paid		(19.2)	(10.7)	(19.2)	(10.7)
Interest paid on lease liabilities	6	(6.3)	(6.5)	(6.3)	(6.5)
Interest paid on borrowings and other related charges	6	(1.1)	(0.8)	(1.1)	(0.8)
Net cash inflow from operating activities		285.5	43.6	285.5	43.6
Investing activities					
Acquisition of property, plant and equipment		(50.5)	(58.8)	(50.5)	(58.8)
Acquisition of intangible assets		(3.8)	(2.8)	(3.8)	(2.8)
Proceeds from sale of property, plant and equipment		0.3	1.8	0.3	1.8
Interest received	6	-	0.6	-	0.6
Net cash outflow from investing activities		(54.0)	(59.2)	(54.0)	(59.2)
Financing activities					
Proceeds from issue of share capital		4.3	2.2	4.3	2.2
Sale of own shares		0.3	1.5	0.3	1.5
Purchase of own shares		(10.0)	(0.5)	(10.0)	(0.5)
Proceeds from loans and borrowings		-	150.0	-	150.0
Dividends paid		(15.3)	-	(15.3)	-
Repayment of loans and borrowings		-	(150.0)	-	(150.0)
Repayment of principal on lease liabilities		(49.0)	(42.1)	(49.0)	(42.1)
Net cash outflow from financing activities		(69.7)	(38.9)	(69.7)	(38.9)
Net increase/(decrease) in cash and cash equivalents		161.8	(54.5)	161.8	(54.5)
Cash and cash equivalents at the start of the year	17	36.8	91.3	36.8	91.3
Cash and cash equivalents at the end of the year	17	198.6	36.8	198.6	36.8

STATEMENTS OF CASHFLOWS CONTINUED
FOR THE 52 WEEKS ENDED 1 JANUARY 2022 (2020: 53 WEEKS ENDED 2 JANUARY 2021)

Cash flow statement – cash generated from operations

	Note	Group		Parent Company	
		2021 £m	2020 £m	2021 £m	2020 £m
Profit/(loss) for the financial year		117.5	(13.0)	117.6	(12.9)
Amortisation	10	4.5	4.0	4.5	4.0
Depreciation – property, plant and equipment	12	54.2	56.9	54.2	56.9
Depreciation – right-of-use assets	11	48.7	51.9	48.7	51.9
Net impairment (reversal)/charge – property, plant and equipment	12	(1.9)	5.2	(1.9)	5.2
Net impairment (reversal)/charge – right-of-use assets		(1.6)	8.8	(1.6)	8.8
Loss on sale of property, plant and equipment		0.9	0.5	0.9	0.5
Release of Government grants		(0.5)	(0.5)	(0.5)	(0.5)
Share-based payment expenses	21	2.2	0.9	2.2	0.9
Finance expense	6	7.6	6.7	7.6	6.7
Income tax expense	8	28.1	(0.7)	28.0	(0.8)
(Increase)/decrease in inventories		(5.4)	1.4	(5.4)	1.4
Decrease/(increase) in receivables		1.8	(12.3)	1.8	(12.3)
Increase/(decrease) in payables		58.9	(48.2)	58.9	(48.2)
Decrease in provisions		(0.4)	-	(0.4)	-
Decrease in pension liability	21	(2.5)	-	(2.5)	-
Cash from operating activities		312.1	61.6	312.1	61.6

NOTES TO THE CONSOLIDATED ACCOUNTS

Significant accounting policies

Greggs plc (the 'Company') is a company incorporated and domiciled in the UK. The Group accounts consolidate those of the Company and its subsidiaries (together referred to as the 'Group'). The results of the associate are not consolidated on the grounds of materiality. The Parent Company accounts present information about the Company as a separate entity and not about its Group.

The accounts were authorised for issue by the Directors on 8 March 2022.

(a) Statement of compliance

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. The Group and Parent Company transitioned to UK-adopted International Accounting Standards on 1 January 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 Group and Parent Company accounts 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.

(b) Basis of preparation

The accounts are presented in pounds sterling, rounded to the nearest £0.1 million, and are prepared on the historical cost basis except the defined benefit pension asset/liability, which is recognised as the fair value of the plan assets less the present value of the defined benefit obligation.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report and strategic report on pages 1 to 107. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review on page 55 to 58. In addition, Note 2 to the accounts includes: the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The accounting policies set out below have been applied consistently throughout the Group and to all years presented in these consolidated accounts except if mentioned otherwise. From 3 January 2021 the following amendments were adopted by the Group:

- Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16: Interest Rate Benchmark Reform – Phase 2.

Their adoption did not have a material effect on the accounts.

Significant accounting policies continued

(b) Basis of preparation continued

Restatement of comparatives

Due to a drafting error in the preparation of the accounts for the 53 weeks ended 2 January 2021 the figures in the cash flow statement for the proceeds from and the repayment of loans and borrowings were incorrectly stated as £100.0 million. These figures should have been stated as £150.0 million. The comparative financial information within financing activities for the 53 weeks ended 2 January 2021 has been restated. The restatement does not impact upon the overall cash outflow from financing activities or on the net decrease in cash and cash equivalents for the 53 weeks ended 2 January 2021 as previously presented.

Going concern

The Directors have considered the adoption of the going concern basis of preparation for these accounts in the context of recent trading performance, the impact of the latest variant of Covid-19 and the trading outlook of the Group. At the end of the reporting period the Group had available liquidity totalling £268.6 million, comprised of cash and cash equivalents of £198.6 million plus an undrawn revolving credit facility (RCF) (which is committed to December 2024) of £70.0 million. The RCF includes financial covenants the Group must comply with related to maximum leverage and a minimum fixed charge cover. How these covenants are measured and the required ratios are set out in Note 2.

The RCF was originally put in place in December 2020 to provide liquidity, specifically in the event of further lockdowns due to the Covid-19 pandemic. Performance has recovered through 2021 and the Group has not needed to utilise the RCF at any point.

The Directors have reviewed cash flow forecasts prepared for the period up to December 2023 as well as covenant compliance for that period. In reviewing the cash flow forecasts the Directors considered the current trading performance of the Group and the likely capital expenditure and working capital requirements of its growth plans. The main uncertainty for the review period is the possibility of further lockdowns that would limit or prevent the business from trading. Should such scenarios arise the Directors consider that the RCF provides significant additional liquidity based on their experience through the pandemic. The Directors consider the likelihood of a complete closure scenario to be remote given the widespread vaccination programme and the demonstrated ability of the sector to operate successfully in a Covid-secure environment.

After reviewing these cash flow forecasts and considering the continued uncertainties and mitigating actions that can be taken, the Directors believe that it is appropriate to prepare the accounts on a going concern basis. After making enquiries, the Directors are confident that the Company and the Group will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the accounts. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Significant accounting policies continued

(b) Basis of preparation continued

Key estimates and judgements

The preparation of financial information in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

Impairment

Property, plant and equipment and right-of-use assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. For example, shop fittings and right-of-use assets may be impaired if sales in that shop fall. When a review for impairment is conducted the recoverable amount is estimated based on either value-in-use calculations or fair value less costs of disposal. Value-in-use calculations are based on management's estimates of future cash flows generated by the assets and an appropriate discount rate. Consideration is also given to whether the impairment assessments made in prior years remain appropriate based on the latest expectations in respect of recoverable amount. Where it is concluded that the impairment has reduced, a reversal of the impairment is recorded.

The Covid-19 crisis meant that during 2020 all shops had periods of no, or reduced, sales and was deemed to be an impairment trigger and as a result assets in company-managed shops were tested for impairment. Sales have recovered during 2021 but in some locations the level of sales is still below the 2019 level. As recovery from the pandemic continues, there remains inherent uncertainty in the rate of sales growth along with cost pressures from increasing inflation.

As a result, an impairment review was carried out for the company-managed shop estate using the following assumptions:

- Shops have been categorised into different catchment areas (e.g., city centres, transport hubs) and assumptions made on the rate of like-for-like sales recovery for each catchment;
- Like-for-like sales have been assumed to grow from December 2021 levels to a level equivalent to the pre-Covid-19 levels (on average across the estate) by the end of 2022 (excluding the incremental impact of delivery). Like-for-like sales for the period 2023 to 2026 are then assumed to grow by an average of 3% per annum;
- Where shops are currently used to fulfil orders for delivery, or are planned to offer delivery in 2022, the net cash flows for fulfilling these orders are included within the estimated cash flows for the shop;
- Earnings before interest, tax, depreciation, amortisation and rent (EBITDAR) is used as a proxy for net cash flow excluding rental payments;
- The discount rate is based on the Group's weighted average cost of capital (WACC) with an uplift for risk in the current environment and at 1 January 2022 was 6.9% (2 January 2021: 6.7%); and
- Consideration of the appropriate period over which to forecast cash flows, including reference to the lease term. Where considered appropriate cashflows have been included for periods beyond the lease probable end date (to a maximum of five years in accordance with IAS 36).

Significant accounting policies continued

(b) Basis of preparation continued

Key estimates and judgements continued

On the basis of these calculations and given the improved outlook, a net impairment release of £2.2 million has been recognised during the current year (of which £0.6 million relates to fixtures and fittings and £1.6 million relates to right-of-use assets) resulting in an impairment provision of £4.9 million being retained at 1 January 2022 in respect of 59 shops (of which £1.6 million relates to fixtures and fittings and £3.3 million relates to right-of-use assets).

Given the uncertainties of the current trading environment, the sensitivities of these assumptions on the impairment calculation have been tested:

- A 1% increase in the discount rate would result in an increased impairment of £0.3 million, with the same number of shops impaired.
A 1% decrease in the discount rate would result in a reduced impairment of £0.4 million, with one fewer shop impaired.
- A 5% increase in the sales recovery assumption (per annum) would result in a reduced impairment of £1.6 million with 15 fewer shops impaired.
A 5% decrease in the sales recovery assumption would result in an increased provision of £2.1 million with an additional 11 shops impaired.

In addition to the impairment movements resulting from the review of company-managed shops noted above a further £1.3 million has been released to the income statement in 2021 in respect of land and bakery plant and machinery which is no longer considered to be impaired.

Determining the rate used to discount lease payments

At the commencement date of property leases the lease liability is calculated by discounting the lease payments. The discount rate used should be the interest rate implicit in the lease. However, if that rate cannot be readily determined, which is generally the case for property leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. As the Group had no suitable external borrowings from which to determine that rate, judgement is required to determine the incremental borrowing rate to be used. At the start of each month a risk-free rate is obtained, linked to the length of the lease and an adjustment is then made to reflect credit risk. During the year discount rates in the range 1.5% to 2.5% were used. For the lease liabilities at 1 January 2022 a 0.1% change in the discount rate used for each lease would have adjusted the total liabilities by £1.2 million.

Determining the lease term of property leases

At the commencement date of property leases the Group normally determines the lease term to be the full term of the lease, assuming that any option to break or extend the lease is unlikely to be exercised and it is not reasonably certain that the Group will continue in occupation for any period beyond the lease term. Leases are regularly reviewed and will be revalued if it becomes reasonably certain that a break clause or option to extend the lease will be exercised.

Significant accounting policies continued

(b) Basis of preparation continued

Key estimates and judgements continued

The leases typically run for a period of ten or 15 years. In England and Wales, the majority of the Group's property leases are protected by the Landlord and Tenant Act 1954 ('LTA') which affords protection to the lessee at the end of an existing lease term.

Judgement is required in respect of those property leases where the current lease term had expired but the Group had not yet renewed the lease. Where the Group believes renewal to be reasonably certain and the lease is protected by the LTA it will be treated as having been renewed at the date of termination of the previous lease term and on the same terms as the previous lease. Where renewal is not considered to be reasonably certain the leases are included with a lease term which reflects the anticipated notice period under relevant legislation. The lease will be revalued when it is renewed to take account of the new terms. As at 1 January 2022 the financial effect of applying this judgement was an increase in recognised lease liabilities of £41.7 million (2020: £31.9 million).

In addition, where a shop is refurbished within two years of the contractual lease end date and the Group therefore expects to renew the lease, the lease liability is revised to reflect an additional lease term. The impact of this judgement as at 1 January 2022 is an additional lease liability of £7.7 million.

Post-retirement benefits

The determination of the defined benefit obligation of the Group's defined benefit pension scheme depends on the selection of certain assumptions with significant estimation uncertainty including the discount rate, inflation rate, mortality rates and commutation. Differences arising from actual experience or future changes in assumptions will be reflected in future years. The key assumptions, sensitivities and carrying amounts for 2021 are given in Note 21.

(c) Basis of consolidation

The consolidated accounts include the results of Greggs plc and its subsidiary undertakings for the 52 weeks ended 1 January 2022. The comparative period is the 53 weeks ended 2 January 2021.

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The accounts of subsidiaries are included in the consolidated accounts from the date on which control commences until the date on which control ceases.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds 20-50% of the voting power of another entity unless it can be clearly demonstrated that this is not the case. At the year end the Group has one associate which has not been consolidated on the grounds of materiality (see Note 13).

(iii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated accounts.

Significant accounting policies continued

(d) Exceptional items

Exceptional items are defined as items of income and expenditure which are material and unusual in nature and which are considered to be of such significance that they require separate disclosure on the face of the income statement. Any future movements on items previously classified as exceptional will also be classified as exceptional.

(e) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the income statement.

(f) Intangible assets

The Group's only intangible assets relate to software and the costs of its implementation which are measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the income statement as incurred.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives are five to seven years.

Assets in the course of development are recategorised and amortisation commences when the assets are available for use.

Significant accounting policies continued

(g) Leases

(i) Lease recognition

At inception of a contract the Group assesses whether a contract is or contains a lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

For leases of properties in which the Group is a lessee, it has applied the practical expedient permitted by IFRS 16 and will account for each lease component and any associated non-lease components as a single lease component.

(ii) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated over the shorter of the asset's useful life or the lease term on a straight-line basis. Right-of-use assets are subject to, and reviewed regularly for, impairment. Depreciation on right-of-use assets is included in selling and distribution costs in the income statement.

(iii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or rate. Any variable lease payments that do not depend on an index or rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Generally the Group uses its incremental borrowing rate as the discount rate. When there are no external borrowings, judgement would be required to determine an approximation, calculated based on UK Government gilt rates of an appropriate duration and adjusted by an indicative credit premium.

After the commencement date, the lease liability is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the fixed lease payments. The remeasured lease liability (and corresponding right-of-use asset) is calculated using a revised discount rate, based upon a revised incremental borrowing rate at the time of the change. Interest charges are included in finance costs in the income statement.

(iv) Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery and equipment that have a lease term of less than 12 months and leases of low-value assets. Lease payments relating to short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Significant accounting policies continued

(g) Leases continued

(v) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a shop. For individual shops, up to 100% of lease payments are on the basis of variable payment terms. These payments are recognised in the income statement in the period in which the condition that triggers them occurs. Under existing lease arrangements, where variable payment terms exist, the expected future cash outflow on an annual basis is expected to be immaterial.

(h) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (l)). The cost of self-constructed assets includes the cost of materials and direct labour.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying value of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is provided so as to write off the cost (less residual value) of each item of property, plant and equipment during its expected useful life using the straight-line method over the following periods:

Freehold and long leasehold buildings	20 to 40 years
Short leasehold properties	10 years or length of lease if shorter
Plant and machinery, fixtures and fittings	3 to 10 years

Freehold land is not depreciated.

Depreciation methods, useful lives and residual values (if not insignificant) are reassessed annually.

(iv) Assets in the course of construction

These assets are recategorised and depreciation commences when the assets are available for use.

(i) Investments

Non-current investments comprise investments in subsidiaries and associates which are carried at cost less impairment.

Current investments comprise fixed-term, fixed-rate bank deposits where the term is greater than three months.

Significant accounting policies continued

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories includes expenditure incurred in acquiring the inventories and direct production labour costs.

(k) Cash and cash equivalents

Cash and cash equivalents comprises cash at bank, in hand, debit and credit card receivables and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(l) Impairment

The carrying amounts of the Group and Company's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment reviews are carried out on an individual shop basis.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in prior years are assessed at each reporting date and reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(m) Assets held for sale

Assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group and Company's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Once classified as held for sale assets are no longer depreciated or amortised.

(n) Share capital and reserves

(i) Repurchase of share capital

When share capital recognised as equity is repurchased for cancellation, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity in the capital redemption reserve. Repurchased shares that are held in the employee share ownership plan are classified as treasury shares and are presented as a deduction from total equity.

(ii) Dividends

Dividends are recognised as a liability when the Company has an obligation to pay and the dividend is no longer at the Company's discretion.

(iii) Distributable reserves

All Parent Company retained earnings are distributable and are the only such reserves.

Significant accounting policies continued

(o) Employee share ownership plan

The Group and Parent Company accounts include the assets and related liabilities of the Greggs Employee Benefit Trust ('EBT'). In both the Group and Parent Company accounts the treasury shares held by the EBT are stated at cost and deducted from total equity.

(p) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be measured reliably.

(ii) Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

(iii) Defined benefit pension plans

The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The Company determines the net interest on the net defined benefit asset/liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset/liability.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA, that have maturity dates approximating to the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit pension plans comprise actuarial gains and losses and the return on plan assets (excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit pension plans in employee benefit expenses in the income statement.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in the income statement when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan (net of tax) or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements in accordance with IFRIC 14.

(iv) Share-based payment transactions

The share option programme allows Group employees to acquire shares in the Company. The fair value of share options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date, using an appropriate model, taking into account the terms and conditions upon which the share options were granted, and is spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Significant accounting policies continued

(p) Employee benefits continued

(v) Termination benefits

Termination benefits are expensed at the earlier of the date at which the Group can no longer withdraw the offer of these benefits and the date at which the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date they are discounted.

(q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(ii) Onerous contracts

Provisions for onerous contracts are recognised when the Group believes that the unavoidable costs of meeting the contract obligations exceed the economic benefits expected to be received under the contract. At this point and before a provision is established the Group recognises any impairment loss on the associated assets.

(iii) Dilapidations

The Group provides for property dilapidations, where appropriate, based on the future expected repair costs required to restore the Group's leased buildings to their fair condition at the end of their respective lease terms, where it is considered a reliable estimate can be made.

(r) Revenue

(i) Retail sales

Revenue from the sale of goods is recognised as income on receipt of cash or card payment. Revenue is measured net of discounts, promotions and value added taxation. Revenue from delivery services is included in retail sales and recognised on delivery.

(ii) Franchise sales

Franchise sales are recognised when goods are delivered to franchisees. Additional franchise royalty fee income, generally calculated as a percentage of gross sales income, is recognised in line with the franchisees' product sales in accordance with the relevant agreement. Pre-opening capital fit-out costs are recharged to the franchisee and represent a key performance obligation of the overall franchise sales agreement. These recharges are recognised as income on completion of the related fit-out. Sales are invoiced to franchisees on credit terms of less than three months.

(iii) Wholesale sales

Wholesale sales are recognised when goods are delivered to customers.

Significant accounting policies continued

(r) Revenues continued

(iv) Loyalty programme/gift cards

Amounts received for gift cards or as part of the loyalty programme are deferred. They are recognised as revenue when the Group has fulfilled its obligation to supply products under the terms of the programme or when it is no longer probable that these amounts will be redeemed. Where customers are entitled to a free product after a set number of purchases under the loyalty programme, a proportion of the consideration received is deferred so that the revenue is recognised evenly across all of the linked transactions.

The nature, timing and uncertainty of revenues arising from the above transaction types do not differ significantly from each other.

(s) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is a reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised net of the related expenses in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement over the useful life of the asset.

(t) Finance income and expense

Interest income or expense is recognised using the effective interest method.

(u) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any. Taxable profit differs from profit as reported in the income statement because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used in the calculation of taxable profit. It is accounted for using the balance sheet liability method. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates that are expected to apply when the temporary differences reverse, based on rates enacted or substantively enacted at the balance sheet date. When the recovery of the carrying amount of an asset gives rise to multiple tax consequences which are not subject to the same income tax laws, separate temporary differences are identified, and the deferred tax on these is accounted for separately, including assessment of the recoverability of any deferred tax assets that arise.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

Significant accounting policies continued

(u) Income tax continued

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related deferred tax benefit will be realised.

(v) Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

(w) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

(x) Research and development

The Company continuously strives to improve its products and processes through technical and other innovation. Such expenditure is typically expensed to the income statement when the related intellectual property is not capable of being formalised or capitalised within intangible assets.

(y) IFRSs available for early adoption not yet applied

The following amendments to standards which will be relevant to the Group were available for early adoption but have not been applied in these accounts:

- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use (effective 1 January 2022);
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract (effective 1 January 2022); and
- Annual Improvements 2018-2020 (effective 1 January 2022).

Their adoption is not expected to have a material effect on the accounts.

1. Segmental analysis

The Board is considered to be the 'chief operating decision maker' of the Group in the context of the IFRS 8 definition. In addition to its company-managed retail activities, the Group generates revenues from its business to business channel which includes franchise and wholesale activities. Both channels were categorised as reportable segments for the purposes of IFRS 8.

Company-managed retail activities – the Group sells a consistent range of fresh bakery goods, sandwiches and drinks in its own shops or via delivery. Sales are made to the general public on a cash basis. All results arise in the UK.

Business to business channel – the Group sells products to franchise and wholesale partners for sale in their own outlets as well as charging a licence fee to franchise partners. These sales and fees are invoiced to the partners on a credit basis. All results arise in the UK.

All revenue in 2021 and 2020 was recognised at a point in time.

In 2021 the Board has regularly reviewed the revenues and trading profit of each segment. During 2020 the Board regularly reviewed the revenues of each segment. However, a review of the trading profit for each segment was not possible during 2020 as there was no basis on which meaningfully to allocate costs during the period when company-managed shops were closed. The Board receives information on overheads, assets and liabilities on an aggregated basis consistent with the Group accounts.

	2021 Retail company- managed shops £m	2021 Business to business £m	2021 Total £m	2020 Retail company- managed shops £m	2020 Business to business £m	2020 Total £m
Revenue	1,098.2	131.5	1,229.7	715.3	96.0	811.3
Trading profit*	207.1	28.5	235.6	-	-	66.4
Overheads including profit share			(82.4)			(73.4)
Operating profit/(loss)			153.2			(7.0)
Finance expense			(7.6)			(6.7)
Profit/(loss) before tax			145.6			(13.7)

* trading profit is defined as gross profit less supply chain costs and retail costs (including property costs) and before central overheads

2. Financial risk management

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Retail sales represent a large proportion of the Group's sales and present no credit risk as they are made for cash or card payments. The Group does offer credit terms on sales to its wholesale and franchise customers. In such cases the Group operates effective credit control procedures in order to minimise exposure to overdue debts.

Counterparty risk is also considered low. All of the Group's surplus cash is held with highly-rated banks, in line with Group policy. Other receivables generally relate to VAT and other sundry balances due from third parties. Credit risk is considered low as amounts are generally recoverable within 30-day terms.

2. Financial risk management continued

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group usually operates with net current liabilities and is therefore reliant on the continued strong performance of the retail portfolio to meet its short-term liabilities. Short and medium-term cash forecasting is used to manage liquidity risk. These forecasts are used to ensure the Group has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

During 2020 the Group arranged a £100 million syndicated revolving credit facility with maturity in December 2023. During 2021 the Group exercised an option to extend the maturity by one year to December 2024. There is a further option available for another one-year extension. This facility was undrawn at 1 January 2022 (2020: undrawn). The covenants comprise: leverage (calculated as the ratio of net borrowings to EBITDA) does not exceed 3:1; and fixed charge cover (calculated as the ratio of EBITDA to net rent and interest payable) cannot be below 1.75:1.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Other than for pension scheme assets market risk is not significant and therefore sensitivity analysis would not be meaningful. Sensitivity analysis for pension scheme assets is given in Note 21.

Currency risk

The Group has no regular material transactions in foreign currency although there are occasional purchases, mainly of capital items, denominated in foreign currency. Whilst certain costs such as electricity and wheat can be influenced by movements in the US dollar, actual contracts are priced in sterling. In respect of those key costs which are volatile, such as electricity and flour, the price may be fixed for a period of time in line with Group policy. All such contracts are for the Group's own expected usage.

Interest rate risk

Interest rate risk is the risk that the interbank offered rates increase causing finance costs to increase. The Group's interest rate risk arises from its revolving credit facility. Whilst the facility remains undrawn increases in the interest rate will not impact on finance costs.

Equity price risk

The Group has no significant equity investments other than its subsidiaries and associate. As disclosed in Note 21 the Group's defined benefit pension scheme has investments in equity-related funds.

Capital management

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products and delivering services commensurate with the level of risk.

2. Financial risk management continued

Capital management continued

To meet these objectives the Group reviews the budgets and forecasts on a regular basis to ensure there is sufficient capital to meet the needs of the Group through to profitability and positive cashflow.

The capital structure of the Group consists of shareholders' equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources and borrowings.

The Board reserves the option to purchase its own shares in the market dependent on market prices and surplus cash levels. The trustees of the Greggs Employee Benefit Trust also purchase shares for future satisfaction of employee share options.

Financial instruments

Group and Parent Company

All of the Group's surplus cash or cash equivalents is invested as cash placed on deposit or fixed-term deposits.

The Group's treasury policy has as its principal objective the achievement of the maximum rate of return on cash balances whilst maintaining an acceptable level of risk. Other than mentioned below there are no financial instruments, derivatives or commodity contracts used.

Financial assets and liabilities

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's main financial assets comprise cash and cash equivalents and fixed-term deposits. Other financial assets include trade and other receivables arising from the Group's activities. These financial assets all meet the conditions to be recognised at amortised cost.

Other than trade and other payables and lease liabilities, the Group had no financial liabilities as at 1 January 2022 (2020: £nil).

Fair values

The fair value of the Group's financial assets and liabilities is not materially different from their carrying values. Financial assets and liabilities comprise principally of trade and other receivables and trade and other payables and the only interest-bearing balances are the bank deposits and borrowings which attract interest at variable rates.

Interest rate, credit and foreign currency risk

The Group has not entered into any hedging transactions during the current and prior year and considers interest rate, credit and foreign currency risks not to be significant.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

3. Profit/(loss) before tax

Profit/(loss) before tax is stated after charging/(crediting):

	2021 £m	2020 £m
Amortisation of intangible assets	4.5	4.0
Depreciation of owned property, plant and equipment	54.2	56.9
Depreciation of right-of-use assets	48.7	51.9
Net impairment of owned property, plant and equipment	(1.9)	5.2
Net impairment of right-of-use assets	(1.6)	8.8
Loss on disposal of property, plant and equipment	0.9	0.5
Release of Government grants	(0.5)	(0.5)

Auditor's remuneration for the audit of these accounts amounted to £250,000 (2020: £193,000) and for other assurance services £nil (2020: £15,000). Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's accounts, have not been disclosed as the information is required instead to be presented on a consolidated basis.

During 2020 the Group received £87 million under the Coronavirus Job Retention Scheme ('CJRS') to support employment. This was credited to the income statement to offset the related employment costs. During 2021 the Group received £4.9 million under this scheme. In early July 2021 this amount was repaid in light of improved performance and trading outlook of our shops and a corresponding charge recognised in the income statement.

During 2021 an income statement saving of £14.9 million (2020: £18.8 million) was made following the suspension of business rates until April 2021.

4. Exceptional items

	2021 £m	2020 £m
Cost of sales		
Supply chain restructuring		
- redundancy	-	0.1
- transfer of operations	-	0.7
Total exceptional items	-	0.8

Supply chain restructuring

This charge arose from the decisions, announced in 2016 and 2017, to invest in and reshape the Company's supply chain in order to support future growth. In 2020 the costs related to accelerated depreciation and the expenses incurred as a result of further consolidation of manufacturing into dedicated centres of excellence, including additional running costs. This programme of investment was completed in 2021.

5. Personnel expenses

The average number of persons employed by the Group and Parent Company (including Directors) during the year was as follows:

	2021 Number	2020 Number
Management	601	681
Administration	353	361
Production	2,935	3,026
Shop	18,994	20,276
	22,883	24,344

The aggregate costs of these persons were as follows:

	Note	2021 £m	2020 £m
Wages and salaries		378.0	363.5
Compulsory social security contributions		25.0	26.2
Pension costs – defined benefit plan	21	–	–
Pension costs – defined contribution plans	21	22.4	24.9
Equity-settled transactions (including employer's NI costs)	21	3.8	0.2
		429.2	414.8

In addition to wages and salaries, the total amount accrued under the Group's employee profit sharing scheme is contained within the main cost categories as follows:

	2021 £m	2020 £m
Cost of sales	4.3	–
Distribution and selling costs	10.3	–
Administrative expense	2.0	–
Amount shared with employees	16.6	–
Compulsory social security contributions	2.1	–
	18.7	–

For the purposes of IAS 24 'Related Party Disclosures', key management personnel comprises the Directors and the members of the Operating Board and their remuneration was as follows:

	2021 £m	2020 £m
Salaries and fees	3.4	2.7
Taxable benefits	0.1	0.1
Annual bonus (including profit share)	2.4	–
Post-retirement benefits	0.3	0.3
Equity-settled transactions	0.9	0.2
	7.1	3.3

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

5. Personnel expenses (continued)

The following amounts are disclosed in accordance with Schedule 5 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008.

	2021 £m	2020 £m
Aggregate Directors' remuneration	2.5	1.4
Aggregate amount of gains on exercise of share options	2.0	-
	4.5	1.4

The 2020 figures have been updated to recognise bonus costs on an accruals basis rather than a cash basis.

The number of Directors in the defined contribution pension scheme and in the defined benefit pension scheme during the year was one (2020: one).

6. Finance expense (net)

	Note	2021 £m	2020 £m
Interest income on cash balances		-	0.4
Interest expense on borrowings and other related charges		(1.1)	(0.8)
Foreign exchange (loss)/gain		(0.1)	0.2
Interest on lease liabilities		(6.3)	(6.5)
Net interest related to defined benefit pension obligation	21	(0.1)	-
		(7.6)	(6.7)

7. Profit attributable to Greggs plc

Of the Group profit for the year, £117.6 million (2020: £12.9 million loss) is dealt with in the accounts of the Parent Company. The Company has taken advantage of the exemption permitted by s408 of the Companies Act 2006 from presenting its own income statement.

8. Income tax expense

Recognised in the income statement

	2021 £m	2020 £m
Current tax		
Current year	19.1	(0.6)
Adjustment for prior years	(0.2)	(0.6)
	18.9	(1.2)
Deferred tax		
Origination and reversal of temporary differences	10.2	0.4
Adjustment for prior years	(1.0)	0.1
	9.2	0.5
Total income tax expense in income statement	28.1	(0.7)

8. Income tax expense continued

Reconciliation of effective tax rate

The tables below explain the differences between the expected tax expense calculated at the UK statutory rate of 19% (2020: 19%) and the actual tax expense for each year.

	2021	2021 £m	2020	2020 £m
Profit/(loss) before tax		145.6		(13.7)
Income tax using the domestic corporation tax rate	19.00%	27.7	19.00%	(2.6)
Items not (taxable)/deductible for tax purposes	(1.97%)	(2.8)	(2.35%)	0.3
Non-tax-deductible depreciation	0.72%	1.0	(9.39%)	1.3
Impairment of non-tax-deductible assets	(0.15%)	(0.2)	(0.99%)	0.1
Impact of increase in deferred tax rate	2.51%	3.6	(4.92%)	0.7
Adjustment for prior years	(0.79%)	(1.2)	3.49%	(0.5)
Total income tax expense in income statement	19.32%	28.1	5.23%	(0.7)

Legislation to increase the rate of Corporation tax to 25% from 1 April 2023 was substantively enacted on 24 May 2021. The 25% rate has therefore been applied to any timing differences that are expected to reverse on or after 1 April 2023 whilst a rate of 19% has been applied to those timing differences expected to reverse before 1 April 2023.

Tax recognised in other comprehensive income or directly in equity

	2021 Current tax £m	2021 Deferred tax £m	2021 Total £m	2020 Total £m
Debit/(credit)				
Relating to equity-settled transactions	-	(3.2)	(3.2)	1.5
Relating to defined benefit pension plans - remeasurement gains/(losses)	-	1.7	1.7	(2.1)
	-	(1.5)	(1.5)	(0.6)

The deferred tax movements in both the current and prior years relating to equity-settled transactions are in respect of share-based payments and arise as a result of fluctuations in share price in the year and the stage of maturity of existing schemes together with the revaluation impact of the deferred tax previously recognised directly in equity.

The deferred tax movements in both the current and prior years relating to defined benefit pension plans are in respect of plan remeasurements accounted for in other comprehensive income together with the revaluation impact of the deferred tax previously recognised directly in equity.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

9. Earnings per share

Basic earnings/(loss) per share

Basic earnings per share for the 52 weeks ended 1 January 2022 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the 52 weeks ended 1 January 2022 as calculated below.

Diluted earnings/(loss) per share

Diluted earnings per share for the 52 weeks ended 1 January 2022 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares, adjusted for the effects of all dilutive potential ordinary shares (which comprise share options granted to employees) in issue during the 52 weeks ended 1 January 2022 as calculated below.

Potential ordinary shares can only be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share. As the Group recognised a loss for the 53 weeks ended 2 January 2021, none of the potential ordinary shares were considered to be dilutive for that period.

Profit/(loss) attributable to ordinary shareholders

	2021 £m	2020 £m
Profit/(loss) for the financial year attributable to equity holders of the Parent	117.5	(13.0)
Basic earnings/(loss) per share	115.7p	(12.9p)
Diluted earnings/(loss) per share	114.3p	(12.9p)

Weighted average number of ordinary shares

	2021 Number	2020 Number
Issued ordinary shares at start of year	101,426,038	101,155,901
Effect of own shares held	(221,851)	(302,104)
Effect of shares issued	284,386	113,334
Weighted average number of ordinary shares during the year	101,488,573	100,967,131
Effect of share options in issue	1,261,311	-
Weighted average number of ordinary shares (diluted) during the year	102,749,884	100,967,131

10. Intangible assets**Group and Parent Company**

	Software £m	Assets under development £m	Total £m
Cost			
Balance at 29 December 2019	28.9	1.5	30.4
Additions	2.7	0.1	2.8
Transfers	1.5	(1.5)	-
Balance at 2 January 2021	33.1	0.1	33.2
Balance at 3 January 2021	33.1	0.1	33.2
Additions	3.1	0.7	3.8
Transfers	0.1	(0.1)	-
Balance at 1 January 2022	36.3	0.7	37.0
Amortisation			
Balance at 29 December 2019	13.6	-	13.6
Amortisation charge for the year	4.0	-	4.0
Balance at 2 January 2021	17.6	-	17.6
Balance at 3 January 2021	17.6	-	17.6
Amortisation charge for the year	4.5	-	4.5
Balance at 1 January 2022	22.1	-	22.1
Carrying amounts			
At 29 December 2019	15.3	1.5	16.8
At 2 January 2021	15.5	0.1	15.6
At 3 January 2021	15.5	0.1	15.6
At 1 January 2022	14.2	0.7	14.9

All amortisation is charged to administrative expenses in the income statement

Assets under development relate to software projects arising from the investment in new systems platforms

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

11. Leases

Amounts recognised in the balance sheets

The balance sheets show the following amounts relating to leases:

Group and Parent Company

	2021 £m	2020 £m
Right-of-use assets		
Land and buildings	260.4	267.8
Plant and equipment	3.2	2.3
	263.6	270.1
	2021 £m	2020 £m
Lease liabilities		
Current	49.3	48.6
Non-current	233.9	243.1
	283.2	291.7

The remaining maturities of the lease liabilities, which are gross and undiscounted, are as follows:

	2021 £m	2020 £m
Less than one year	53.0	54.4
One to two years	47.1	49.3
Two to three years	43.1	43.6
Three to four years	38.3	39.2
Four to five years	31.0	34.1
More than five years	92.6	94.9
Total undiscounted lease liability	305.1	315.5

Additions to right-of-use assets during the 52 weeks ended 1 January 2022 as a result of entering into new leases (either as a result of acquiring new shops or completing a lease renewal for an existing shop) were £49.6 million (2020: 26.2 million).

A further net decrease of £9.1 million to right-of-use assets has also been recognised during the 52 weeks ended 1 January 2022 as a result of lease modifications and assumptions relating to lease term once a lease has become expired (2020: increase of £31.9 million).

11. Leases continued

Amounts recognised in the income statement

	2021 £m	2020 £m
Depreciation charge on right-of-use assets		
Land and buildings	47.7	50.2
Plant and equipment	1.0	1.7
	48.7	51.9
Impairment (reversal)/charge	(1.6)	8.8
Interest expense (included in finance cost)	6.3	6.5
Expense included for short-term leases (included in cost of sales and administrative expenses)	0.1	0.2
Expense related to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	0.1	0.2
Expense related to variable lease payments not included in lease liabilities (included in distribution and selling costs)	2.1	0.6

The impairment (reversal)/charge is (credited)/charged to distribution and selling costs in the income statement and arises due to changes in the trading performance of the shops.

The total cash outflow for leases in 2021 was £55.3 million (2020: £48.6 million).

The components of the movement in the total lease liability were as follows:

	2021 £m
Opening total liability	291.7
Additions in respect of new leases	49.6
Lease modifications	(9.1)
Interest on lease liabilities	6.3
Rental payments	(55.3)
Closing total liability	283.2

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

12. Property, plant and equipment

Group	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost					
Balance at 29 December 2019	166.3	168.6	337.8	5.9	678.6
Additions	3.3	10.1	19.6	22.9	55.9
Disposals	(0.7)	(8.1)	(8.7)	-	(17.5)
Transfers	-	1.9	-	(1.9)	-
Balance at 2 January 2021	168.9	172.5	348.7	26.9	717.0
Balance at 3 January 2021	168.9	172.5	348.7	26.9	717.0
Additions	4.5	14.9	31.4	2.8	53.6
Disposals	(0.5)	(11.5)	(16.3)	-	(28.3)
Transfers	19.6	7.3	-	(26.9)	-
Reclassified as held for sale	(1.8)	-	-	-	(1.8)
Balance at 1 January 2022	190.7	183.2	363.8	2.8	740.5
Depreciation					
Balance at 29 December 2019	48.2	89.3	187.4	-	324.9
Depreciation charge for the year	4.9	14.3	37.6	-	56.8
Impairment charge for the year	-	-	5.9	-	5.9
Impairment release for the year	-	-	(0.7)	-	(0.7)
Disposals	(0.3)	(7.4)	(7.5)	-	(15.2)
Balance at 2 January 2021	52.8	96.2	222.7	-	371.7
Balance at 3 January 2021	52.8	96.2	222.7	-	371.7
Depreciation charge for the year	5.5	15.4	33.3	-	54.2
Impairment charge for the year	-	0.1	0.7	-	0.8
Impairment release for the year	(1.0)	(0.4)	(1.3)	-	(2.7)
Disposals	(0.1)	(11.4)	(15.6)	-	(27.1)
Reclassified as held for sale	(0.2)	-	-	-	(0.2)
Balance at 1 January 2022	57.0	99.9	239.8	-	396.7
Carrying amounts					
At 29 December 2019	118.1	79.3	150.4	5.9	353.7
At 2 January 2021	116.1	76.3	126.0	26.9	345.3
At 3 January 2021	116.1	76.3	126.0	26.9	345.3
At 1 January 2022	133.7	83.3	124.0	2.8	343.8

Assets under construction relate to the building of an automated pizza line at our Enfield bakery.

12. Property, plant and equipment continued

Assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable and provision is made where necessary. The method and assumptions used in these calculations, together with the associated sensitivities and reasons for impairment, are set out in the basis of preparation – key estimates and judgements on pages 126 and 127. Any impairment charge/(reversal) is charged/(credited) to distribution and selling costs in the income statement.

During 2018, the Company exchanged contracts for the disposal of the vacant Twickenham site. The disposal is conditional on a number of factors, including the applications for and successful grant of planning permission. As at the end of 2021 the timing of the resolution of these factors remains uncertain and therefore this asset continues to be classified as non-current. At this stage the total proceeds arising from supply chain site disposals are still expected to be in line with those anticipated in the investment plan.

During 2021, the Company exchanged contracts for the sale of land held in Southall. The cost and associated depreciation has been reclassified as an asset held for sale in current assets.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

12. Property, plant and equipment continued

Parent Company

	Land and buildings £m	Plant and equipment £m	Fixtures and fittings £m	Assets under construction £m	Total £m
Cost					
Balance at 29 December 2019	166.8	169.1	338.3	5.9	680.1
Additions	3.3	10.1	19.6	22.9	55.9
Disposals	(0.7)	(8.1)	(8.7)	-	(17.5)
Transfers	-	1.9	-	(1.9)	-
Balance at 2 January 2021	169.4	173.0	349.2	26.9	718.5
Balance at 3 January 2021	169.4	173.0	349.2	26.9	718.5
Additions	4.5	14.9	31.4	2.8	53.6
Disposals	(0.5)	(11.5)	(16.3)	-	(28.3)
Transfers	19.6	7.3	-	(26.9)	-
Reclassified as held for sale	(1.8)	-	-	-	(1.8)
Balance at 1 January 2022	191.2	183.7	364.3	2.8	742.0
Depreciation					
Balance at 29 December 2019	48.5	89.5	187.8	-	325.8
Depreciation charge for the year	4.9	14.3	37.6	-	56.8
Impairment charge for the year	-	-	5.9	-	5.9
Impairment release for the year	-	-	(0.7)	-	(0.7)
Disposals	(0.3)	(7.4)	(7.5)	-	(15.2)
Balance at 2 January 2021	53.1	96.4	223.1	-	372.6
Balance at 3 January 2021	53.1	96.4	223.1	-	372.6
Depreciation charge for the year	5.5	15.4	33.3	-	54.2
Impairment charge for the year	-	0.1	0.7	-	0.8
Impairment release for the year	(1.0)	(0.4)	(1.3)	-	(2.7)
Disposals	(0.1)	(11.4)	(15.6)	-	(27.1)
Reclassified as held for sale	(0.2)	-	-	-	(0.2)
Balance at 1 January 2022	57.3	100.1	240.2	-	397.6
Carrying amounts					
At 29 December 2019	118.3	79.6	150.5	5.9	354.3
At 2 January 2021	116.3	76.6	126.1	26.9	345.9
At 3 January 2021	116.3	76.6	126.1	26.9	345.9
At 1 January 2022	133.9	83.6	124.1	2.8	344.4

12. Property, plant and equipment (continued)

Land and buildings

The carrying amount of land and buildings comprises:

	Group		Parent Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Freehold property	132.5	114.7	132.7	114.9
Long leasehold property	0.4	0.4	0.4	0.4
Short leasehold property	0.8	1.0	0.8	1.0
	133.7	116.1	133.9	116.3

13. Investments

Non-current investments

Parent Company

	Shares in subsidiary undertakings £m
Cost	
Balance at 29 December 2019, 2 January 2021 and 1 January 2022	5.8
Impairment	
Balance at 29 December 2019, 2 January 2021 and 1 January 2022	0.8
Carrying amount	
Balance at 29 December 2019, 2 January 2021, 3 January 2021 and 1 January 2022	5.0

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

13. Investments continued

The undertakings in which the Company's interest at the year end is more than 20% are as follows:

	Principal activity	Address of registered office	Proportion of voting rights and shares held
Charles Bragg (Bakers) Limited	Non-trading	1	100%
Greggs (Leasing) Limited	Dormant	1	100%
Thurston Parfitt Limited	Non-trading	1	100%
Greggs Properties Limited	Property holding	1	100%
Olivers (U.K.) Limited	Dormant	2	100%
Olivers (U.K.) Development Limited*	Non-trading	2	100%
Birketts Holdings Limited	Dormant	1	100%
J.R. Birkett and Sons Limited*	Non-trading	1	100%
Greggs Trustees Limited	Trustees	1	100%
Solstice Zone A Management Company Limited	Non-trading	3	28%

*held indirectly

1 Greggs House Quorum Business Park, Newcastle upon Tyne NE12 8BU	2 Clydesmill Bakery 75 Westburn Drive Clydesmill Estate Cambuslang Glasgow G72 7NA	3 The Abbey Preston Road, Yeovil Somerset BA20 2EN
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Solstice Zone A Management Company Limited was not consolidated on the grounds of materiality in either the current or prior year.

The Company's subsidiary undertakings listed above were all entitled to exemption, under subsections (1) and (2) of s480 of Companies Act 2006 relating to dormant companies, from the requirement to have their accounts audited.

14. Deferred tax assets and liabilities

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Property, plant and equipment	-	-	(18.5)	(8.3)	(18.5)	(8.3)
Employee benefits	6.6	5.5	-	-	6.6	5.5
Short-term temporary differences	0.6	0.5	-	-	0.6	0.5
Unused tax losses	1.3	-	-	-	1.3	-
Tax assets/(liabilities)	8.5	6.0	(18.5)	(8.3)	(10.0)	(2.3)

14. Deferred tax assets and liabilities continued

Group continued

The Group has a deferred tax asset of £8.5 million relating to buildings which previously qualified for industrial buildings allowance, that is unrecognised at 1 January 2022 as it is not considered to be recoverable (2 January 2021: £5.7 million).

The movements in temporary differences during the 53 weeks ended 2 January 2021 were as follows:

	Balance at 29 December 2019 £m	Recognised in income £m	Recognised in equity £m	Balance at 2 January 2021 £m
Property, plant and equipment	(8.5)	0.2	-	(8.3)
Employee benefits	5.4	(0.5)	0.6	5.5
Short-term temporary differences	0.7	(0.2)	-	0.5
	(2.4)	(0.5)	0.6	(2.3)

The movements in temporary differences during the 52 weeks ended 1 January 2022 were as follows:

	Balance at 3 January 2021 £m	Recognised in income £m	Recognised in equity £m	Balance at 1 January 2022 £m
Property, plant and equipment	(8.3)	(10.2)	-	(18.5)
Employee benefits	5.5	(0.4)	1.5	6.6
Short-term temporary differences	0.5	0.1	-	0.6
Unused tax losses	-	1.3	-	1.3
	(2.3)	(9.2)	1.5	(10.0)

Parent Company

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Property, plant and equipment	-	-	(17.9)	(7.8)	(17.9)	(7.8)
Employee benefits	6.6	5.5	-	-	6.6	5.5
Short-term temporary differences	0.6	0.5	-	-	0.6	0.5
Unused tax losses	1.3	-	-	-	1.3	-
Tax assets/(liabilities)	8.5	6.0	(17.9)	(7.8)	(9.4)	(1.8)

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

14. Deferred tax assets and liabilities continued

Parent Company continued

The movements in temporary differences during the 53 weeks ended 2 January 2021 were as follows:

	Balance at 29 December 2019 £m	Recognised in income £m	Recognised in equity £m	Balance at 2 January 2021 £m
Property, plant and equipment	(8.1)	0.3	-	(7.8)
Employee benefits	5.4	(0.5)	0.6	5.5
Short-term temporary differences	0.7	(0.2)	-	0.5
	(2.0)	(0.4)	0.6	(1.8)

The movements in temporary differences during the 52 weeks ended 1 January 2022 were as follows:

	Balance at 3 January 2021 £m	Recognised in income £m	Recognised in equity £m	Balance at 1 January 2022 £m
Property, plant and equipment	(7.8)	(10.1)	-	(17.9)
Employee benefits	5.5	(0.4)	1.5	6.6
Short-term temporary differences	0.5	0.1	-	0.6
Unused tax losses	-	1.3	-	1.3
	(1.8)	(9.1)	1.5	(9.4)

15. Inventories

	Group and Parent Company	
	2021 £m	2020 £m
Raw materials and consumables	15.8	13.3
Work in progress	12.1	9.2
Total	27.9	22.5

Inventory recognised as an expense during the year was £347.7 million (2020: £231.8 million). The write-down of inventories that was recognised as an expense in the period was £36.0 million (2020: £34.9 million). There was no reversal of write-down of inventories in the current or prior year.

16. Trade and other receivables

	Group and Parent Company	
	2021 £m	2020 £m
Trade receivables	24.5	22.0
Other receivables	7.4	11.4
Prepayments	5.7	6.0
	37.6	39.4

At 1 January 2022 and 2 January 2021 the allowance for bad debts was immaterial. Expected credit losses ('ECLs') on financial assets are not material.

The ageing of trade receivables at the balance sheet date was:

	Group and Parent Company	
	2021 £m	2020 £m
Not past due date	23.1	17.3
Past due 1-30 days	1.5	3.9
Past due 31-90 days	(0.1)	0.7
Past due over 90 days	-	0.1
	24.5	22.0

The Group believes that all amounts that are past due by more than 30 days that have an immaterial allowance for ECLs are still collectable in full based on historic payment behaviour and extensive analysis of customer credit risk. Based on the Group's monitoring of customer credit risk, the Group believes that no significant allowance for ECLs is necessary in respect of trade receivables not past due.

17. Cash and cash equivalents

	Group and Parent Company	
	2021 £m	2020 £m
Cash and cash equivalents	198.6	36.8

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

18. Trade and other payables

	Group		Parent Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Trade payables	74.1	48.8	74.1	48.8
Amounts owed to subsidiary undertakings	-	-	7.7	7.7
Other taxes and social security	8.8	6.8	8.8	6.8
Other payables	46.6	17.4	46.6	17.4
Accruals	19.6	15.1	19.6	15.1
Advance payments from customers	3.8	2.5	3.8	2.5
Deferred Government grants	0.5	0.5	0.5	0.5
	153.4	91.1	161.1	98.8

In 2021 other payables includes accruals of £23.0 million for performance-related remuneration. There were no similar accruals in 2020.

19. Current tax

The current tax asset of £0.4 million in the Group and the Parent Company (2020: Group and Parent Company: £0.0 million) represents the estimated amount of income taxes recoverable in respect of current and prior years.

20. Non-current liabilities – other payables

	Group and Parent Company	
	2021 £m	2020 £m
Deferred Government grants	3.2	3.7

The Group has been awarded five Government grants relating to the extension of existing facilities and construction of new facilities. The grants, which have all been recognised as deferred income, are being amortised over the weighted average of the useful lives of the assets they have been used to acquire.

21. Employee benefits

Defined benefit pension plan

Scheme background

The Company sponsors a funded final salary defined benefit pension plan (the 'scheme') for qualifying employees. The scheme was closed to future accrual in 2008 and all remaining employees who are still members of the scheme are now members of the Company's defined contribution scheme.

The scheme is administered by a separate Board of Trustees which is legally separate from the Company. The Trustees are composed of representatives of both the employer and employees. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day-to-day administration of the benefits.

21. Employee benefits continued

Defined benefit pension plan continued

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the scheme was carried out by a qualified actuary as at 6 April 2020 and showed a deficit. The Company has agreed a schedule of contributions to the scheme which totalled £15.0 million.

The Company has a legal right to benefit from any surplus on the winding up of the scheme. The IAS 19 valuation at 1 January 2022 showed that the scheme has a surplus of £3.0 million. However, this surplus and the future-committed contributions would be subject to withholding tax at 35% prior to any refund to the Company. In accordance with accounting standards this withholding tax has been recognised as a liability and deducted from the valuation surplus creating an overall liability position of £2.4 million.

Profile of the scheme

The defined benefit pension obligation includes benefits for deferred members and current pensioners. At 1 January 2022, the scheme had no active members (2020: nil), 361 deferred members (2020: 380) and 283 pensioners (2020: 272). The scheme duration is an indicator of the weighted average time until benefit payments are made. For the scheme as a whole, the duration is approximately 19 years (2020: 18 years).

Investment strategy

The Company and Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes a policy to hold sufficient cash and bond assets to cover the anticipated benefit payments for at least the next five years so as to improve the cashflow matching of the scheme's assets and liabilities.

Risks to the scheme

By funding the defined benefit pension scheme the Company is exposed to the risk that the cost of meeting its obligations is higher than anticipated. This could occur for several reasons including:

- Investment returns on the scheme assets could be lower than anticipated;
- The level of price inflation may be higher than that assumed, resulting in higher payments from the scheme; or
- Scheme members may live longer than assumed, for example due to advances in healthcare.

Defined benefit pension liability

	Group and Parent Company	
	2021 £m	2020 £m
Defined benefit obligation	(132.5)	(143.4)
Fair value of plan assets	135.5	131.5
Net defined benefit pension surplus/(liability) before IFRIC 14 adjustment	3.0	(11.9)
IFRIC 14 adjustment	(5.4)	-
Net defined benefit pension liability after IFRIC 14 adjustment	(2.4)	(11.9)

In accordance with IFRIC 14, the Group has considered that the net defined benefit pension surplus is limited to the present value of benefits available in the form of any future refunds from the plan (net of withholding tax) and also takes into account the adverse effect of the minimum funding requirement that the Group is committed to as at 1 January 2022.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

21. Employee benefits (continued)

Defined benefit pension plan continued

Liability for defined benefit pension obligations

Changes in the present value of the defined benefit pension obligation are as follows:

	Group and Parent Company	
	2021 £m	2020 £m
Opening defined benefit pension obligation	143.4	127.6
Past service costs	-	0.1
Interest cost	1.8	2.5
Remeasurement (gains)/losses:		
- changes in mortality assumptions	-	1.1
- changes in financial assumptions	(6.6)	19.2
- experience	(2.8)	(3.4)
Benefits paid	(3.3)	(3.7)
Closing defined benefit pension obligation	132.5	143.4

Changes in the fair value of plan assets are as follows:

	Group and Parent Company	
	2021 £m	2020 £m
Opening fair value of plan assets	131.5	127.0
Net interest on plan assets	1.7	2.5
Remeasurement gains	3.1	5.7
Company special contribution	2.5	-
Benefits paid	(3.3)	(3.7)
Closing fair value of plan assets	135.5	131.5

The costs charged in the income statement are as follows:

	Group	
	2021 £m	2020 £m
Interest expense on net defined benefit pension liability	0.1	-

The amounts recognised in other comprehensive income are as follows:

	Group	
	2021 £m	2020 £m
Remeasurement gains/(losses) on defined benefit pension plans	7.1	(11.2)

21. Employee benefits (continued)

Cumulative remeasurement gains and losses reported in the consolidated statement of comprehensive income since 28 December 2003, the transition date to adopted IFRSs, for the Group and the Parent Company are net losses of £24.2 million (2020: net losses of £31.3 million).

The fair value of the plan assets is as follows:

	Group and Parent Company	
	2021 £m	2020 £m
Equities - UK	11.6	21.5
- Overseas	22.6	50.1
Bonds - Corporate	41.0	19.6
- Government	52.1	31.8
Cash and cash equivalents/other	8.2	8.5
	135.5	131.5

Principal actuarial assumptions (expressed as weighted averages):

	Group and Parent Company	
	2021	2020
Discount rate	1.85%	1.25%
Future salary increases	n/a	n/a
Future pension increases	2.05-2.80%	1.80-2.30%
Rate of price inflation (RPI)	3.30%	2.85%
Rate of price inflation (CPI)	2.80%	2.25%

In November 2020 the Government announced that RPI is to be aligned with CPIH (CPI with owner occupiers' costs) from 2030.

As a result the RPI assumption has been updated along with the assumed future gap between RPI and CPI.

21. Employee benefits (continued)

Mortality assumption

Mortality in retirement is assumed to be in line with the S2PXA tables using CMI_2020 projections, though placing no weight on the 2020 data due to the inherent uncertainty over the longer-term implications of Covid-19, and a long-term rate of 1.25% per annum. Under these assumptions, pensioners aged 65 now are expected to live for a further 22.3 years (2020: 22.2 years) if they are male and 24.3 years (2020: 24.2 years) if they are female. Members currently aged 45 are expected to live for a further 23.6 years (2020: 23.6 years) from age 65 if they are male and for a further 25.8 years (2020: 25.7 years) from age 65 if they are female.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Change in assumption	Impact on scheme liabilities
Discount rate	0.1% increase	£2.7 million decrease
Inflation	0.1% decrease	£1.5 million decrease
Mortality rates	1 year increase	£5.3 million increase

If the commutation assumption were to be removed from the valuation the impact would be an increase in the scheme liabilities of £8.0 million.

The other demographic assumptions have been set having regard to latest trends in the scheme.

A triennial valuation of the scheme took place in April 2020 and was finalised during 2021. The outcome of that valuation showed a deficit in funding. This position was considered by the Trustees and the Company and a schedule of additional contributions of £2.5 million per year for six years, beginning in 2021, was agreed. This is to ensure that funding requirements are met over the medium term as the scheme works towards full de-risking.

Defined contribution pension plan

The Company also operates defined contribution pension schemes for other eligible employees. The assets of the schemes are held separately from those of the Group. The pension cost represents contributions payable by the Group and amounted to £22.4 million (2020: £24.9 million) in the year.

21. Employee benefits (continued)

Share-based payments – Group and Parent Company

The Group has established a Savings Related Share Option Scheme, an Executive Share Option Scheme and a Performance Share Plan.

The terms and conditions of the grants for these schemes are as follows, whereby all options are settled by physical delivery of shares:

	Date of grant	Employees entitled	Exercise price	Number of shares granted	Vesting conditions	Contractual life
Performance Share Plan 3	March 2012	Senior executives	£nil	248,922	Three years' service, EPS annual compound growth of 3-8% over RPI over those three years and TSR position relative to an appropriate comparator group	10 years
Executive Share Option Scheme 16	March 2013	Senior employees	£4.80	693,000	Three years' service and EPS growth of 3-7% over RPI on average over those three years	10 years
Performance Share Plan 4	March 2013	Senior executives	£nil	305,592	Three years' service, EPS annual compound growth of 3-8% over RPI over those three years and TSR position relative to an appropriate comparator group	10 years
Performance Share Plan 5	March 2014	Senior executives	£nil	224,599	Three years' service, EPS annual compound growth of 1-4% over RPI over those three years and average annual ROCE of 15.5-17% over those three years	10 years
Executive Share Option Scheme 17	April 2014	Senior employees	£5.00	598,225	Three years' service and EPS growth of 1-4% over RPI on average over those three years	10 years
Executive Share Option Scheme 18	March 2015	Senior employees	£10.22	298,045	Three years' service and EPS growth of 1-7% over RPI on average over those three years	10 years
Executive Share Option Scheme 18a	May 2015	Senior employee	£10.56	3,285	Three years' service and EPS growth of 1-7% over RPI on average over those three years	10 years
Performance Share Plan 6	March 2015	Senior executives	£nil	146,174	Three years' service, EPS annual compound growth of 1-7% over RPI over those three years and average annual ROCE of 19-21.5% over those three years	10 years
Performance Share Plan 7	March 2016	Senior executives	£nil	133,271	Three years' service, EPS average annual growth of 2-8% over RPI over those three years and average annual ROCE of 22-27% over those three years	10 years
Executive Share Option Scheme 19	April 2016	Senior employees	£10.88	235,857	Three years' service and EPS growth of 2-8% over RPI on average over those three years	10 years
Savings-Related Share Option Scheme 17	April 2016	All employees	£8.70	361,853	Three years' service	3.5 years
Performance Share Plan 8	May 2017	Senior executives	£nil	206,404	Three years' service, EPS average annual growth of 5-11% over those three years and average annual ROCE of 23-27% over those three years	10 years
Executive Share Option Scheme 20	April 2017	Senior employees	£10.33	246,219	Three years' service and EPS growth of 5-11% on average over those three years	10 years

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

21. Employee benefits (continued)

	Date of grant	Employees entitled	Exercise price	Number of shares granted	Vesting conditions	Contractual life
Savings-Related Share Option Scheme 18	April 2017	All employees	£8.07	403,560	Three years' service	3.5 years
Performance Share Plan 9	March 2018	Senior executives	£nil	190,943	Three years' service, EPS average annual growth of 5-11% over those three years and average annual ROCE of 25-29% over those three years	10 years
Executive Share Option Scheme 21	March 2018	Senior employees	£11.97	228,923	Three years' service and EPS growth of 5-11% on average over those three years	10 years
Savings-Related Share Option Scheme 19	April 2018	All employees	£9.54	335,482	Three years' service	3.5 years
Performance Share Plan 10	April 2019	Senior executives	£nil	128,534	Three years' service, EPS average annual growth of 5-11% over those three years and average annual ROCE of 24-28% over those three years	10 years
Executive Share Option Scheme 22	April 2019	Senior employees	£18.30	140,913	Three years' service, EPS average annual growth of 5-11% over those three years and average annual ROCE of 24-28% over those three years	10 years
Savings-Related Share Option Scheme 20	April 2019	All employees	£14.84	230,604	Three years' service	3.5 years
Savings-Related Share Option Scheme 21	April 2020	All employees	£14.24	239,673	Three years' service	3.5 years
Performance Share Plan 11	October 2020	Senior executives	£nil	166,366	Three years' service, EPS performance in FY2022, ROCE performance in FY2022 and two strategic objectives	10 years
Executive Share Option Scheme 23	November 2020	Senior employees	£17.20	121,202	Three years' service, EPS performance in FY2022, ROCE performance in FY2022 and two strategic objectives	10 years
Savings-Related Share Option Scheme 22	April 2021	All employees	£16.72	291,979	Three years' service	3.5 years
Performance Share Plan 12	April 2021	Senior executives	£nil	120,022	Three years' service, EPS performance in FY2023, ROCE performance in FY2023	10 years
Performance Share Plan 12 (retained)	April 2021	Senior executives	£nil	29,512	Three years' service	10 years
Executive Share Option Scheme 24	April 2021	Senior employees	£22.63	120,994	Three years' service, EPS performance in FY2023, ROCE performance in FY2023	10 years

21. Employee benefits (continued)

The number and weighted average exercise price of share options is as follows:

	2021		2020	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	£6.07	2,352,967	£7.81	2,342,496
Lapsed during the year	£10.17	(288,469)	£12.03	(87,654)
Exercised during the year	£7.11	(653,904)	£7.03	(429,086)
Granted during the year	£13.55	562,507	£10.43	527,211
Outstanding at the end of the year	£7.15	1,973,101	£6.07	2,352,967
Exercisable at the end of the year	£6.76	527,561	£5.69	721,628

The options outstanding at 1 January 2022 have an exercise price in the range of £nil to £22.63 and have a weighted average contractual life of 5.4 years. The options exercised during the year had a weighted average market value of £23.94 (2020: £17.61).

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model for all Savings-Related Share Option Schemes and Executive Share Option Schemes and for Performance Share Plan options granted from 2014 onwards. The fair value per option granted and the assumptions used in these calculations are as follows:

	2021				2020		
	Performance Share Plan 12 April 2021	Performance Share Plan 12 (retained) April 2021	Executive Share Option Scheme 24 April 2021	Savings-Related Share Option Scheme 22 April 2021	Performance Share Plan 11 October 2020	Executive Share Option Scheme 23 November 2020	Savings-Related Share Option Scheme 21 April 2020
Fair value at grant date	£21.08	£21.08	£6.43	£7.40	£13.25	£4.93	£5.19
Share price	£22.72	£22.72	£22.63	£20.89	£14.07	£17.20	£17.80
Exercise price	£nil	£nil	£22.63	£16.72	£nil	£17.20	£14.24
Expected volatility	49.17%	49.17%	49.17%	49.17%	45.81%	48.43%	38.02%
Option life	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividend yield	2.50%	2.50%	2.50%	2.50%	2.00%	2.00%	2.52%
Risk-free rate	0.15%	0.15%	0.15%	0.15%	(0.05%)	(0.04%)	0.12%

The expected volatility is based on historical volatility, adjusted for any expected changes to future volatility due to publicly available information. The historical volatility is calculated using a weekly rolling share price for the three-year period immediately prior to the option grant date.

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

21. Employee benefits (continued)

The costs charged to the income statement relating to share-based payments were as follows:

	2021 £m	2020 £m
Share options granted in 2017	-	0.2
Share options granted in 2018	(1.0)	(0.2)
Share options granted in 2019	0.6	0.5
Share options granted in 2020	1.2	0.4
Share options granted in 2021	1.4	-
Total expense recognised as employee costs	2.2	0.9

22. Provisions

	Group and Parent Company									
	2021 Dilapidations £m	2021 National Insurance £m	2021 Redundancy £m	2021 Other £m	2021 Total £m	2020 Dilapidations £m	2020 National Insurance £m	2020 Redundancy £m	2020 Other £m	2020 Total £m
Balance at start of year	2.7	1.5	0.9	2.3	7.4	2.3	2.3	1.1	1.7	7.4
Additional provision in the year:										
- ordinary	1.5	1.6	-	-	3.1	1.2	-	10.6	2.1	13.9
- exceptional	-	-	-	-	-	-	-	0.2	-	0.2
Utilised in year:										
- ordinary	(0.4)	(0.9)	(0.4)	(0.2)	(1.9)	(0.1)	(0.2)	(9.4)	(0.4)	(10.1)
- exceptional	-	-	-	-	-	-	-	(0.8)	-	(0.8)
Provisions reversed during the year:										
- ordinary	(0.7)	-	(0.3)	(0.6)	(1.6)	(0.7)	(0.6)	(0.7)	(1.1)	(3.1)
- exceptional	-	-	-	-	-	-	-	(0.1)	-	(0.1)
Balance at end of year	3.1	2.2	0.2	1.5	7.0	2.7	1.5	0.9	2.3	7.4
Included in current liabilities	2.0	1.6	0.1	0.5	4.2	1.4	1.4	0.7	0.9	4.4
Included in non-current liabilities	1.1	0.6	0.1	1.0	2.8	1.3	0.1	0.2	1.4	3.0
	3.1	2.2	0.2	1.5	7.0	2.7	1.5	0.9	2.3	7.4

The provisions at the end of the year relate to ordinary or exceptional activity as follows:

Ordinary	2.9	2.2	0.1	1.3	6.5	2.5	1.5	0.8	2.1	6.9
Exceptional	0.2	-	0.1	0.2	0.5	0.2	-	0.1	0.2	0.5
	3.1	2.2	0.2	1.5	7.0	2.7	1.5	0.9	2.3	7.4

22. Provisions continued

Dilapidation provisions have been made based on the future expected repair costs required to restore the Group's leased buildings to their fair condition at the end of their respective lease terms, where it is considered a reliable estimate can be made.

National Insurance costs are provided in respect of future share options exercises.

Other provisions are largely in respect of onerous costs relating to closed shops where the lease has not yet expired.

The majority of all of the provisions are expected to be utilised within four years such that the impact of discounting would not be material.

23. Capital and reserves

Share capital

	Ordinary shares	
	2021 Number	2020 Number
In issue and fully paid at start of year – ordinary shares of 2p	101,426,038	101,155,901
Issued on exercise of share options	470,983	270,137
	101,897,021	101,426,038

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

During the year 470,983 shares (2020: 270,137) were issued as a result of the exercise of vested options granted to senior management under the Executive Share Option Scheme and the exercise of options under the Savings-Related Share Option Scheme. Options were exercised at an average price of £10.28 (2020: £8.23).

Share premium reserve

The share premium reserve relates to the proceeds received in excess of the nominal value of shares issued, net of any transaction costs.

Capital redemption reserve

The capital redemption reserve relates to the nominal value of issued share capital bought back by the Company and cancelled.

Own shares held

Deducted from retained earnings is £48.9 million (2020: £39.0 million) in respect of own shares held by the Greggs Employee Benefit Trust. The Trust, which was established during 1988 to act as a repository of issued Company shares, holds 375,694 shares (2020: 227,965 shares) with a market value at 1 January 2022 of £12.5 million (2020: £4.1 million) which have not vested unconditionally in employees. During the year the Trust purchased 330,693 (2020: 25,600) shares for an aggregate consideration of £10.0 million (2020: £0.5 million) and sold 182,921 (2020: 203,992) shares for an aggregate consideration of £0.3 million (2020: £1.5 million).

NOTES TO THE CONSOLIDATED ACCOUNTS CONTINUED

23. Capital and reserves continued

Own shares held continued

The shares held by the Greggs Employee Benefit Trust can be purchased either by employees on the exercise of an option under the Greggs Executive Share Option Scheme, Greggs Savings-Related Share Option Scheme and Greggs Performance Share Plan or by the trustees of the Greggs Employee Share Scheme. The trustees have elected to waive the dividends payable on these shares.

Dividends

The following tables analyse dividends when paid and the year to which they relate:

	2021 Per share pence	2020 Per share pence
2021 interim dividend	15p	-

The special dividend, declared on 8 March 2022, amounts to 40.0 pence (£40.6 million) and the proposed final dividend in respect of 2021 amounts to 42.0 pence (£42.8 million). These dividends are not included as a liability in these accounts.

	2021 £m	2020 £m
2021 interim dividend	15.3	-

24. Capital commitments

During the 52 weeks ended 1 January 2022, the Group entered into contracts to purchase property, plant and equipment and intangible assets for £16.3 million (2020: £8.5 million) which are expected to be settled in the following financial year.

25. Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries (see Note 13), Directors and executive officers and pension schemes.

Trading transactions with subsidiaries – Group

There have been no transactions between the Company and its subsidiaries or associates during the year (2020: none).

25. Related parties continued

Trading transactions with subsidiaries – Parent Company

	Amounts owed to related parties		Amounts owed by related parties	
	2021 £m	2020 £m	2021 £m	2020 £m
Dormant subsidiaries	7.8	7.8	–	–

The Greggs Foundation is also a related party and during the year the Company made a donation to the Greggs Foundation of £1.2 million (2020: £1.1 million), as well as passing on £0.1 million (2020: £0.3 million) raised from the sale of carrier bags and £0.3 million (2020: £0.2 million) raised from the sale of products. The Greggs Foundation holds 300,000 shares (2020: 300,000 shares) in Greggs plc and Richard Hutton, a Director of Greggs plc, is a trustee of the Greggs Foundation.

Transactions with key management personnel

Details of Directors' shareholdings, share options, emoluments, pension benefits and other non-cash benefits can be found in the Directors' remuneration report on pages 84 to 106. Summary information on remuneration of key management personnel is included in Note 5.

26. Contingent asset

In October 2021 the Company issued formal legal proceedings against its insurer regarding a Covid-19 business interruption claim. An interim payment was received in January 2021 from the insurer in the sum of £2.5 million (this was recognised as income in the income statement for the 53 weeks ended 2 January 2021), representing the alleged limit of insurer's liability. However, on taking legal advice, the Company believes that it is entitled to more than one such limit and is pursuing its claim in the High Court. The final quantum is not ascertainable at the date of these accounts. The Company anticipates participating with other claimants in a trial of preliminary legal issues which is due to be heard by the Court in June and July 2022. In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, no amount has been recognised as at 1 January 2022, however a contingent asset is disclosed as it is considered more likely than not that the claim will result in an inflow of economic benefit.

TEN-YEAR HISTORY

	2012 (as restated) ²	2013	2014 (as restated) ^{1,3}	2015 ¹	2016	2017	2018	2019 ^{5,7}	2020 ¹	2021 ¹
Turnover (£m)	734.5	762.4	806.1	835.7	894.2	960.0	1,029.3	1,167.9	811.3	1,229.7
Total sales growth/(decline)	4.8%	3.8%	5.7%	3.7%	7.0%	7.4%	7.2%	13.5%	(30.5%)	51.6%
Company-managed shop like-for-like sales growth/(decline)	(2.7%)	(0.8%)	4.5%	4.7%	4.2%	3.7%	2.9%	9.2%	(36.2%)	52.4%
Profit/(loss) before tax (PBT) excluding exceptional items (£m)	50.9	41.3	58.3	73.1	80.3	81.7	89.8	114.2	(12.9)	145.6
PBT margin excluding exceptional items	6.9%	5.4%	7.2%	8.7%	9.0%	8.5%	8.7%	9.8%	(15.9%)	11.8%
Pre-tax exceptional credit/(charge)(£m)	1.4	(8.1)	(8.5)	-	(5.2)	(9.9)	(7.2)	(5.9)	(0.8)	-
Profit/(loss) on ordinary activities including exceptional items and before tax (£m)	52.4	33.2	49.7	73.0	75.1	71.9	82.6	108.3	(13.7)	145.6
Diluted earnings per share excluding exceptional items (pence)	38.3	30.6	43.4	55.8	60.8	63.5	70.3	89.7	(12.9)	114.3
Dividend per share declared (pence)	19.5	19.5	22.0	48.6 ⁴	31.0	32.3	35.7	46.9 ⁶	-	97.0⁸
Total shareholder return	(6.1%)	0.6%	69.7%	87.1%	(23.8%)	47.5%	(7.4%)	87.5%	(22.0%)	87.3%
Capital expenditure (£m)	46.9	47.6	48.9	71.7	80.4	70.4	73.0	86.0	58.7	57.7
Return on capital employed (excluding exceptional items)	21.3%	16.4%	22.4%	26.8%	28.1%	26.9%	27.4%	20.0%	(2.4%)	23.0%
Number of shops in operation at year end	1,671	1,671	1,650	1,698	1,764	1,854	1,953	2,050	2,078	2,181

1 2014 and 2020 were 53 week years, impacting on total sales growth for that year and the year immediately following.

2 Restated following the adoption of IAS 19(Revised).

3 Restated to include revenue in respect of franchise fit-out costs.

4 Includes a special dividend of 20.0 pence paid in 2015.

5 IFRS 16 leases was implemented at the start of the financial year using the modified retrospective approach. Prior year comparatives have not been restated.

6 Includes a special dividend of 35.0 pence. The final dividend declared in respect of 2019 was cancelled as a cash preservation measure during the Covid-19 crisis.

7 Restated for a change in accounting policy relating to deferred tax.

8 Includes a special dividend of 40.0p.

All of the non-GAAP measures detailed above can be calculated from the GAAP measures included in the annual accounts with the exception of those detailed below.

Calculation of alternative performance measures

Like-for-like (LFL) sales growth – compares year-on-year cash sales in our company-managed shops, with a calendar year's trading history and is calculated as follows:

	Two-year LFL 2021 v 2019 £m	2021 £m	2020 £m
Current year LFL sales	981.5	981.5	665.2
Prior year LFL sales	1,015.0	643.9	1,042.2
(Decline)/growth	(33.5)	337.6	(377.0)
LFL sales (decline)/growth percentage	(3.3%)	52.4%	(36.2%)

Return on capital employed – calculated by dividing profit before tax by the average total assets less current liabilities for the year.

	2021 £m	2020 £m
Profit/(loss) before tax	145.6	(13.7)
Capital employed:		
Opening	585.6	576.8
Closing	681.5	585.6
Average	633.6	581.2
Return on capital employed	23.0%	(2.4%)

Notional return on capital employed – calculated by dividing profit before tax by the average total assets less current liabilities for the year and taking into account the pre-agreed adjustments in respect of IFRS 16 used by the Remuneration Committee for determination of incentive outcomes (see page 102).

	2021 As reported £m	IFRS 16 adjustments £m	2021 Notional £m
Profit before tax	145.6	4.7	150.3
Capital employed			
Opening	586.5	(235.4)*	351.1
Closing	681.5	(245.9)*	435.6
Average	633.6		393.3
Return on capital employed	23.0%		38.2%

	2020 As reported £m	IFRS 16 adjustments £m	2020 Notional £m
(Loss)/profit before tax	(13.7)	5.1	(8.6)
Capital employed			
Opening	576.8	(219.2)*	357.6
Closing	585.6	(235.3)*	350.3
Average	581.2		354.0
Return on capital employed	(2.4%)		(2.4%)

* these adjustments are based on forecasts made on transition and therefore cannot be reconciled to the accounts

Ratio of IFRS 16 right-of-use charges on leased property assets to company-managed shop sales – calculated by dividing land and buildings right-of-use asset charges by company-managed shop turnover.

	2021 £m	2019* £m
Company-managed shop turnover	1,098.2	1,073.8
Land and buildings right-of-use assets depreciation	47.7	48.9
Land and buildings right-of-use assets interest charge	6.3	6.5
Right-of-use asset charges	54.0	55.4
	4.9%	5.1%

*as disclosed in the 2019 annual report and accounts

Net cash inflow from operating activities after lease payments – calculated by deducting the repayment of principal of lease liabilities from net cash flow from operating activities.

	2021 £m	2020 £m
Net cash inflow from operating activities	285.5	43.6
Repayment of principal of lease liabilities	(49.0)	(42.1)
Net cash inflow from operating activities after lease payments	236.5	1.5

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NOTES



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