BAKKAVOR

RENEWED *Refreshed* ENHANCED

Bakkavor Group plc

Annual Report & Accounts 2023

Contents

A strong *performance...*

CHIEF EXECUTIVE'S OVERVIEW

Last year we laid out our plan to adopt new tactics alongside our established strategy, and we executed a decisive three-point plan to protect profitability:

1. **RENEWED**
purpose through our new organisational structure: delivering synergies and efficiencies
2. **REFRESHED**
regional priorities: ensuring focus and clarity for our local leadership teams
3. **ENHANCED**
focus on managing cash: reducing debt and improving leverage

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FINANCIAL REVIEW

We protected our profitability whilst delivering a significant debt reduction and leverage improvement.

This leaves us in a strong position to deliver profitable growth.

Operational net debt
£229.6m
down £55.3m

Leverage
1.5x
down 0.4x

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See our website here:
bakkavor.com

...and gathering *momentum* for the year ahead

Total Group net carbon emissions (tCO_2e)

104,269

-5.3% ✓

UK food waste

6.6%

-150bps ✓

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

259

-19.3% ✓

UK employee turnover

26.2%

-190bps ✓

ESG: TRUSTED PARTNER

We have made excellent progress against our ESG priorities, with all four of our non-financial KPIs showing improvement.

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OUR PEOPLE

Our people plan is driven by employee feedback, whilst our new 'Better Behaviours, Better Bakkavor' training has supported us to continue embedding our values and build on new ways of working.

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DIRECTORS' REMUNERATION REPORT

To continue our focus on sustainability, we have updated our bonus targets to include more of our ESG KPIs.

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See our ESG report here:
bakkavor.com/en/esg/our-approach

Financial *highlights*

£2,203.8m
Group reported revenue
(2022: £2,139.2m)

£97.1m
Operating profit
(2022: £37.8m)

9.4p
Basic EPS
(2022: 2.2p)

£2,214.2m
Group like-for-like revenue
(2022: £2,103.2m)

£94.3m
Adjusted operating profit
(2022: £89.4m)

8.8p
Adjusted EPS
(2022: 9.5p)

READ MORE pg 6.

Strategic Report

Leading manufacturer of Fresh Prepared Food

OUR PURPOSE

To lead the way through flawless execution and by living our values. To delight customers and consumers through fresh, convenient and great-tasting food that we create every day.

OUR CULTURE

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

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

OUR STRATEGY

To deliver profitable and sustainable growth.

UK

Drive returns by leveraging our UK number one market position

INTERNATIONAL

Accelerate profitable growth in the US and China

EXCELLENCE

Deliver superior performance through operational excellence

TRUST

Be a Trusted Partner for our people, customers, suppliers and communities

OUR BUSINESS OVERVIEW

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

OUR UK DIVISION

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

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

27 sites
21 factories, 1 head office, 4 distribution centres, 1 growing unit

£1,852.7m
reported revenue

84.1%
of Group reported revenue

£93.9m
adjusted operating profit

£96.7m
operating profit

READ MORE pg 34.

OUR US DIVISION

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

c.270
products across fresh meals, dips, artisan bread, soups, sauces and burritos

6 sites
5 factories, 1 head office

£229.4m
reported revenue

10.4%
of Group reported revenue

£3.4m
adjusted operating profit

£0.5m
operating profit

READ MORE pg 36.

OUR CHINA DIVISION

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

c.1,500
products across fresh cut-salads, food-to-go salads and sandwiches, bakery, meals, soups and sauces

11 sites
9 factories, 1 head office, 1 farm

£121.7m
reported revenue

5.5%
of Group reported revenue

£(3.0)m
adjusted operating loss

£(0.1)m
operating loss

READ MORE pg 37.

Bakkavor *in numbers*

Performance year-on-year

- Improved
- Worsened
- Maintained

Link to our strategy

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

INTERNATIONAL: accelerate profitable growth in the US and China

EXCELLENCE: deliver superior performance through operational excellence

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

READ MORE:

Financial review pg 68 for detail on our year-on-year financial performance.

Risk management and risks pg 76 for detail on our principal risks and developments in 2023.

Directors' remuneration report pg 124 for detail on our Group's bonus scheme and long-term incentives.

ESG: Trusted Partner pg 38 for detail on our year-on-year non-financial KPI performance.

Non-financial and sustainability information statement pg 46.

1 The Group's bonus scheme and long-term incentive awards are based on performance across a selection of three KPIs. See pg 130-131 in the Directors' remuneration report.

2 Alternative Performance Measures ("APMs"), including 'like-for-like', 'adjusted' and 'underlying', are applied consistently throughout the 2023 Annual Report and Accounts. The APMs are defined in full and reconciled to the reported statutory numbers in Note 36 of the Notes to the Consolidated Financial Statements. The Group's financial reporting period is typically 52 weeks, however, every six years an additional week is included to ensure that its year-end date remains near the end of December. Throughout the Annual Report and Accounts 2023, the Group's FY22 results are based on a 53 week period. FY22 reported revenue is for the 53 weeks ended 31 December 2022. Like-for-like revenue excludes the 53rd week.

Non-financial performance

Total Group net carbon emissions (tCO_2e)

104,269

-5.3% (Improved)

2023	104,269
2022	110,106
2021	135,691

Link to our strategy

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

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

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

UK food waste

6.6%

-150bps (Improved)

2023	6.6%
2022	8.1%
2021	9.2%

Link to our strategy

What are we measuring?
UK food waste as per the Food Loss and Waste ("FLW") Accounting and Reporting Standard. Percentage UK food waste calculated as 'tonnes food waste divided by tonnes (food product produced or sold as intended plus food waste plus food sent to other destinations)'.

Why is it important?
Managing UK food waste is a top priority across our operations, from both a sustainability and efficiency perspective. This forms the basis of our commitment to halve our UK food waste by 2030, in line with the UN Sustainable Development Goal.

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

259

-19.3% (Improved)

2023	259
2022	321
2021	334

Link to our strategy

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

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

UK employee turnover[1]

26.2%

-190bps (Improved)

2023	26.2%
2022	28.1%
2021	27.8%

Link to our strategy

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

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

Financial performance

Like-for-like revenue[2] (£m)

£2,214.2m
+5.3%

2023	£2,214.2m
2022	£2,103.2m
2021	£1,900.9m

Link to our strategy

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

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

Adjusted operating profit[1,2] (£m)

£94.3m
+5.5%

2023	£94.3m
2022	£89.4m
2021	£102.0m

Link to our strategy

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

Why is it important?
The Group manages the performance of its businesses through the use of adjusted operating profit as this measure excludes the impact of items that hinder comparison of profitability year-on-year.

Free cash flow[2] (£m)

£103.2m
+£49.8m

2023	£103.2m
2022	£53.4m
2021	£80.1m

Link to our strategy

What are we measuring?
Free cash flow is the cash generated by the Group after meeting all of its obligations for interest, tax and pensions, after purchases of property, plant and equipment and after IFRS16 capital lease payments, but before payments of refinancing fees and other exceptional or significant non-recurring cash flows.

Why is it important?
The Group views free cash flow as a key liquidity measure as it indicates the underlying cash available to pay dividends, repay debt or make further investments in the Group.

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

8.8p
-0.7p

2023	8.8p
2022	9.5p
2021	10.4p

Link to our strategy

What are we measuring?
Adjusted earnings per share measures the profit per share of the Group. It is calculated by dividing adjusted earnings by the weighted average number of Ordinary shares in issue during the year. Adjusted earnings is calculated as profit attributable to equity holders of the Company excluding exceptional items and the change in fair value of derivative financial instruments.

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

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

1.5x
-0.4x

2023	1.5x
2022	1.9x
2021	1.9x

Link to our strategy

What are we measuring?
Leverage ratio indicates the level of debt held by the Group. This is calculated by dividing operational net debt by adjusted EBITDA pre IFRS 16. Operational net debt excludes the impact of non-cash items and those liabilities recognised under IFRS 16 in the Group's statutory net debt, and is comparable with the Group's free cash flow measure.

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

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

7.5%
+40bps

2023	7.5%
2022	7.1%
2021	7.2%

Link to our strategy

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

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

Recognising our colleagues is fundamental to our success

"I have often referred to Bakkavor's resilience; this came through again in 2023 thanks to our colleagues' can-do approach in the face of challenging market conditions.

Simon Burke
Chairman

We knew 2023 was going to be another tough year. However, after delivering a plan to protect the Group's profitability and reinforce the key strengths of our business, I am pleased to report that we have succeeded in navigating the challenges we faced, closing the year in a strong position in all three of our markets. Our financial performance exceeded expectations, with adjusted operating profit increasing by 5.5% to £94.3m.

In our core UK business, there was still a significant amount of inflation during 2023. Once again, we were able to work constructively with our customers to mitigate most of this, but we were still left with a significant gap to recover through our own internal actions. As such, our restructuring project, which was delivered ahead of time, was fundamental to the Group's improved profits.

In common with most entities in the food sector, much of our sales gain came from pricing rather than volume increases. Even the full recovery of inflation costs will result in gross margin erosion, but our recovery plan enabled us to stabilise the margin this year. Nevertheless, rebuilding our margin will continue to be a priority for us so that we can support investment in the business. In this respect, the increase in National Minimum Wage in April will be a particular challenge for us, but we will innovate, collaborate and refine again to meet it.

In the US, we have focused on improving profitability and strengthening our business rather than just growing sales. Many of the issues that impacted performance in 2022 and in the first half of 2023 have been addressed, and this has generated a positive improvement in performance in the second half of the year. Our refreshed management team has tackled the existing issues head on, implementing new ways of working and, importantly, engaging proactively with our customers to strengthen these relationships. Looking ahead, we aim to return to revenue growth in the second half having successfully reshaped our business.

China saw our strongest volume performance as the country recovered from Covid. We are now making much better use of our capacity in China, but there is plenty of opportunity to grow further within the factories we have.

There has been encouraging growth in our sales in the retail sector which broadens and diversifies our business and customer base. The growth opportunity in China remains very attractive.

Our performance on cash management is one of our highlights of the year. We finished well ahead of expectations at a debt to EBITDA ratio of just 1.5 times. This was timely in a period of heightened interest rates and, in the absence of a suitably attractive investment opportunity, we aim to sustain this position in 2024. In line with our stated policy, we are proposing a final dividend of 4.37 pence per share, giving a total dividend for the year of 7.28 pence, an increase of 5% on last year.

We saw a significant and welcome increase in the proportion of permanent (as opposed to agency) employees in our factories. We also had a strong and improved response to our Employee Engagement Survey. We implemented a number of actions based on last year's survey, and it is encouraging to see the positive impact these have had on our colleagues. As always, the survey has raised other topics to think about and improve upon, on which we have already begun working.

Trusted Partner, our ESG strategy, has made good progress during the year. We are pleased to see that the KPIs and management targets for our key initiatives aimed at UK food waste reduction and Net Zero are now fully integrated, alongside the more traditional financial and operating measures.

The significant management and Board changes described in my report last year have been very positive for Bakkavor. The Board and its Committees are working well, with quality debate and the appropriate levels of challenge. It was good to see this reflected in our recent external Board evaluation report.

READ MORE pg 106.

Since year-end, our major shareholder Baupost Group ("Baupost") sold its entire stake in Bakkavor to LongRange Capital L.P. ("LongRange Capital"). As a result of this, Patrick Cook, who served on our Board as the representative of Baupost, stood down on 16 January. Patrick has been a greatly valued member of the Board and we will miss his input. Bob Berlin was appointed on the same date as the representative Director for LongRange Capital. We are welcoming Bob back to the Board, as he served as Baupost's representative Director from 2016 to 2018, and we look forward to working with him again.

The current year has started well, and we believe that the work done in 2023 puts us in a strong position to continue to move the business forward across all three markets. Our focus is on profitable rather than headline growth and we will pace ourselves accordingly. Easing inflation should give us the opportunity to repair margins, and we will go on seeking greater efficiency in our operations so that we can continue to serve our customers reliably and competitively.

I have often referred to the resilience of Bakkavor in the face of challenging conditions, and it came through again in 2023. It is born of the can-do approach of our colleagues everywhere, and their determination to do a good job whatever the market conditions may be. I want to thank them, one and all, for this and for the tremendous impact it has had on our performance.

Simon Burke
Chairman
4 March 2024

Driving momentum across the business

"2023 required us to develop a decisive and dynamic plan to successfully manage another year of external challenges. We executed this plan at pace and as a result we delivered improved profitability and reduced leverage for the full year.

Mike Edwards
Chief Executive Officer

In my first year as CEO I am pleased with the Group's performance and, more importantly, we have established positive momentum in all three regions.

We are building a strong platform from which to deliver profitable growth in the future. I am incredibly proud of what the Group has achieved this year against such a challenging backdrop and, as ever, the great people we have in the business are fundamental to our success. I would like to thank our teams for their relentless hard work and commitment.

Our strategy remains unchanged: we will continue to leverage our leading position in the UK and deliver profitable international growth.

These pillars are underpinned and driven by our commitment to operational excellence and desire to be a Trusted Partner for our colleagues and other stakeholders.

Last year we said we needed to adopt new tactics alongside this established strategy, and we executed a decisive three-point plan to protect profitability.

£55m
reduction to operational net debt

1.5x
leverage

1 RENEWED

purpose through our new organisational structure: delivering synergies and efficiencies

2 REFRESHED

regional priorities: ensuring focus and clarity for our local leadership teams

3 ENHANCED

focus on managing cash: reducing debt and improving leverage

Having fully executed this plan, we are seeing the benefits in our financial performance and our broader KPIs.

1 RENEWED

purpose through our new organisational structure

Our new leadership and operational structure was embedded quickly and has created renewed energy, focus and purpose across the Group. The pace at which our teams have embraced these changes delivered £17m of cost savings in the year, ahead of initial expectations of £15m. On top of this, the operational alignment around our Meals and Bakery sectors in the UK is also fuelling further synergies and efficiencies.

The Group continued to demonstrate its resilience as inflationary and supply chain pressures persisted. Strong levels of service, coupled with our innovation pipeline, helped us to grow our market share in the UK. The new structure has enabled better sharing of ideas and expertise across the Group, more dynamic balancing of volume between UK sites, and a more consistent approach to leveraging data from our new manufacturing system. All of this has led to improvements in factory performance, which were vital in helping to close the profitability shortfall caused by unrecovered inflation.

READ MORE pg 20.

2 REFRESHED

regional priorities

UK: winning market share and mitigating inflation

In the UK, we delivered ahead of expectations on our aggressive plan to mitigate softer market volumes and persistent cost inflation. Our focus on winning share by ensuring strong availability of our products, despite significant supply chain disruption, targeted innovation and net business gains, saw us continue to outperform the market.

We have continued to work collaboratively with our customers on price recovery, complemented by our internal levers to protect profitability, including two factory closures which were completed ahead of plan in the year.

US: business stabilised and returned to profitability

In the US, we are realising the benefits of our plan to prioritise profitability ahead of revenue growth in the short-term. It was necessary to embed a new leadership team, who have driven significant progress in factory efficiency, whilst also right-sizing our cost base and focusing on higher margin products. We have also focused on strengthening relationships with our customers, working more closely with and delivering more for them.

These actions stabilised the business and returned the US to profitability in the second half, providing a strong platform for measured and profitable growth in the future.

China: improved profitability as volumes recover

In China, we have delivered against our priority to leverage our footprint as volumes rebuilt post-Covid, with 32% volume growth having been seamlessly onboarded. We have also continued to diversify our business through building our presence in the retail channel, which grew year-on-year and now accounts for 20% of revenue, up from less than 2% in 2018.

This has led to reduced losses and, importantly, the business is now cash-generative and self-sustaining, which will remain an imperative going forward.

READ MORE pg 36.

3 ENHANCED

focus on managing cash

We have reduced capital expenditure, with more targeted spend prioritising productivity initiatives whilst certain investments in the US were paused as we focused on profitability. We also delivered a considerable improvement in working capital by reducing inventory, which had been at elevated levels since 2019 due to Brexit uncertainty, Covid-related availability challenges and general supply chain volatility.

This enhanced focus drove a significant increase in free cash generation which enabled a £55.3m reduction in net debt to £229.6m (FY22: £284.9m), giving a 0.4x reduction in leverage to 1.5x (FY22: 1.9x), With leverage now at the lower end of our range, we have reset our target to 1.0 to 2.0x.

READ MORE pg 68.

Becoming a better Bakkavor

We recognise that our people are the best in the industry and, despite the cost pressures faced by the business, we are continuing to listen to feedback from our teams and invest accordingly.

This year, 88% of our colleagues took part in our Employee Engagement Survey ("EES"), giving us the insights to make Bakkavor an even better place to work.

We continue to embed our values across the business, and our priority for 2023 was to use these values as an important enabler for delivering our strategy and collaborating effectively. To support this, we launched a UK-wide values recognition programme alongside new training to ensure an increased focus on our 'respect and trust' value.

There are three things I am particularly proud of. Firstly, our 'Better Behaviours, Better Bakkavor' workshop to support managers in identifying and challenging behaviours which do not align with our values. Secondly, our staff shop where we have ensured every site has access to a range of Bakkavor products that we sell at a heavily discounted price. Thirdly, we are proud to sponsor the Coronation Food Project, which is helping to reduce food poverty.

The progress we see across our financial KPIs has been matched by further improvement across our strategic ESG measures. Our sustainability KPIs are now well-embedded and we are seeing significant progress across all of our strategic ESG measures, particularly food waste and carbon emissions. With regard to the latter, we have re-emphasised our commitment to reaching Net Zero in our Group operations by 2040 by submitting Net Zero aligned targets for all scopes to the Science Based Targets initiative ("SBTi"). We have also made some improvement in employee turnover, albeit it remains higher than we would ideally like. We will therefore continue to focus on employee engagement.

Looking ahead to 2024, we have reinforced our commitments across our Trusted Partner strategy by embedding both food waste and net carbon emissions within our management bonus targets.

Outlook: building foundations for further profitable growth

The consumer environment is improving but still remains challenging, as such, we are planning for subdued volumes leading to revenue growth of 1% to 2% in 2024. We are not, however, reliant on volumes to deliver an improvement this year and trading in 2024 has started well. We are confident that the actions we have taken and the clear focus we have put in place through 2023 will continue to support positive momentum across the business. As a result, we now expect to deliver 2024 adjusted operating profit at least in line with the upper end of market expectations[1].

In the UK, whilst we are planning for subdued growth in 2024, we have a strong pipeline of new business opportunities and are seeing encouraging signs in the market. Volumes have started growing again since Q4 2023, on the back of reducing inflation, a general pick-up in consumer confidence which has led to an increase in shopping frequency.

After two years of unprecedented inflation in the UK, we would expect margins to improve given our continued focus on cost and efficiency.

In the US, we expect the actions we have taken to embed operational performance to significantly improve profitability, and we would expect to return to revenue growth in the latter part of 2024.

Looking further ahead, consumer demand for our fresh prepared products in the US remains strong and we continue to be very positive and confident about the opportunity for long-term profitable growth in this attractive market.

In China, we expect to maintain current levels of profitability, with a focus on operational efficiency supporting ongoing growth in an increasingly competitive environment.

China continuing to be cash-generative will remain a clear imperative for the business going forward. Our factories are well invested with limited need for capital as the business grows.

From a Group perspective, having achieved the lower end of our leverage range, we have reset our target to 1.0 to 2.0x. We expect a further reduction in debt through a combination of working capital improvements and enhanced profitability. This reduction in debt will be materially lower than in 2023 as capital investment will return to the more normal level of c.£70m in 2024. This includes £10m of cash costs for the detailed design phase, which is the first stage of replacing our UK ERP systems.

We also continue to target a progressive dividend policy, reflecting our confident outlook.

Our offer continues to resonate with customers and consumers and we will continue to strengthen our balance sheet, whilst investing in our future. We have a strong platform for sustainable, profitable growth and we will remain focused on delivering value for all our stakeholders.

READ MORE pg 124.

Mike Edwards
Chief Executive Officer
4 March 2024

1 Based on company compiled consensus ("Consensus") which includes all covering analysts. Adjusted operating profit Consensus for FY 24 at £97.1m with a range of £95.0m to £99.9m.

Creating value for all our stakeholders

Our key resources

c.18,000
COLLEAGUES

c.1,300
SUPPLIERS WE SOURCE FROM

>3,000
PRODUCTS ACROSS THE GROUP

£44m
CAPITAL INVESTED IN 2023

44
SITES ACROSS THE UK, US AND CHINA

READ MORE pg 34.

Our business model

OUR KEY STAKEHOLDERS

- COLLEAGUES
- CUSTOMERS
- SUPPLIERS
- INVESTORS
- COMMUNITIES

READ MORE pg 64.

OUR VALUES

- RESPECT AND TRUST EACH OTHER
- KEEP THE CUSTOMER AT THE HEART OF WHAT WE DO
- GET IT RIGHT, KEEP IT RIGHT
- BE PROUD OF WHAT WE DO

READ MORE pg 93.

Our *value creation*

A RENEWED, REFRESHED AND ENHANCED APPROACH TO DELIVERING VALUE FOR ALL OUR STAKEHOLDERS

Skilled, engaged and progressive talent pool, embedding our values

READ MORE pg 30.

88%

EES RESPONSE RATE

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

READ MORE pg 16.

>1,500

NEW PRODUCTS CREATED IN 2023

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

READ MORE pg 20.

100%

OF UK SITES HAVE ADOPTED OUR NEW MANUFACTURING SYSTEM

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

READ MORE pg 68.

£55m

REDUCTION IN NET DEBT

Clear commitments and delivering progress under ESG focus areas

READ MORE pg 38.

150 bps

REDUCTION IN UK FOOD WASTE

Our *market* summary

Consumers seeking out value

WHAT'S HAPPENING:

Consumers in the UK, and to a lesser extent in the US, have dealt with persistent inflation by being more attentive to the value of the products they purchase. For example, 61% of UK consumers are choosing cheaper products to help manage grocery spend[1]. This has also been true in China, where an underwhelming economic recovery has affected consumer confidence, leading to a decline in discretionary and large purchases. In the UK, we saw increased demand for retailers' value tier and affordable meal solutions, such as pizzas. In the US, private label continued to gain share from brands, with 54% of surveyed shoppers planning to purchase more from retailer brands in the future, compared with only 26% for branded products[2].

HOW WE ARE RESPONDING:

We reduced our cost base through a comprehensive cost reduction programme, which included the closure of two production sites and the streamlining of our UK organisation. This helped us offset inflation pressures and become even more competitive in the market, offering great value to our customers and end consumers. We also focused on innovation and development to optimise the value for consumers, whilst continuing to deliver enhanced and exceptional quality. For example, we increased the shelf-life of the meals offer for a strategic customer in the US to reduce product waste, enhancing value for both retailers and consumers.

61%

of UK consumers choose cheaper products to help manage grocery spend[1]

54%

of surveyed US shoppers plan to increase their purchases of own-label brands in the future

26%

US shoppers opting for branded products in the future[2]

1 Bakkavor State of the Nation report December 2023.

2 The Food Industry Association.

Growth of at-home eating

WHAT'S HAPPENING:

Cost of living pressures have led consumers to cut their out-of-home spend, with 67% of UK shoppers expecting to eat out less in the next few months than they did the same time last year[1]. In the US, fresh food assortments, particularly those that offer an alternative to restaurant meals, are seeing increasing interest from consumers, with 65% of retailers stating that they will further increase their Fresh Prepared Food ("FPF") assortment over the next 12 months and 46% will commit more space to the category[3].

HOW WE ARE RESPONDING:

We supported our UK customers in strengthening their meal deal and takeaway offers, leveraging our breadth to deliver new products across ready meals, pizza, salads and meal accompaniments, as well as our US customers by adding new recipes to our meals range. We also relaunched our Pizza Express offer with a broader range and new and improved recipes, all in a vibrant and stylish new packaging to help the products stand out on our customers' shelves.

Quality and innovation still crucial

WHAT'S HAPPENING:

Despite the challenges, consumers' desire to elevate their food experiences with high-quality and innovative products remains a key driver for growth in the FPF market. In the UK, the premium tier recorded growth within an overall declining market, particularly towards the end of the year as inflation started to ease. In the US, whilst value and price were the main reason for shopping private label, around half of consumers also did so because of taste and quality[2]. In China, foodservice operators are revisiting their food offer to differentiate themselves in an increasingly crowded and competitive market.

HOW WE ARE RESPONDING:

In 2023, we launched more than 1,500 new products across our three markets. Examples include our 'Delicious Dessert Company' brand in the UK, where we broadened the range with new, innovative products, and a refresh of the Oriental meals range for a major customer that helped them regain their number one position in the segment. In the US, we launched a first-to-market sharing flatbread with cheddar and jalapenos to exceptional consumer reviews. In China, we introduced high-protein bento boxes under our Fresh Kitchen brand to cater to the nutritional needs and taste preferences of fitness enthusiasts and busy professionals.

3 Supermarket News.

China re-opening

WHAT'S HAPPENING:

Consumption in China bounced back in early 2023 following the lifting of Covid restrictions, although the recovery fell below expectations as the year progressed, with consumer confidence remaining below pre-Covid levels. The foodservice channel recorded exceptional 20.4% year-on-year growth in 2023[4], partly due to low comparables in 2022 when the country implemented strict Covid control measures. The pandemic also helped modern grocery retailers gain share in fresh food categories from more traditional wet markets, as consumers sought and continue to seek higher hygiene standards. The long-term outlook for China remains positive, with the middle-class and affluent population expected to grow by 80 million by 2030[5], driving increased demand for our products.

HOW WE ARE RESPONDING:

We supported our customers by developing products that are great value for money whilst preserving taste and quality. In mainland China, we refreshed the sandwich offer at a major café chain by developing six new products that retain their quality when frozen. This allows the customer to distribute them across their store network in a cost-effective way.

We also launched a new meals and soup product range for an international retailer, becoming their sole supplier for those products in both China and select East Asian markets.

READ MORE pg 25.

4 The National Bureau of Statistics of China.

5 BCG, June 2023 – The Next Chapter in China's Consumer Story.

Extreme weather conditions

WHAT'S HAPPENING:

Unseasonal and extreme weather events caused disruption in the food supply chain, particularly produce and fruits, and volatility in consumer demand. Over the summer, a heatwave in southern Europe led to scarcity in raw materials such as watermelons, whilst unusually cold weather in the UK led to a shift in demand towards more winter-oriented products. Record rainfall, frosts and heatwaves during the year damaged crops and reduced the availability of high-quality raw materials in the supply chain.

5.3%

decrease in our Group net carbon emissions

HOW WE ARE RESPONDING:

Our diversified product mix in the UK provided stability amongst shifts in consumer consumption due to the cooler weather, with the decline in salads' volumes partially offset by moderate growth in soups and sauces. In China, we increased investments in quality control which led to an increase in costs but ensured that we continued to deliver best-in-class quality for our customers. More broadly, we further decreased our Group net carbon emissions by 5.3% year-on-year, as part of our effort to tackle climate change.

READ MORE pg 38.

Workforce engagement

WHAT'S HAPPENING:

Labour availability remained tight in 2023, with extremely low levels of unemployment across all of our markets. Whilst wages increased at a record rate throughout our industry, labour turnover remains elevated, as companies compete for talent and people seek more opportunities to switch jobs.

HOW WE ARE RESPONDING:

We continued to invest in our people's wellbeing to improve retention and support our recruiting efforts. In the UK, we invested in out-of-cycle pay increases to support our colleagues as they face cost of living challenges, reviewed our benefits offer and ensured our people knew how to access them, all whilst embedding our values and new leadership structure into our ways of working. This has driven improved engagement scores and employee retention. In the US, as part of our refreshed focus on profitability, we have ensured that our business is resourced correctly and have leveraged talent from our UK workforce in support of this. Meanwhile, in China, we stepped up our recruitment efforts to respond to the increase in demand following the relaxing of Covid restrictions.

READ MORE pg 6.

Our clear and consistent strategy

The strategy of the Group remains clear: to deliver profitable and sustainable growth. We are focused on driving returns from our market-leading position in the UK, whilst also accelerating profitable growth in the US and China.

These priorities are underpinned by our relentless focus on operational excellence and by being a trusted partner for all of our stakeholders.

"Last year we said we needed to adopt new tactics alongside our established strategy, and this is now driving positive momentum across the business.

Mike Edwards
Chief Executive Officer

OUR PURPOSE

To lead the way through flawless execution and by living our values. To delight customers and consumers through fresh, convenient and great-tasting food that we create every day.

OUR CULTURE

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

Respect and trust each other

Keep the customer at the heart of what we do

Get it right, keep it right

Be proud of what we do

OUR KEY STAKEHOLDERS

Colleagues

Customers

Suppliers

Investors

Communities

UK

Drive returns by leveraging our UK number one market position

READ MORE pg 22.

Our strategy: to deliver profitable and sustainable growth

INTERNATIONAL

Accelerate profitable growth in the US and China

READ MORE pg 24.

EXCELLENCE

Deliver superior performance through operational excellence

READ MORE pg 26.

TRUST

Be a Trusted Partner for our people, customers, suppliers and communities

READ MORE pg 28.

UK

Drive returns by leveraging our UK number one market position

We strive to generate attractive financial returns through our superior scale and capabilities in the UK Fresh Prepared Food ("FPF") market.

OUR KEY DRIVERS

- Leverage our market insights, product development expertise and breadth of food production capabilities to develop products and propositions that delight our customers and consumers.
- Utilise our scale to develop, prepare and distribute our products with a more efficient and sustainable use of resources.
- Pursue organic and inorganic growth opportunities across our product categories by leaning on our strong customer relationships, deep market understanding and solid financial footing.
- Attract and develop talented individuals to retain and further strengthen our leading position in the market.

WHAT WE HAVE ACHIEVED IN 2023

- Gained market share in the FPF market by delivering market-leading service levels, targeted innovation to ease the cost of living crisis, and new business wins from a fragile supply base.
- Offset inbound inflation through a combination of contractual pass-through mechanisms, conventional pricing negotiations and self-help measures across factory performance, value optimisation and tight cost control.
- Won new business across fresh-cut fruit, desserts and pizza, equivalent to more than £60m of incremental revenue when fully onboarded by early 2024 (for detail, see the case study on the next page).
- Led comprehensive range reviews across select customers and categories to improve value and quality. For example, in early 2023 we relaunched the Oriental ready-meals range for a strategic customer, delivering 25 new SKUs with a 99% service level, helping the customer regain its number one market position in the category.
- Relaunched the retail offer for our main licensed brand and expanded our 'The Delicious Dessert Company' range, now the fifth largest brand in the chilled desserts category.

OUR FOCUS FOR 2024 AND BEYOND

- Continue to collaborate with our customers to manage input cost inflation. In particular, this will focus on labour through value optimisation and efficiency initiatives, and share potential deflation in raw materials and other input costs through appropriate price reductions.
- Target new business wins with competitive pricing and product innovation, taking advantage of our solid financial position and economies of scale relative to our competitors.

READ MORE pg 34.

- Explore inorganic growth opportunities to broaden our capabilities, increase efficiency through scale and bolster our proposition to customers.
- Ensure the long-term sustainability of the business by investing in our people through training and career development programmes, and by accessing new talent through our apprenticeship and graduate programmes.

READ MORE pg 30.

STRATEGY IN ACTION

Successful onboarding of new fresh-cut fruit business

In January 2023, when a supplier of fresh-cut fruit was about to fall into administration and stop production, we were approached by one of its customers to take over a significant element of the business.

20+

new products onboarded

240

new colleagues in less than three months

The urgency of the request meant that speed and quality reassurance were key. Within two weeks we had developed a robust capacity expansion and phased onboarding plan, which led the customer to award us the business.

The new business consisted of more than 20 products, requiring expanded processing capabilities, the redesign of some factory product flows, additional capacity and equipment, and the recruitment of 240 new colleagues.

Our Operational, Commercial and Procurement teams worked collaboratively and at pace to ensure the smooth delivery of the plan, and by March, less than three months after the initial customer enquiry, we had successfully absorbed the entire business into our existing fresh-cut fruit site.

International

Accelerate profitable growth in the US and China

We have a strong and growing presence in the two largest food markets in the world, the US and China, where the Group has operated for over 15 years. We use our Group expertise to support our local teams and deliver profitable growth.

OUR KEY DRIVERS

- Combine deep local knowledge with Group expertise to develop innovative products that are tailored to local tastes, evolve with changing consumer preferences and meet the highest food safety standards.
- Broaden and strengthen existing customer partnerships across product categories, whilst building a pipeline of new customers who are committed to expanding their fresh food offerings.
- Ensure growth is sustainable and translates into higher profits by:
  - Developing robust capacity and productivity plans.
  - Training local talent on best-in-class fresh food manufacturing.
- Invest in new capacity, as and when required, to respond to growing demand and provide first-rate service levels across regions.

WHAT WE HAVE ACHIEVED IN 2023

US

- Refocused the business from growth to profit by completing a comprehensive cost base review, delisting margin-dilutive products and implementing tangible performance improvement plans at each site. This led to adjusted operating profit increasing from £0.1m in H1 to £3.3m in H2, with good momentum entering 2024.
- Continued to develop our offer across categories and customers with new and innovative products, such as a first-to-market sharing bread at a pre-eminent national retailer.
- Restored market-leading customer service levels across the business.
- Strengthened our leadership team with senior hires in operations and commercial, supported by internal transfers and secondments from the UK.

READ MORE pg 108.

CHINA

- Delivered strong revenue growth of 32.0% year-on-year, as the lifting of Covid restrictions boosted consumer spending, particularly in the foodservice channel.
- Continued to build our presence in the retail channel, which grew by 48% year-on-year and now accounts for 20% of revenue, up from less than 2% in 2018.
- Reduced operating losses off the back of higher factory utilisation, partially offset by poor crop yields and wage inflation.
- Simplified our operations in China by selling our minority stakes in the bakery businesses La Rose Noire Limited and Patisserie et Chocolat Limited.

READ MORE pg 36.

OUR FOCUS FOR 2024 AND BEYOND

US

- Maintain momentum in profitability improvement, with a particular emphasis on factory performance, tight cost control and targeted productivity investments.
- Return the business to profitable growth by deepening and broadening our product range at existing customers, diversifying our customer base and leveraging our strength in fresh meals to further penetrate the market.
- Invest in new capacity to meet growing demand and broaden our geographical coverage, ensuring competitive service levels for our customers.

CHINA

- Support existing and prospective customers in their growth plans and increase our share of wallet by securing new business across our category portfolio.
- Continue to rebalance our sales mix by expanding our presence in the fast-growing premium grocery channel.
- Drive further margin improvement through operating leverage, business process reviews and factory performance, with the support of our UK Operational Excellence team.

STRATEGY IN ACTION

Transforming the sandwich offer at a major café chain

One of our strategic customers in China, an iconic café chain, wanted to refresh its sandwich offer.

After several months of working closely with the customer to review multiple ideas, we launched six new products across their retail estate in the summer of 2023.

The range included three new bread carriers which subsequently required new packaging, production processes, ingredients and a technical partnership with a new critical upstream supplier.

Despite the complexity, we managed to rapidly upscale production and meet the launch deadline, which led the customer to award us additional business that had been previously allocated to another supplier.

6

new products launched across the store estate in the summer of 2023

3

new bread carriers included in the new range

Excellence

Deliver superior performance through operational excellence

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

OUR KEY DRIVERS

- Identify and deliver opportunities to improve efficiency through our highly skilled Operational Excellence team.
- Enhance productivity in our operations by:
  - Establishing a culture of continuous improvement.
  - Targeting investment in automation and colleague training.
- Maintain a resilient and efficient global sourcing platform, supported by our dedicated teams in the UK, Spain and China.
- Uphold the highest technical standards of food safety and health and safety for the benefit of our colleagues, customers and consumers.
- Sustain our market-leading service levels through agile manufacturing, contingency planning and a flexible supply chain.

WHAT WE HAVE ACHIEVED IN 2023

- Streamlined our UK and US senior management teams and consolidated our UK volumes by closing our factories in Sutton Bridge and Leicester, delivering run-rate savings of £25m.
- As part of our recently developed Bakkavor Operating System:
  - Completed the roll-out of our smart manufacturing IT system across the UK estate.
  - Implemented several engineering initiatives to reduce energy usage, which helped us to deliver a step-change in factory performance and a further reduction in carbon emissions.
- Installed a new automated bakery line at our UK Crewe site that increased capacity, improved productivity and lowered carbon emissions (for detail, see the case study on the next page).
- Launched a new manufacturing apprenticeship in the UK to complement our award-winning engineering programme. We enrolled 65 people across all functions in 2023/24 – the highest ever apprenticeship intake.

READ MORE pg 32.

- Designed and deployed training programmes on operational excellence and lean manufacturing across the UK and China.
- Maintained industry-leading technical standards across the Group and provided best-in-class service levels despite supply chain disruption driven by extreme weather events, notably in produce (UK and China) and fruit (UK).

£25m

of run-rate savings on track to be delivered through our refreshed structure

OUR FOCUS FOR 2024 AND BEYOND

- Continue the development of the Bakkavor Operating System, with a focus on UK food waste, to generate efficiencies whilst contributing to our sustainability commitments.
- Implement energy-efficient solutions as part of the normal end-of-life asset replacement cycle, and support supply chain resilience by incorporating climate risk understanding into raw material sourcing.
- Further strengthen the UK talent pipeline by introducing a new engineering graduate programme, as well as new manufacturing and ESG undergraduate placement programmes starting from 2024.
- Support our US business in driving better factory performance by improving how we share talent and know-how across our network and upskilling the operational teams.
- Deliver a step-change in factory performance in China by implementing lean manufacturing practices and investing in targeted automation, with support from the UK Operational Excellence team.
- Maintain industry-leading food safety and health and safety standards through strict control and regular training.

STRATEGY IN ACTION

Introducing our new automated craft bread production line

In 2023, we installed a new high-speed automated bakery line at our UK site in Crewe.

With the flatbread market growing, we took the opportunity to invest £10m in a new production line at our UK Crewe site to improve productivity, product quality and consistency through automation.

This strategic investment was approved by the Board after engaging with Crewe's Site Employee Forum ("SEF"), ensuring the interests of our colleagues were at the heart of the project.

A key part of the project was replacing the existing nitrogen-based chiller with a new energy-efficient solution, which reduced both running costs and carbon emissions. This showcases how we are incorporating our Trusted Partner ESG strategy into our decision-making processes.

We have been the leader in chilled breads for over a decade; nevertheless, we continually look to strengthen our capability, differentiate our products and enhance productivity, as we strive for excellence and superior performance.

READ MORE pg 99.

£10m

investment that marries capacity, efficiency and sustainability

Trust

Be a Trusted Partner for our people, customers, suppliers and communities

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

OUR KEY DRIVERS

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

WHAT WE HAVE ACHIEVED IN 2023

- Reduced Scope 1 and 2 net carbon emissions by 5.3% year-on-year and strengthened our Net Zero ambition by committing to the Science Based Targets initiative ("SBTi").
- Reduced UK food waste tonnage by 20.7% year-on-year through the continued focus on waste reduction and food redistribution.
- Supported the UK Plastics Pact's 2025 goals by eliminating 1,390 tonnes of plastic packaging in the UK (an 8.0% reduction), sourcing plastic with an average recycled content of 52.9% and maintaining a recyclability percentage of all our packaging above 99%.
- Maintained industry-leading health and safety standards with 259 >7 day lost time accidents per 100k employees, well below the industry average of 764. We also continued the roll-out of our Wellbeing strategy with a range of initiatives, including a menopause awareness campaign and financial and mental health advice sessions.

READ MORE pg 44.

- Increased employee engagement scores and increased the frequency of our Employee Engagement Survey from every 18 months to annually.
- Introduced a range of high-quality meals and pizzas under our 'Proud to Be' range into our staff shops, ensuring our colleagues always have access to our products at discounted prices.
- Launched our Effective Leadership Development programme to supplement our highly successful Front-line Leaders programme and continue to support our operational team leaders.

READ MORE pg 32.

- Strengthened our partnership with the Natasha Allergy Research Foundation by doubling our annual donation and extending our commitment as a long-term charity partner supporting their ongoing groundbreaking research.

20.7%

reduction of UK food waste tonnage in 2023

OUR FOCUS FOR 2024 AND BEYOND

- Collaborate with our customers and suppliers in enabling the climate transition in our value chains through increasing transparency and understanding of climate impacts.
- Continue working towards our Champions 12.3 target of reducing UK food waste in our UK business through better tracking, control and intervening actions.
- Assess the most at-risk suppliers to our UK business on their compliance with our Supplier Code of Conduct and continue a verification audit process to identify and mitigate risks.
- Continue to transform our staff shops to provide further support to our colleagues, expanding the number of both Bakkavor and other products on offer, so that our people have access to a broad range of items.
- Further strengthen our leadership development offer by launching a new Foundation Leadership programme that will be accessible to all managers and team leaders.
- Deliver against our science-based targets in the near-term (2030) and achieve Net Zero operational emissions by 2040 and across the value chain by 2050.

READ MORE pg 50.

STRATEGY IN ACTION

Doing our part in tackling UK food insecurity

In November 2023 we joined The Coronation Food Project, an initiative inspired by King Charles III to tackle UK food waste and food insecurity across the UK.

The project aims to access surplus food and redistribute it to those needing it most, whilst reducing carbon emissions.

We are working with some of our customers and competitors, plus food redistribution charities FareShare and the Felix Project, to manufacture and distribute our nutritious and tasty meals to people in need promptly and efficiently.

The overall alliance partnership's goal is to distribute one million meal equivalents in 2024, doing our part for the 13 million people in the UK currently experiencing food poverty.

500,000

meals to be donated by Bakkavor in 2024 as part of The Coronation Food Project

>35,000

equivalent meals already contributed in December 2023

Great people, *greater success*

“

We recognise the importance of making Bakkavor a great place to work, where all colleagues can feel supported and fulfilled. Our values are at the heart of this and provide the guiding principles that shape how we behave. By doing this, we can all be proud to be Bakkavor.

Our people plan is driven by employee feedback and aligned to the commitments in our Trusted Partner ESG strategy.

Donna-Maria Lee,
Chief People Officer

READ MORE pg 44.

Our Group-wide Employee Engagement Survey ("EES") is vital to informing our planning around what matters most to our global network of c.18,000 colleagues.

This year, we moved our EES from an 18-month cycle to annually, providing more regular feedback to inform our priorities. We saw excellent levels of survey participation, up 2% since the already high response rates in 2022.

We identified four 2023 focus areas for action planning, programmes and employee-led initiatives; these are detailed on the next two pages. The improvements we have made this year have delivered a step on in employee engagement and the insights gained will help to inform our 2024 focus and the strengthening of our Bakkavor culture.

88%
survey response rate

71.8%
overall score

Our 2023 EES *highlights*

This year's EES highlighted some of our key strengths, namely that our colleagues feel that:

- They understand the goals of their site or function.
- Bakkavor provides them with a safe working environment.
- They can be themselves whilst at work.

It was also encouraging to see that the areas we had focused on driving change in this year saw significant improvements, with:

7.1%
more colleagues understand Bakkavor values

6.2%
more colleagues understand what our Site Employee Forums ("SEF") do and how they can help

5.5%
more colleagues understand the action we are taking on important social and environmental issues

Our *people progress* in 2023

1 *Providing* opportunities for personal growth and development

We are always looking to improve our colleague learning offering, with 72.2% of our colleagues indicating that they have received the training needed to do their job well.

LEADERSHIP DEVELOPMENT

Following the 2022 launch of our Front-line Leaders and Effective Leadership Development programmes for operational team leaders, a new Foundation Leadership programme has been developed for 2024. This will be delivered to all UK junior leaders in an accessible modular format, focusing on key leadership skills such as effective communication and feedback, motivation and behaviours, change management, problem-solving and decision-making.

SKILLS DEVELOPMENT

Our online portal provides over 100 courses in 17 languages, available 24/7 for UK salaried employees. A careers portal will further strengthen the link between skills development and role progression.

EARLY CAREERS

We continue to invest in our talent pipeline through our apprenticeship, graduate and undergraduate placements, with 14 graduates recruited in 2023. In response to skill shortages within certain manufacturing disciplines, our Engineering Academy provides targeted recruitment, development and growth opportunities. This has seen us triple our intake of engineering apprentices over the last three years. We were also voted the top FMCG company for apprentices for the fourth year running by TheJobCrowd.

FEMALE MENTORING

In an industry significantly under-represented by women, particularly at more senior levels, this is a key part of our leadership development. Following the successful launch of our 2022 mentoring programme, we have established a Female Networking Group which began in December 2023. Our I&D Forum also steers our business across a wide range of matters.

READ MORE pg 38.

ONBOARDING MANUFACTURING PROGRAMME

We have made our new joiners' induction more interactive, visual and accessible by installing a refreshed digital infrastructure with online learning systems and tools. This earned us the 2023 Gold Award for the 'Best Technology-based Onboarding Programme' by the Learning Technologies Awards.

2 *Responding* to change effectively and embracing new ways of doing things

One of our key priorities centred on embedding our new leadership to clearly communicate our strategy and improve ways of working. In particular, we restructured our UK leadership team and streamlined the UK from four to two sectors.

This was achieved by:

- CEO quarterly business updates for senior leaders across the UK, US and China.
- A monthly UK brief on Group and site news to all factory-based employees.
- Direct online messaging to UK factory workers through a digital portal.
- Re-launch of SEF with a 6.2% rise in understanding what our forums do and how they can help.

For 2024, these communication channels will continue with greater emphasis on employee suggestions for innovative ways of working together and making improvements across the business.

3 Embedding our values

Our values are a key enabler for our colleagues to collaborate effectively and deliver our strategy.

Following the launch of our refreshed 'Proud to Be' values in 2022, our priority in 2023 was to continue to embed these values into our ways of working.

This included the launch of a UK-wide values recognition programme, and a new 'Better Behaviours, Better Bakkavor' workshop to support an increased focus on our 'Respect and trust each other' value.

Respect and trust each other

BETTER BEHAVIOURS, BETTER BAKKAVOR

In response to the 2022 EES, we developed a 'Better Behaviours, Better Bakkavor' workshop which explores ways to further inform employees around behaviours which do not align with our values. We prioritised our front-line factory employees where we identified a greater need for support in this area. Feedback from these sessions will inform our new Foundation Leadership programme.

Be proud of what we do

'PROUD TO BE' AWARDS

We've made great progress in developing our annual awards ceremony to recognise colleagues going above and beyond to live and breathe our values. Within the UK and US, we've also launched a monthly 'Proud to Be' recognition and nomination scheme.

READ MORE pg 92.

4 Providing relevant colleague benefits

To support colleagues through cost of living challenges, we have continued to offer competitive pay and relevant benefits for all, with staff shops offering our first Bakkavor-branded discounted food for UK employees.

We continue to clearly communicate our full range of benefits, discounts and wellbeing provision through webinars and site roadshows. As we move into 2024, we remain focused on understanding what benefits matter most across our diverse workforce.

Our efforts have resulted in 71.5% agreeing to the question 'I know how to access support for my health and wellbeing', a 1.5% uplift from 2022.

SUPPORTING WELLBEING

We have continued to focus on our strategy's three core pillars of physical, emotional and financial wellbeing. Our network of c.90 Wellbeing Champions and Occupational Health teams are instrumental in these efforts.

As part of our Wellbeing Month, we launched our new Mental Health Policy and signed up to the Mental Health at Work Commitment, with training sessions and resources continuing into 2024.

READ MORE pg 44.

Overview: *United Kingdom*

Strong execution of our plan drove market share gains and a robust performance

UK FINANCIAL HIGHLIGHTS

£m	2023	2022	Change
Reported revenue	**1,852.7**	1,783.1	3.9%
Like-for-like revenue[1]	**1,852.7**	1,752.3	5.7%
Adjusted operating profit[1]	**93.9**	92.7	1.3%
Adjusted operating profit margin[1]	**5.1%**	5.2%	(10bps)
Operating profit	**96.7**	54.6	77.1%
Operating profit margin	**5.2%**	3.1%	210bps

1 Alternative Performance Measures are referred to as 'like-for-like', 'adjusted' and 'underlying' and are applied consistently throughout this document. These are defined in full and reconciled to the reported statutory measures in Note 36.

TRADING PERFORMANCE

Like-for-like ("LFL") revenue increased by 5.7% to £1,852.7m (2022: £1,752.3m). Reported revenue, which includes the impact of a 53rd week in 2022, was up 3.9% to £1,852.7m. Growth continued to be led by pricing as inflationary pressures persisted. We again outperformed the market, which saw a 2.2% decline in volume compared to our reduction of only 0.5% year-on-year.

A combination of collaborative pricing discussions with our customers and our plan to protect profits, which we launched in November 2022, meant we successfully mitigated ongoing inflationary headwinds. This resulted in adjusted operating profit being up £1.2m to £93.9m (2022: £92.7m), with margins broadly flat at 5.1% (2022: 5.2%).

Operating profit of £96.7m includes exceptional income of £2.8m (2022: £36.6m expense) related to the release of provisions previously held for our restructuring activity, and therefore was up £42.1m (2022: £54.6m).

RENEWED AGILITY AND FOCUS DRIVING MARKET OUTPERFORMANCE

The Fresh Prepared Food ("FPF") market remains challenging and has continued to be impacted by changing consumer behaviours. Shoppers are focused on centre-of-plate products and 'good value' purchases as a reaction to the persistent cost of living pressures. Consumer confidence slowly improved towards the end of the year as inflationary pressures eased slightly, resulting in a slower pace of volume.

The desserts category was the least resilient because of its more discretionary nature. It was also a category which saw more inflation passed through given the raw material mix (e.g. dairy having experienced particularly high inflation) and reduced promotions due to the new high fat, salt and sugar ("HFSS") legislation. Whilst we saw a decline in our volumes, we were significantly ahead of the market. This outperformance was driven by new business wins in cream cakes and hot desserts, as well as growth in our 'The Delicious Dessert Company' brand ("DDC"). The brand targets a new, younger consumer compared to the more traditional dessert shopper.

We extended our DDC product range and secured stronger distribution across retailers, with us now having products listed in over 1,600 stores.

We also outperformed the market in salads, although as a category it was negatively impacted by shopper behaviour. Customers switched to cheaper whole-head leaf options and demand was reduced by the cooler weather seen during the summer. A number of industry-wide availability issues also disrupted the category. Our ability to navigate these availability challenges efficiently and maintain excellent service levels for our customers was a key factor in driving our performance compared to the market. We also saw the benefit of onboarding new fresh-cut fruit business at the start of the year.

Meals was a more resilient category and performed better than the wider market, with consumers switching from eating out and takeaway options to at-home dining alternatives. Our products continue to provide great value to consumers and our innovation also boosted sales. For example, the re-development of the Oriental range for our biggest customer delivered incremental sales growth, re-establishing their market leadership in this category. The cooler summer also benefitted our hot eating product ranges.

The pizza and bread category continued to see volume growth during the year, predominantly driven by 'value' ranges and meal deals as consumers, again, moved away from the more expensive takeaway and restaurant options. Our business mix is skewed towards the mid-tier and premium ranges, as such this was the one category in which we did not gain market share.

REFRESHED APPROACH FUNDAMENTAL TO PROTECTING OUR PROFITABILITY

Industry-wide supply chain challenges persisted throughout the year as multiple countries were affected by extreme weather conditions, impacting the supply and quality of fresh raw materials. Utilising our scale and agility, we consistently delivered excellent service levels to our customers, ensuring good availability of our products instore. The reliability we provide also helped us to win new business across several categories during the year. Our targeted innovation continued to focus on changing consumer needs and has delivered ranges that outperformed for our customers.

Although inflationary pressures lessened in the second half, driven by reduced raw material headwinds, they remained high and resulted in c.£130m of inflation across our UK cost base during the year. This is in addition to the c.£200m we had already faced in 2022. Through collaborative pricing discussions with our customers, we were able to recover a large portion, but not all, of this increased cost. It was 'self-help' that enabled us to bridge the remaining gap and protect our profitability.

The roll-out of our new manufacturing system across all our UK factories was completed in the first half of the year. This system provides live data, which has underpinned the strong operational improvement in the year and signposts future opportunities to remove bottlenecks and points of inefficiency. These insights, combined with our renewed organisational structure, are enabling us to act with significantly greater agility and drive operational synergies and efficiencies. The operational alignment around our Meals and Bakery sectors has enabled more dynamic movements of volume between sites, which allows us to better manage production, especially during peak periods.

ENHANCED FOCUS ON CAPITAL INVESTMENTS

Although we limited our capital spend during the year, we continued to enhance our operations through targeted investments which focused on maintaining the high standards in our factories and driving productivity improvements. Whilst many of these investments are relatively small, we have invested £10m in a new bakery line at our Crewe factory. This high-speed line reduces our reliance on labour and has a low-carbon, energy-efficient chilling process to deliver both cost and carbon savings.

In addition to this, we have invested in capacity across a number of sites. We invested in cut-fruit capacity to accommodate a new business win, which we successfully onboarded in Q1. We also continued to invest in desserts capacity and capability. In the first half of 2023, we invested in our three remaining desserts factories to accommodate volumes transferring following the closure of our site in Leicester. The next phase of our desserts investment is underway to facilitate the launch of a new business win, expected in Q2 2024.

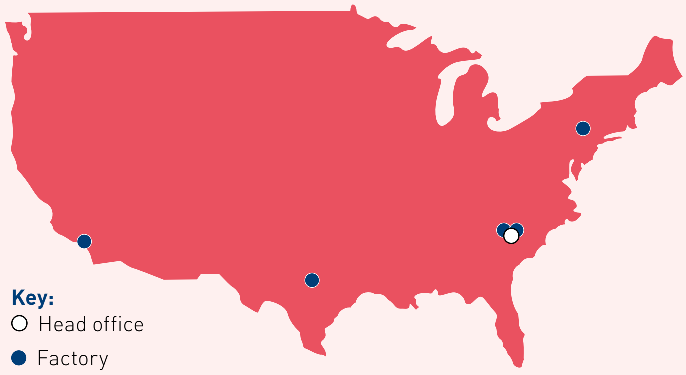
Overview: United States

Refreshed priorities delivering operational performance and profitability

US FINANCIAL HIGHLIGHTS

£m	2023	2022	Change
Reported revenue	**229.4**	255.3	(10.1%)
Like-for-like revenue[1]	**230.6**	251.7	(8.4%)
Adjusted operating profit[1]	**3.4**	3.3	3.0%
Adjusted operating profit margin[1]	**1.5%**	1.3%	20bps
Operating profit/(loss)	**0.5**	(0.5)	200%
Operating profit/(loss) margin	**0.2%**	(0.2%)	40bps

1 Alternative Performance Measures are referred to as 'like-for-like', 'adjusted' and 'underlying' and are applied consistently throughout this document. These are defined in full and reconciled to the reported statutory measures in Note 36.



TRADING PERFORMANCE

LFL revenue was down 8.4% to £230.6m, as we shifted our focus from growth to profit. The market's potential remains strong and, excluding business that has been exited, we delivered sales growth of c.7%. Reported revenue, which includes the impact of a 53rd week in 2022 and the effect of currency, was down 10.1% to £229.4m.

The Group continued to build profitability throughout the year, moving from £0.1m in the first half to delivering £3.3m in the second half. This resulted in an adjusted operating profit of £3.4m, with 1.5% margin, for the full year. Adjusted operating profit excludes exceptional costs of £2.9m (2022: £3.8m) relating to impairment charges.

STRONG PROGRESS DRIVEN BY OUR REFRESHED PRIORITIES

Our primary focus in 2023 has been on rebuilding sustainable profitability by focusing on the basics of operational performance, ahead of pursuing sales growth in the short-term. Our new leadership team was put in place during the first half, comprising a mix of excellent local US talent and UK colleagues. Developing stronger links with the UK across all functions is a key area of focus as we rebuild the business.

The new team has already made significant progress in improving business performance and customer engagement, including through enhancing the service levels delivered to our customers and navigating challenges faced during the year with increased collaboration and communication. Our technical performance has also improved, with all our factories achieving 'Excellent' Safe Quality Food ("SQF") scores. We also resolved the previously reported customer contractual dispute at one of our sites.

We have reviewed our product lines with greater granularity, and have chosen to delist certain lower-margin, products as part of our drive to focus on profitability. Finally, we have regained control of our cost base, establishing a stronger platform for profitable growth with an emphasis on controlling overheads and driving factory performance.

Overview: China

Self-funding through building market share and driving operational efficiencies

CHINA FINANCIAL HIGHLIGHTS

£m	2023	2022	Change
Reported revenue	**121.7**	100.8	20.7%
Like-for-like revenue[1]	**130.9**	99.2	32.0%
Adjusted operating loss[1]	**(3.0)**	(6.6)	54.5%
Adjusted operating loss margin[1]	**(2.5%)**	(6.5%)	400bps
Operating loss	**(0.1)**	(16.3)	99.4%
Operating loss margin	**(0.1%)**	(16.2%)	1610bps

1 Alternative Performance Measures are referred to as 'like-for-like', 'adjusted' and 'underlying' and are applied consistently throughout this document. These are defined in full and reconciled to the reported statutory measures in Note 36.

TRADING PERFORMANCE

Trading in China continued to recover through 2023, with LFL revenue of £130.9m, up 32.0%. Reported revenue, which includes the impact of a 53rd week in 2022 and the effect of currency, increased by 20.7% to £121.7m. Revenue growth was primarily driven by increased volumes in the period, which benefitted from continued post-Covid recovery. Growth was also due to market share gains with our established foodservice customers and further diversification into the retail channel.

Increased sales, together with improved efficiencies, supported an improvement in operating losses, with an adjusted operating loss of £3.0m (£3.6m lower than last year). Adjusted operating loss excludes: £2.9m of exceptional income, which comprised £1.5m of proceeds from the sale and leaseback of a property in Hong Kong; and a £1.4m net gain on the sale of our two associate investments. We are pleased that these two transactions have simplified our China operations.

A REFRESHED FOCUS ON LEVERAGING OUR EXISTING FOOTPRINT

We have seen improved performance from our China business as the consumer environment continued to stabilise following the relaxation of Covid-related restrictions in December 2022. Without the volatility created by lockdowns we have been able to drive margin improvement through better operational efficiency and more stable production rates.

We have continued to make further progress with diversifying our revenue by further developing our retail channels, which grew 48% year-on-year and now account for c.20% of our sales. We have also seen significant expansion in the foodservice market, with both international and domestic players continuing to open stores at pace. In this context, we have seen strong growth in our Bakery business, which operated at capacity for the entire year, as we supported key customers in the expansion of their footprints and increased distribution of our product.

The benefit of our efficiency gains has also helped to mitigate the impact of poor ingredient yields, driven by extreme weather, and the recurring challenge of wage inflation. The labour market has remained tight, but we continue to manage this effectively without disruption.

Our strategic investment in the region is complete and we continue to maintain a tight control of capital spend. As a result, the business is now cash-generative and self-funding.

Trusted Partner: positive progress and science-based targets

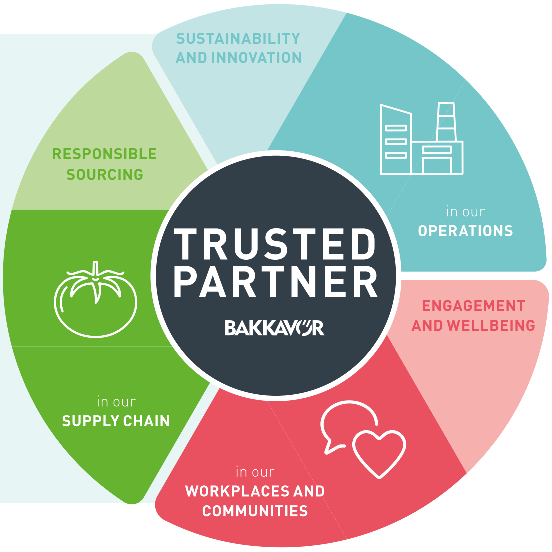
AN OVERVIEW OF OUR ESG REPORTING

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

Trusted Partner is our ESG strategy and we have a clear plan to deliver progress across Responsible Sourcing in our Supply Chain, Sustainability and Innovation in our Operations, and Engagement and Wellbeing in our Workplaces and Communities.

We have reported against the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").

READ MORE pg 50.



EXECUTIVE SUMMARY

'Trust' is a core pillar in our Group strategy as it is key to building sustainable growth. Trusted Partner is our approach for defining action and delivering progress on the critical issues that matter most to our stakeholders and society, as well as increasing the resilience of our business.

Trusted Partner has been informed through a materiality assessment, last conducted in 2022. Following this refreshed insight, we sharpened our focus on three strategic priority areas: Climate and Net Zero, UK Food Waste, and Environmentally Sustainable Sourcing, whilst continuing to work towards the objectives of our other material ESG topics through our business functions.

2023 saw further progress in embedding ESG across the business, and as a result, Bakkavor has seen positive progress in all four of our core non-financial KPIs. Performance against each of these metrics continues to be tracked and reported to senior management regularly. This, coupled with dedicated training held for the Group Board, has increased understanding and ensured we have the ability and accountability for driving performance.

READ MORE pg 6.

During the year we set updated climate targets that align with the Science Based Targets initiative ("SBTi"). These will be validated in Q2 2024.

READ MORE pg 50.

The Board-level ESG Committee continued to oversee our agenda and hold us accountable, meeting four times during the year, including to review and approve our science-based climate targets.

To further drive performance, the Board approved new ESG-related incentives: UK food waste performance as a measure within the STIP and carbon emissions reductions within the LTIP scheme.

READ MORE pg 124.

Our ESG ambitions will require collaboration across the food industry. Partnerships with our customers on sustainability topics are vital to delivering positive outcomes, and we engaged with them closely and transparently through forums, multistakeholder initiatives, as well as being a routine part of commercial conversations.

Similarly, we maintained two-way engagement on ESG with our suppliers, with an update to our Supplier Code of Conduct. We embedded ESG awareness within our business through events and workshops. We also communicated to investors through our financial results calendar and one-to-one discussions.

READ MORE pg 64.

ESG GOVERNANCE

We have a clear governance framework in place to drive and oversee our progress in relation to climate-related issues.

READ MORE pg 57.

Our ESG Committee and function sit within the Group's overall governance framework.

READ MORE pg 87.

For ESG and sustainability enquiries: ESG@bakkavor.com

Trusted Partner is focused on three areas:

Responsible Sourcing in our Supply Chain

Sustainability and Innovation in our Operations

Engagement and Wellbeing in our Workplaces and Communities

Responsible Sourcing in our Supply Chain

Encompasses two distinct but connected material issues: Supply Chain Human Rights and Environmentally Sustainable Sourcing.

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

Bakkavor's Supplier Code of Conduct is at the heart of our supply chain engagement approach. This code, a requirement for all suppliers to Bakkavor UK, outlines the standards that we expect to be met and forms part of our supplier selection process. Key areas include Human Rights, Ingredient Integrity and Environmental Sustainability. The Code, along with our Deforestation Policy, Human Rights Policy and Animal Welfare Policy, can be found at bakkavor.com/en/esg/policies-and-documents.

Industry collaboration in this area is extremely important in order to address system-wide issues. Bakkavor is active in multistakeholder initiatives including the UK Soy Manifesto, the Ethical Trading Initiative, the Food Network for Ethical Trade ("FNET") and the Spanish Ethical Trade Forum.

Our Responsible Sourcing strategy is overseen by a governance group that includes senior representation from the Procurement, Finance, ESG and Technical functions, who oversee the day-to-day implementation of our strategy via the Responsible Sourcing action team.

Sustainability and Innovation in our Operations

Encompasses our approach to minimising the environmental impacts of our direct operations and increasing the sustainability of the food we manufacture.

This includes two of our strategic priorities: Climate and Net Zero and UK Food Waste, as well as Impact of Packaging; Sustainable and Healthier Products; and Water Use and Management. Operational efficiency is part of our business's 'Excellence' pillar within our Group strategy. Our ESG objectives are integrated with this and Group net carbon emissions and UK food waste are two of our non-financial KPIs. Progress in reducing these is an indicator of more sustainable and efficient food manufacturing operations.

In 2023 we reaffirmed our Net Zero by 2040 ambition by committing to the SBTi and setting a goal to reach Net Zero greenhouse gas emissions across the value chain by 2050, as well as reducing net Scope 1 and 2 emissions by 42% and Scope 3 emissions from products and services also by 42% by 2030 (2021 baseline).

READ MORE pg 50.

This is part of a significant first step in developing our climate transition plan, which will set out our roadmap for the years to come, and our existing utility efficiency programme continues to help reduce emissions in our operations.

READ MORE pg 52.

To drive performance towards our climate and UK food waste goals (halving our UK food waste by 2030 from a 2017 baseline), we have updated our incentives schemes by including an update to our STIP and LTIP.

READ MORE pg 124.

Engagement and Wellbeing in our Workplaces and Communities

Encompasses how we support our diverse and talented colleagues and people in our workplaces and communities.

The health and safety of our colleagues is our biggest priority, and as such UK >7 day lost-time accidents is one of our non-financial KPIs. We strive for zero harm and acknowledge that there are always opportunities to learn and improve. Our Global Health and Safety Management Principles standardise best practice across all our sites, leveraging ISO 14001, and the Board consistently monitors progress.

READ MORE pg 111.

We aim to provide an inclusive environment where colleagues can thrive, supporting their physical, emotional and financial wellbeing. Our cross-functional Wellbeing Steering Committee, led by our Chief People Officer ("CPO"), delivers our Wellbeing strategy and objectives. Our I&D Forum, chaired by our Company Secretary and General Counsel, steers our strategic direction on becoming a more inclusive and diverse business. Our long-running Human Rights and Ethical programme, which is rooted in best practice such as the UN Guiding Principles and the ETI Base Code, ensures we have robust controls to minimise labour and human rights risks in our own operations. It is driven by the Ethical Trade team and overseen by the CPO. We hold 'Verified Advanced' Business Partner status with Stronger Together – a multistakeholder initiative working to tackle modern slavery. We use its Progress Monitoring Tool to assess the effectiveness of our Ethical Trade programme.

We seek to engage with all of our colleagues to ensure their opinions are heard and acted upon. The Community Engagement workstream coordinates our three-year corporate charity programme with partners GroceryAid and the Natasha Allergy Research Foundation.

Responsible Sourcing in our Supply Chain

PROGRESS AGAINST OUR TARGETS AND COMMITMENTS

Strategic priority | NF Non-financial KPI | Achieved | On track | Work to do

ISSUE	COMMITMENTS	STATUS	UPDATE
Environmentally Sustainable Sourcing (Strategic priority)	100% deforestation- and conversion-free sourcing of palm oil, soy, beef and wood pulp by the end of 2025 (UK, 2020 cut-off date).	Achieved	We offset UK soy footprint with credits purchased through RTRS[1] and the Group is a signatory to the UK Soy Manifesto. All UK-sourced palm oil is RSPO[2] certified. In 2023, we continued to report and manage soy and palm oil sourcing with support from advisers 3Keel and responded to the Carbon Disclosure Project's ("CDP") Forests questionnaires[3] for the second time. All cardboard used for primary and secondary packaging is sourced from sustainable wood pulp (Programme for the Endorsement of Forest Certification ("PEFC")/FSC chain of custody certification). All beef used in the UK business comes from retailer-approved European farms which are low-risk for deforestation.
	Formalise a policy on our supplier expectations around animal welfare.	Achieved	We released our Animal Welfare Policy to relevant suppliers in June 2023. It can be found at bakkavor.com/en/esg/esg-reporting.
	100% eggs from cage-free sources by 2025 in the UK, and Group-wide by 2027.	On track	UK: 80% (77% in 2022). China: 6% (0% in 2022). US: 90% (84% in 2022).
Supply Chain Human Rights	Work collaboratively with suppliers on any breaches of our Code of Conduct to develop and implement a clear and appropriate corrective action plan (UK, ongoing).	On track	In 2023 our Supplier Code of Conduct was sent to all raw materials suppliers to Bakkavor UK along with environmental self-assessment questionnaires to assess compliance. Following this assessment, we began an audit process to verify compliance amongst our higher-risk and strategic suppliers. We will utilise these findings alongside third-party data, industry intelligence, ethical audits and supplier visit reports to address any issues identified. We will then act to mitigate our most material and salient human rights risks.
	Support supply chain engagement within our US and China businesses through our Group Supplier Conduct Policy (2023 and ongoing).	Work to do	In 2023 we prioritised increasing our understanding of our supply base. This focused on supporting our global Scope 3 carbon footprint and value chain assessment. In 2024, we will evaluate the most appropriate methodology to expand our responsible sourcing ambitions to our international businesses.

1 Round Table on Responsible Soy.
2 Round Table on Sustainable Palm Oil.
3 CDP Forests questionnaire: cdp.net/en/responses/1362/Bakkavor-Group.

Sustainability and Innovation in our Operations

PROGRESS AGAINST OUR TARGETS AND COMMITMENTS

Strategic priority | NF Non-financial KPI | Achieved | On track | Work to do

ISSUE	COMMITMENTS	STATUS	UPDATE
Climate and Net Zero (Strategic priority)	Achieve Net Zero carbon emissions in our Group operations by 2040. READ MORE pg 50.	On track	Scope 1 and 2 Group net carbon emissions reduced by 5.3% in 2023, totalling a 23.2% reduction since 2021. Bakkavor expanded Scope 3 measurement to our US and China businesses, and saw positive progress despite increased volumes across the Group. READ MORE pg 59.
	Optimise operational water intensity whilst maintaining product quality and integrity.	On track	Bakkavor reports water consumption through our CDP Water Security submission[4], the most recent of which reports on data for 2022. This showed a reduction in consumption of 4% compared to 2021 and received a disclosure score of B-.
Food Waste (Strategic priority)	Continue working towards our Champions 12.3 target of reducing food loss by preventing it at each of our sites, whilst measuring and reporting our progress annually (2030, UK).	On track	In 2023 we began the roll-out of waste tracking and elimination project sites to further measure and control UK food waste in real-time as part of our Operational Excellence programme. As a result, UK food waste reduced by 150 bps to 6.6% of total input (2022: 8.1%), which is a reduction of 7,960 tonnes. Since 2017 we have reduced UK food waste by 19,471 tonnes, a 39.0% reduction.
Impact of Packaging	Support progress towards achieving the UK Plastics Pact's 2025 industry goals: • Eliminate problematic plastics. • 100% reusable or recyclable plastic packaging. • 30%+ average recycled content in plastic packaging.	On track	In 2023 we eliminated 1,390 tonnes of plastic from our products in the UK – an 8% reduction in volume in the year. 99.7% of our UK product packaging is recyclable. The average recycled content of our UK plastic volume is 52.9% (the same proportion as in 2022).
Sustainable Product Development	Meet customers' nutrition targets on salt, sugar, saturated fat and overall calories through reformulation (ongoing).	On track; Work to do	In 2023, 58% of our products are considered healthier options[5]. This is down from 62% in 2022 due to new product ranges, however now 90% of our products (2022: 83%) are compliant with the Food Standard Agency's salt reduction targets for 2024.

4 CDP Climate and Water questionnaires: cdp.net/en/responses/1362/Bakkavor-Group.

5 As defined by the UK Department of Health's Nutrient Profiling Model.

Engagement and Wellbeing in our Workplaces and Communities

PROGRESS AGAINST OUR TARGETS AND COMMITMENTS

Strategic priority | NF Non-financial KPI | Achieved | On track | Work to do

ISSUE	COMMITMENTS	STATUS	UPDATE
Colleague Health and Safety	Uphold our commitment to health and safety, targeting zero serious accidents across the Group.	Work to do	Major accidents in the UK increased by 23.1% to 48 per 100k employees[6]. There was 1 major in the US (108 per 100k employees) and none in China. There were no fatalities in 2023 across the Group.
NF	Continue to outperform UK industry averages on numbers of major accidents and >7 days lost-time accidents.	On track	In 2023 UK >7 day lost-time accidents reduced by 19.3% to 259 per 100k employees (2022: 321), outperforming the Health and Safety Executive's ("HSEs") food industry benchmark[7], by 66.1%. **READ MORE** pg 6.
	Be recognised by our colleagues as supporting them to achieve positive wellbeing.	Achieved	Our Wellbeing strategy continued in 2023, including a range of campaigns focused on supporting our colleagues' financial, emotional and physical wellbeing. Driven by our Wellbeing Champions at site level, we saw an improvement in colleague awareness of the wellbeing support we provide through our Employee Engagement Survey. Some examples of activity this year include financial advice sessions, menopause awareness events and a 'Know Your Numbers' awareness week. In November we launched Bakkavor's first Wellbeing Month to further communicate our offering to colleagues, with a particular focus and commitment on mental health.
Engagement, Development and Retention	Promote an inclusive working environment, where differences are valued and individuals feel they can be themselves.	On track	The I&D Forum ran a programme of events through 2023 to promote inclusive behaviours. From highlighting inspirational stories during UK Black History Month, to sharing unconscious bias awareness training during Pride Month, and showcasing our own heritages during Celebrate Your Culture at Work Week in July. 75.7% of employees feel they can be themselves at work.
	Conduct an annual Group-wide Employee Engagement Survey ("EES"), aiming for an overall employee engagement score above industry average.	Achieved	Our 2023 EES response rate was 88%, a 2% increase on the previous year (86% in 2022). **READ MORE** pg 30.

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

7 UK HSE industry averages: hse.gov.uk/statistics/tables/index.htm#riddor.

PROGRESS AGAINST OUR TARGETS AND COMMITMENTS

Strategic priority | NF Non-financial KPI | ✓ Achieved | ✓ On track | – Work to do

ISSUE	COMMITMENTS	STATUS	UPDATE
NF **Colleague Retention**	Reduce our UK employee turnover and maintain below industry average.	✓	UK employee turnover decreased 190 basis points to 26.2% (2022: 28.1%), driven by a stabilisation of previous challenging labour market conditions. We are an industry leader in reporting this metric, as such comparable data is not widely available. READ MORE pg 6.
	Continue to embed our values as the foundation of our culture, striving to create a great place to work.	✓	In 2023 we launched 'Better Behaviours, Better Bakkavor' and saw improved engagement scores around understanding and demonstrating these values.
Responsible Recruitment and Employment	Drive awareness and action on the issue of modern slavery with our colleagues and industry partners.	✓	In 2023, we continued modern slavery awareness training for colleagues across the business and introduced training targets to measure the delivery. We embedded our Remedy and Remediation policies, completed third-party audits of employment agencies and partnered with the Bright Future Co-op to offer permanent employment opportunities to former victims of modern slavery.
Local Causes and Community Engagement	Fundraise and support our key Group charities through Group donations and colleague engagement fundraising activities.	✓	Bakkavor has a dedicated three-year corporate charity partnership with GroceryAid and the Natasha Allergy Research Foundation. In 2023, we donated over £130,000 to these organisations. Furthermore, each of our sites have their own charity partnerships at a local level run by our Site Employee Forum ("SEF") representatives who fundraise through activities such as fun runs, bake sales, events and sponsorships. Bakkavor matches each site's local fundraising up to £2,500 a year through our matched giving scheme. In total, the Group donated a total of £236,000 to charities in 2023. In November we supported The Coronation Food Project. READ MORE pg 28.

Related policies and documents
bakkavor.com/en/esg/esg-reporting

Our 2023 ESG report will be released on our website in April at bakkavor.com/esg. This will provide a more detailed update on Trusted Partner and supporting ESG performance data.

- Supplier Code of Conduct (UK).
- Modern Slavery Statement.
- Deforestation Statement.
- Ethical Trade and Human Rights Policy.
- Freedom of Association Policy.
- Animal Welfare Policy.
- Environment Policy.
- Group Ethical Trading and Human Rights Policy.
- Inclusion and Diversity Policy.

Non-financial and sustainability *information statement*

The following detail sets out where stakeholders can find further non-financial information on each of the key areas of disclosure as required under the UK Companies Act 2006 (sections 414CA and 414CB). **READ MORE** on the data for our Streamlined Energy and Carbon Reporting ("SECR") on pg 60 and 61 for narrative on the principal measures taken to improve our energy efficiency.

Reporting requirement	Outcomes and further information in this report	Page reference	Relevant policies
Climate-related Financial Disclosures	As a company listed in the UK, we report our climate-related financial disclosures through consistency with the TCFD Framework and the UK Companies Act.	50-63	
	ESG: TCFD	50	Requirement s414CB(2A)
	Governance	82	(a)
	Our strategy	20	(b), (d) (i) and (ii), (e), (f), (g)
	Risk management and risk	72	(c)
	Metrics and targets	59	(g), (h)
Environment	Sustainability and Innovation Environmentally Sustainable Sourcing Related principal risk: climate change and sustainability	43 42 79	Deforestation Statement[1] Supplier Code of Conduct[1] Environment Policy[1] Supplier Code of Conduct[1] Animal Welfare Policy[1]
Employees	Engagement and Wellbeing Our people Related principal risk: health and safety, availability, recruitment and retention of colleagues	44 30 77, 78	Code of Conduct[2] Inclusion and Diversity Policy[1] Group Supplier Code of Conduct[1] Ethical Trade and Human Rights Policy[1] Mental Health at Work Policy[1]
Human Rights	Responsible Recruitment and Employment Supply Chain Human Rights Related principal risks: supply chain, climate change and sustainability	45 42 78, 79	Modern Slavery Statement[1] Freedom of Association Policy[1] Responsible Operations Policy[2] Ethical Trade and Human Rights Policy[1] Supplier Code of Conduct[1]
Social Matters	Engagement and Wellbeing Our people Related principal risk: health and safety, supply chain, availability, recruitment and retention of colleagues	44 30 77, 78	Code of Conduct[2] Modern Slavery Statement[1] Supplier Code of Conduct[1] Freedom of Association Policy[1] Animal Welfare Policy[1]

Reporting requirement	Outcomes and further information in this report	Page reference	Relevant policies
Anti-bribery and Corruption	Anti-bribery and Business Ethics Policy Whistleblowing Policy Charity and Political Donations Policy Related principal risk: corporate and regulatory	47 47 47 80	Anti-bribery and Business Ethics Statement[1] Anti-bribery and Business Ethics Policy[2] Whistleblowing Policy[2] Charity and Political Donations Policy[2] Supplier Code of Conduct[1]
Business Model	How we create value	15	
Principal Risks Related to Non-financial and Sustainability Matters	Relevant principal risks include 'Climate change and sustainability,' 'Health and safety' and 'Availability, recruitment and retention of colleagues.' See: Risk management and risks	72	
Non-financial KPIs	Key performance indicators	6	

1 Available at bakkavor.com and to all colleagues through the Bakkavor intranet.

2 Available to all colleagues through the Bakkavor intranet. Not published externally.

WHISTLEBLOWING POLICY

The Whistleblowing Policy applies to the whole Group and provides a mechanism through which individuals can raise concerns on illegal, unsafe or inappropriate activities including discrimination or harassment in the workplace. This policy represents Bakkavor's internal procedure and enables us to effectively address any wrongdoing within the business. The Bakkavor service, 'Speak Up', is available Group-wide by Freephone or online 24 hours a day/365 days a year and in 15 languages. Cases logged in 2023 were investigated thoroughly through local HR contacts, General Managers and/or Business Directors, as well as the Chief People Officer ("CPO"), Technical Director, General Counsel or the CFO when relevant. Whistleblowing is also regularly monitored by the Board.

CHARITY AND POLITICAL DONATIONS POLICY

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

READ MORE pg 45.

ANTI-BRIBERY AND BUSINESS ETHICS POLICY

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

Bakkavor requires all employees and third parties to be familiar with the basic principles of anti-bribery law in order to avoid any actions or omissions which might infringe those laws.

Our Procurement team assesses our supply chain partners for corruption and bribery risk through compliance with our Supplier Code of Conduct. Implementing these policies, with the support of Bakkavor's e-learning platform, has enabled the business to re-state the importance of vigilance in identifying any bribery and corruption issues within the business and across the supply chain, together with greater awareness of reporting procedures.

READ MORE pg 123.

EMPLOYEE DATA

The Group employed 18,136 employees in total. Employee numbers in the tables below are based on the average monthly number of employees.

By location	2023	% of total	2022	2021	2020	2019	2018
United Kingdom	**14,689**	81%	15,567	15,863	16,356	16,942	17,004
US	**925**	5%	973	875	808	874	635
China	**2,497**	14%	2,009	2,205	2,125	2,266	2,181
Continental Europe (Spain, Italy)	**25**	<1%	31	29	29	23	22
Total	**18,136**		**18,580**	**18,972**	**19,318**	**20,105**	**19,842**

By function	2023	% of total	2022	2021	2020	2019	2018
Production	**14,906**	82%	15,283	15,578	15,938	16,759	16,706
Management and administration	**2,345**	13%	2,378	2,521	2,488	2,424	2,183
Sales and distribution	**885**	5%	919	873	892	922	953
Total	**18,136**		**18,580**	**18,972**	**19,318**	**20,105**	**19,842**

	Group						
By gender	**2023**	**% of total**	**2022**	**2021**	**2020**	**2019**	**2018**
Female	**8,247**	45%	8,420	8,450	8,654	8,864	8,698
Male	**9,889**	55%	10,160	10,522	10,664	11,241	11,144
Total	**18,136**		**18,580**	**18,972**	**19,318**	**20,105**	**19,842**

	UK						
By gender	**2023**	**% of total**	**2022**	**2021**	**2020**	**2019**	**2018**
Female	**6,184**	42%	6,670	6,612	6,888	7,011	7,055
Male	**8,505**	58%	8,897	9,251	9,468	9,931	9,949
Total	**14,689**		**15,567**	**15,863**	**16,356**	**16,942**	**17,004**

	International[1]						
By gender	**2023**	**% of total**	**2022**	**2021**	**2020**	**2019**	**2018**
Female	**2,063**	60%	1,750	1,838	1,766	1,853	1,643
Male	**1,384**	40%	1,263	1,271	1,196	1,310	1,195
Total	**3,447**		**3,013**	**3,109**	**2,962**	**3,163**	**2,838**

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

Gender pay (UK)

	2023	2022	2021	2020	2019
Median gender pay gap	**6.4%**	9.3%	7.3%	2.1%	7.3%
Mean gender pay gap	**9.3%**	9.6%	9.3%	8.2%	10.7%

	2023		2022		2021		2020		2019	
	M	F	M	F	M	F	M	F	M	F
1st quartile (lower paid)	**47.1%**	**52.9%**	40.9%	59.1%	49.3%	50.7%	58.8%	41.2%	49.5%	50.5%
2nd quartile	**56.9%**	**43.1%**	62.0%	38.0%	58.6%	41.4%	59.6%	40.4%	59.3%	40.7%
3rd quartile	**65.4%**	**34.6%**	66.1%	33.9%	63.0%	37.0%	58.1%	41.9%	62.5%	37.5%
4th quartile (highest paid)	**67.8%**	**32.2%**	67.8%	32.3%	67.4%	32.6%	67.6%	32.4%	67.5%	32.5%
Median gender bonus gap	**18.2%**		12.1%		15.2%		14.5%		14.9%	
Mean gender bonus gap	**31.9%**		20.9.%		17.0%		28.1%		13.6%	
Proportion of males and females receiving a bonus	**9.2%**	**8.0%**	9.3%	7.6%	9.9%	7.8%	9.3%	7.8%	2.4%	2.0%

Senior leadership by gender, 2023

	Group Board		Senior Management[1]		Senior Executive Team		Senior Leadership	
	Number	%	Number	%	Number	%	Number	%
Female	3	27%	5	33%	2	33%	11	24%
Male	8	73%	10	67%	4	67%	35	76%
Total	**11**		**15**		**6**		**46**	

Senior leadership by ethnicity[3], 2023

	Group Board		Senior Management[1]		Senior Executive Team		Senior Leadership	
	Number	%	Number	%	Number	%	Number	%
Of white European heritage	10	91%	14	93%	6	100%	38	83%
Of Black, Asian or minority ethnic heritage	1	9%	1	7%	0	0%	8	17%
Total	**11**		**15**		**6**		**46**	

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

Bakkavor and climate change

Report against the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").

EXECUTIVE SUMMARY

Bakkavor recognises the climate change emergency as the single greatest challenge facing our world. As such, it also has the biggest potential impact on our business. We have a responsibility to not just manage our direct impact by reducing our carbon emissions, but also support a wider transition to Net Zero.

This will require collaboration and continuous improvement in measuring and managing our impacts. However, we are committed to playing our part in decarbonising our industry for greater resilience and a healthier planet.

In 2021, we committed to reaching Net Zero in our Group operations by 2040. Since then, we have prepared our business by developing our delivery roadmap and embedding Net Zero into our governance structures. In 2023 we have further built on our ambitions by submitting Net Zero aligned targets for all scopes to the Science Based Targets initiative ("SBTi").

READ MORE pg 59.

This means that we have now expanded on our commitment to reach Net Zero greenhouse gas emissions across the full value chain by 2050.

As a Group, Bakkavor continues to see progress towards our goal, as we have reduced our net Scope 1 and 2 carbon emissions by 23.2% since our baseline year of 2021 and Scope 3 emissions have reduced by 12.6% in the same timeframe.

Scope 3 emissions are a significant focus area for us as they comprise 89.3% of our overall footprint. In 2023 we have taken steps to broaden our understanding of these indirect emissions by extending measurement to our US and China businesses.

Whilst our climate risk assessment, detailed below, identifies our overall exposure to be low as a result of our mitigation activities, 'Climate and Net Zero' is a strategic priority within our Trusted Partner ESG strategy.

READ MORE pg 38.

In addition, as climate change impacts on other sustainability topics, and recognising the importance of our climate strategy in mitigating future material impacts, our risk management framework identifies 'Climate change and sustainability' as a principal risk.

READ MORE pg 79.

Consistency with the TCFD recommendations

This section comprises our response to the TCFD recommendations and how we comply with the Financial Conduct Authority's ("FCA") Listing Rule 9.8.6R (8). The disclosures contained within the report are fully consistent with these recommendations.

In preparation of the report, Bakkavor considered the supplemental guidance for non-financial groups and specifically the Agriculture, Food, and Forest products group. This is reflected in our approach to scenario analysis, use of historical trend data for emissions, our consideration of physical risk exposure and use of relevant metrics such as recyclability of packaging. We also considered the guidance on metrics, targets and transition plans in developing appropriate metrics and targets for each of our stated climate risks and opportunities.

Our governance of climate-related issues

GROUP BOARD

- Accountable for considering the impact of climate-related issues on the long-term strategy of the Group, meeting eight times a year. Forms part of the Board agenda as and when required.
- Oversees progress of Net Zero commitment.
- Reviews Group policies and commitments, includes our Net Zero target, KPIs, progress and approach.

In 2023: the Group Board received regular updates from the ESG Committee on the execution of the Trusted Partner ESG strategy and performance against non-financial KPIs, including quarterly carbon emission modelling. This was via the designated Non-executive Director for ESG matters and the Group Board ESG Sponsor. Received a dedicated training session from external advisers, focusing on developing ESG regulation, including climate disclosures. Approved proposed science-based targets for submission to the SBTi, as well as remuneration incentives linked to UK food waste and carbon emissions.

READ MORE:
Board training pg 105.
Incentives pg 130.

ESG Sponsor: Ben Waldron, CFO and Asia CEO

ESG COMMITTEE

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

In 2023: met three times. Received in-year performance updates including quarterly carbon emissions data.

READ MORE pg 111.

Reviewed and approved proposed science-based targets for submission to the SBTi.

Chair: Umran Beba, Independent Non-executive Director

AUDIT AND RISK COMMITTEE

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

In 2023: met four times, of which one agenda featured climate and ESG.

READ MORE pg 116.

Chair: Jane Lodge, Independent Non-executive Director

SENIOR EXECUTIVE TEAM

- Oversees climate-related issues and performance against emissions targets.
- Receives updates from the ESG function on performance and climate-related risks.
- Oversees direct strategic implementation of, and capital allocation for, energy efficiency and low-carbon projects. Considers major plans of action, annual budgets, business plans and overseeing major capital expenditures, acquisitions, and divestitures.

In 2023: twice-yearly agenda included climate and ESG matters with updates on developing climate targets, and quarterly carbon emissions progress by region. Approved proposed science-based Net Zero targets.

Sponsor: Ben Waldron, CFO and Asia CEO

ESG FUNCTION

- Reviews performance on climate and Net Zero related matters.
- Provides overall direction of the Group's Trusted Partner ESG strategy.
- Identifies resources required to meet Net Zero commitment.
- Identifies climate-related issues through risk assessments as required.
- Advises Senior Executive Team on climate considerations of major strategic plans, major capital expenditures, acquisitions, and divestitures.

In 2023: met monthly and as required. Convened twice-yearly regional ESG meetings with UK Operations, US Senior Leadership and the China ESG Committee.

Lead: Lee Miley, UK Finance Director

Strategy: climate risks, opportunities and strategic impact

Risk type

- Technology
- Policy and legal
- Market
- Physical

Likelihood

1 Rare
2 Unlikely
3 Possible
4 Likely
5 Almost certain

Impact

1 Negligible
2 Minor
3 Moderate
4 Major
5 Catastrophic

Link to our strategy

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

INTERNATIONAL: accelerate profitable growth in the US and China

EXCELLENCE: deliver superior performance through operational excellence

TRUST: be a Trusted Partner for our people, customers, suppliers and communities

READ MORE pg 20.

Costs of implementing low-emissions technology

Time horizon (years):

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

Scenarios

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

Risk update vs 2022
No change.

Potential impact
Additional operational costs to deliver our Net Zero transition plan through investments in lower-emission technologies in our manufacturing sites.

Associated opportunity
Utility savings from increased resource efficiency.

Risk update and mitigations
We developed and established workstreams to reduce our carbon emissions across our operational footprint. These plans are medium-term and regional in nature due to the differing emissions profiles of our Group's businesses. They include:

- Decarbonisation of UK heat and fuel.
- Transitioning refrigeration to lower-carbon alternatives (UK, US).
- Minimising emissions from refrigeration systems (all markets) and where some alternatives are not possible (China).
- Expanding renewable electricity in the US and China.

Risk reviewed and managed by: ESG function.

Related metrics and targets
- Reduce Scope 1 and 2 emissions by 42% by 2030 from a 2021 base year and Scope 3 emissions from purchased goods and services also by 42% baseline within the same timeframe.
- Net Zero operational (Scopes 1 and 2) emissions, Group-wide by 2040.
- Net Zero across the full value chain by 2050.

Progress: pg 61.

Non-financial KPI: Group net carbon emissions.

Link to our strategy

Increased cost of raw materials

Time horizon (years):

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

Scenarios

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

Risk update vs 2022
No change.

Potential impact
Increased spend on raw materials due to price fluctuations and instability caused by transition and physical climate risks.

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

Risk update and mitigations
Our diverse product portfolio means we source an extensive range of raw materials and packaging items from a large number of suppliers across a global supply chain. Our Procurement function includes product- and supplier-specific category managers and in-bound supply chain experts, based in the UK, Continental Europe and China.

As part of our ongoing strategy, sourcing plans are developed for all our raw materials and packaging requirements to take account of many different dynamics, building in risk management to underpin the delivery of operational and customer needs.

In 2023, the industry faced supply chain disruption as a result of extreme weather events. Working with our customers, we mitigated the impacts through alternative sourcing plans and geographies. We continue to engage with our supply base on environmental sustainability.

Risk reviewed and managed by: Responsible Sourcing Governance group.

Related metrics and targets
As part of our submission to the SBTi, we have made the below commitments related to Forest, Land and Agriculture ("FLAG") emissions:

- Reduce absolute Scope 1 and 3 FLAG GHG emissions 30.3% by 2030 from a 2021 baseline.
- Reduce Scope 1 and 3 FLAG GHG emissions 72% by 2050.
- No deforestation across our primary deforestation-linked commodities by the end of 2025.

Progress: pg 61 and 38.

Link to our strategy

Changing consumer preferences

Time horizon (years):

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

Scenarios

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

Risk update vs 2022
No change.

Potential impact
Decreased revenues due to failure to shift product portfolio to support consumer demand for lower climate impact products.

Additional costs for potential carbon or eco labelling.

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

Risk update and mitigations
Bakkavor's Packaging and Development teams work to integrate sustainability considerations into the product development process and work towards time-bound ESG packaging targets noted below.

Through engagement with the Institute for Grocery Distribution ("IGD") and other forums, we actively participate in industry discussions around eco labelling and lifecycle analysis, enabling us to shape and adopt practices as they evolve. 2023 has seen increased activity in this space and Bakkavor is well-placed to respond as a result.

Bakkavor market research is regularly presented at Board-level and supports strategic decision-making in new and existing product development. For example, increasing vegetable content in, and supporting demand for, more sustainable packaging through reducing and removing plastics where possible and using more recycled/recyclable materials.

Risk reviewed and managed by: ESG function and Packaging teams.

Related metrics and targets

- % of products that are vegetarian (73%, up from 52% in 2022) and plant-based (15%, down from 19% in 2022).
- Support progress towards achieving the UK Plastics Pact's 2025 industry goals: eliminating unnecessary plastic packaging, 100% reusable or recyclable plastic packaging and at least 30% average recycled content in plastic packaging.

Progress: pg 43.

Link to our strategy

Risk type

Technology

Policy and legal

Market

Physical

Likelihood

1 Rare

2 Unlikely

3 Possible

4 Likely

5 Almost certain

Impact

1 Negligible

2 Minor

3 Moderate

4 Major

5 Catastrophic

Link to our strategy

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

INTERNATIONAL: accelerate profitable growth in the US and China

EXCELLENCE: deliver superior performance through operational excellence

TRUST: be a Trusted Partner for our people, customers, suppliers and communities

Pricing of GHG emissions

Time horizon (years):

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

Scenarios

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

Risk update vs 2022
No change.

Potential impact
Increased operating costs due to forecasted carbon pricing, introduced through possible mechanisms including emissions trading schemes, tax or carbon border adjustment mechanism.

Associated opportunity
Opportunity to reduce emissions to meet our targets where investment is financially unviable or technology advancements cannot deliver required emission reductions.

Risk update and mitigations
Bakkavor mitigates this risk by delivering our climate and Net Zero targets through our operational workstreams.

Risk reviewed and managed by: Finance and ESG functions.

Related metrics and targets
- Net Zero, Group-wide for operational emissions by 2040.
- Reduce absolute Scope 1 and 2 GHG emissions by 42% by 2030 from a 2021 baseline.
- Net Zero across the full value chain by 2050.

Progress: pg 61.

Non-financial KPI: Group net carbon emissions.

Link to our strategy

Actual physical risks to our operations

Time horizon (years):

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

Scenarios

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

Risk update vs 2022
No change.

Potential impact
Increased energy consumption due to higher cooling demand, increased stress on water resources, reduced productivity and increased logistics disruption (chronic climate impacts).

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

Associated opportunity
Opportunities for innovation and upgrades in our sites through our response to risk mitigation.

Risk update and mitigations
Successful delivery of our Net Zero aligned climate strategy supports industry-wide decarbonisation to mitigate the physical impacts of climate change. This includes prioritising projects in the medium-term to: maximise utility efficiency; reduce absolute emissions; and support site-specific adaptations to heat stress and drought. We also work to optimise water intensity per tonne of product and monitor its use through site-level environmental trackers.

Currently, two of our China sites, Haimen and Guyanzhou, are deemed high-risk for river flooding although we have not seen any impacts to date. If experience worsens due to rising sea levels and/or increased frequency/severity of weather events, we will consider investment in flood walls. Future capital projects and acquisitions take account of flood risk.

Risk reviewed and managed by: Property Insurance team.

Related metrics and targets

- Net Zero, Group-wide for operational emissions by 2040.
- Reduce absolute Scope 1 and 2 GHG emissions by 42% by 2030 from a 2021 baseline.

Progress: pg 61.

Non-financial KPI: Group net carbon emissions.

Link to our strategy

Actual physical risks to our supply chain

Time horizon (years):

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

Scenarios

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

Risk update vs 2022
Impact updated following a deep-dive assessment on specific materials, which can be found on pg 57.

Potential impact
Disruption and higher costs due to decline in agricultural yield, increased heat stress and drought (chronic impacts).

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

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

Risk update and mitigations
Bakkavor's Responsible Sourcing strategy is designed to safeguard supply chain resilience by sourcing raw materials as sustainably as possible.

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

Our Bakkavor Supplier Compliance Manager ("BSCM") is a proprietary risk assessment system based on product(s), location, capabilities and exposures to environmental risks as determined by global intelligence sources. Through this, we work with suppliers to reduce their risk.

Suppliers are engaged as required to ensure we have an up-to-date understanding of our supply chain risk. In 2023 both were reissued as part of an updated assessment.

Risk reviewed and managed by: Responsible Sourcing Governance group.

Related metrics and targets

- No deforestation across our primary deforestation-linked commodities by the end of 2025.

Supplier risk is assessed by responses to our Code of Conduct questionnaires as tracked through BSCM.

Progress: pg 38.

Link to our strategy

Strategic *impact* and resilience

Overall, based on the risk analysis performed and set out in this section, our risk exposure overall is deemed to be low.

A number of the risks are interdependent, such as: 'Cost of implementing low emissions technology', 'Pricing of GHG emissions' and 'Increased cost of raw materials' with 'Actual physical risks to our supply chain', and we can mitigate some of the potential impact.

Of the above risks, 'Pricing of GHG emissions' is classified as 'moderate' impact which the business considers as a financially material risk. Bakkavor defines 'moderate' risk as impacting 5-10% of operating profit. This impacts Bakkavor through increased operating costs due to forecasted carbon pricing.

Our mitigation against this risk is directly linked to successful delivery of our Net Zero commitment and its primary objective of reducing emissions as far as possible. We are gradually aligning these costs into our financial planning as part of refining our climate transition plan.

In 2023 we reviewed our modelling against our latest decarbonisation pathway and strategy. Based on this, the estimated potential financial impact to the Group is £5-10m p.a. by 2032, reducing to £3-5m p.a. by 2050. GHG emissions pricing is taken into account in the impairment reviews.

READ MORE pg 173.

Our business continues to incorporate climate risks into our overall strategy on an ongoing basis, such as through some of the examples shown below.

UK

Drive returns by leveraging our UK number one market position

- Refrigeration: replace existing refrigeration systems with new energy-efficient solutions. Currently more than £50m has been allocated to upgrading our refrigeration facilities to low- or zero-carbon alternatives between 2023 – 2030.
- Asset replacement: implement energy-efficient solutions as part of the normal end-of-life asset replacement cycle.
- Incorporate climate risk understanding into raw material sourcing plans, supporting supply chain resilience.

INTERNATIONAL

Accelerate profitable growth in the US and China

- Green growth: ensure any potential new production sites are built with a low-carbon footprint, e.g. refrigeration systems, with clear renewables-focused energy sourcing.
- Asset replacement: implement energy-efficient solutions as part of the normal end-of-life asset replacement cycle.
- Solar panels installed at our Beijing site, with more sites to follow.

Our strategy: to deliver profitable and sustainable growth

EXCELLENCE

Deliver superior performance through operational excellence

- Efficiency: prioritise efficiency initiatives that combine monetary saving with lower emissions.
- Use our operational excellence model to deliver UK food waste reductions.

READ MORE pg 43.

TRUST

Be a Trusted Partner for our people, customers, suppliers and communities

- Deliver against our science-based targets in the near-term (2030) and achieve Net Zero operational emissions by 2040 and across the value chain by 2050.
- Collaborate with our customers and suppliers in enabling the climate transition in our value chains through increasing transparency and understanding of climate impacts.
- Assess our suppliers' ability to manage climate and environmental issues using our BSCM.

Strategic supply chain *resilience*

In 2023 Bakkavor extended the integration of climate risk within our business by conducting a deep-dive on physical climate risks in our supply chain to assess its resilience over a long-term time horizon. This focused on raw materials that are strategic to our business and used the same climate scenarios as our overall climate risk assessment (described below). It considered the likelihood of supply chain disruption as well as the impact on pricing and/or availability of the raw material in each given scenario.

During the year supply chain disruption was experienced industry-wide, as a result of extreme weather events and adverse growing conditions which impacted the availability and quality of raw materials in the agriculture/horticulture sector. Bakkavor worked closely with suppliers and customers to minimise impacts, leveraging our sourcing plans that include a spread of supply options across a number of different geographic growing locations.

	'Well below' 2°c		'Hothouse world'	
	Likelihood	Impact	Likelihood	Impact
Dairy	3	3	5	4
Ingredients[1]	4	4	5	4
Produce	4	4	5	4
Protein	3	3	5	4
Packaging	1	1	3	4

1 Includes a range of products such as oils.

Risk management: assessing and managing our exposure to climate risks

The output of the analysis conducted on our operations and supply chain indicates our overall climate risk exposure is deemed to be low, due to existing mitigation factors such as:

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

We have integrated ESG issues into our Group risk management framework through the principal risk 'Climate change and sustainability', which incorporates climate and delivery of our ESG strategy as a whole. This requires principal risk owners to consider relevant environmental, social or governance issues when conducting reviews and assessments of each risk.

Whilst a number of transition risks (e.g. increased raw material costs and changing consumer preferences) are deemed highly likely, we are well-placed to mitigate the impacts on the business, and their financial impact is considered low to moderate, as described above. We have also identified opportunities regarding several climate risks; for example, the potential for increasing market share through aligning our product portfolio to support market trends for more climate-friendly diets. In 2023, we saw vegetarian products make up 73% of our portfolio (up from 52% in 2022).

Despite our current risk exposure being deemed low, Bakkavor's risk management framework identifies 'Climate change and sustainability' as a principal risk.

READ MORE pg 79.

The Group recognises the impetus to respond to and continue a robust assessment of Bakkavor's climate risk exposure as well as climate change's impacts on other sustainability topics. Furthermore, climate and Net Zero are a strategic priority within our Trusted Partner ESG strategy, which uses a double materiality lens in prioritisation.

As part of our management of climate risks, in 2023 Bakkavor began to review its incentives plan to align with ESG objectives. As of 2024, carbon emissions is a metric within our Long-Term Incentive Plan ("LTIP") as this incentive applies to management-level colleagues who have the most relevance in influencing the metric.

READ MORE pg 131.

Assumptions and parameters used in scenario analysis to identify climate-related risks

Bakkavor has undertaken a scenario analysis and climate risk assessment of our operations and supply chain. These have identified the risks described on the previous pages.

This involved:

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

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

Assumptions take into account the implications of transitioning to a low-carbon economy on environmental, social, economic, political and technological dimensions. Sources informing the scenarios included projections used in Shared Socioeconomic Pathways ("SSP"), the IEA (Sustainable Development), IPCC (RCP 2.6) and Network for Greening the Financial System ("NGFS") Below 2°c Orderly Scenario.

The physical risk assessment looked at the acute and chronic impacts of climate change. For example: damage to our sites or sourcing locations caused by increased frequency and/or severity of extreme weather events (acute risks); increased heat; and/or drought stress (chronic risks). Sources included the Representative Concentration Pathways ("RCP") as defined by the Intergovernmental Panel ("IPCC") on Climate Change's Fifth Assessment Report ("AR5"), specifically the 'best possible' scenario of 'well below 2°c' (at +1.5°c) RCP 2.6 and 'worst case' or 'hothouse world' scenario of RCP 8.5 (4°c). The likelihood and impacts of acute physical risks increase with the 'hothouse world' scenario of RCP 8.5 (4°c) as well as over time (2050 and beyond). Chronic physical risks emerge under the 'hothouse world' scenario from 2050. For both types, risks may be more pronounced in some regions than others.

To quantify risks, we have used Bakkavor's risk management framework rating criteria. Each risk was assessed on its likelihood and impact, and the potential financial impact classified based on these criteria. To further align, we interpreted the timelines used in the RCPs to our own risk framework. Other metrics, such as carbon price forecasts, were used where relevant. This exercise was first conducted in 2021 and refreshed in 2023.

The outcomes of the scenario analysis have been used to identify the previous pages' climate-related risks and opportunities and evaluate our business's strategic resilience, as described in the Strategy section above. The process and outcomes were reviewed by both the Group Board and Senior Executive Team ("SET").

Our metrics and targets

BAKKAVOR

CLIMATE TARGETS

2030 — 42% REDUCTION ACROSS ALL SCOPES[1]

2040 — NET ZERO IN OUR OWN OPERATIONS

2050 — NET ZERO ACROSS THE VALUE CHAIN (ALL SCOPES)

1 Against a 2021 baseline. The 2030 Scope 3 target refers to emissions from purchased goods and services, which represent 85% of our base year Scope 3 emissions.

SETTING SCIENCE-BASED TARGETS ALIGNED TO NET ZERO

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

In 2023 Bakkavor submitted Net Zero aligned targets for all scopes to the Science Based Targets initiative ("SBTi"). This means that we have now expanded on our commitment to reach Net Zero operational emissions by 2040. These targets will be validated by the SBTi during 2024 to ensure that we are building our roadmap to Net Zero in line with current best practice, including the Paris Climate Agreement's aim of limiting global warming to 1.5°c.

As a food manufacturer, our SBTi submission includes targets for emissions from Forest, Land and Agriculture ("FLAG"). For Bakkavor, these are almost entirely within our supply chain (Scope 3), with a very small proportion originating from our salad farm in China (Scope 1).

The targets that we have submitted to the SBTi are as follows:

- Bakkavor commits to reach Net Zero greenhouse gas emissions across the full value chain by 2050.

Near-term energy and industrial

- Bakkavor commits to reduce absolute Scope 1 and 2 GHG emissions by 42% by 2030 from a 2021 baseline year[1] and Scope 3 emissions from purchased goods and services by 42% within the same timeframe.

Long-term energy and industrial

- Bakkavor also commits to reduce absolute Scope 1, 2 and 3 GHG emissions by 90% by 2050 (from a 2021 base year).

Forest, Land and Agriculture

- Bakkavor commits to reduce absolute Scope 1 and 3 FLAG GHG emissions by 30.3% by 2030 (from a 2021 base year)[2].
- Bakkavor also commits to reduce Scope 1 and 3 FLAG GHG emissions by 72% by 2050[2] (from a 2021 base year).
- Finally, Bakkavor commits to no deforestation across its primary deforestation-linked commodities by the end of 2025.

As a Group, Bakkavor has seen three consecutive years of Scope 1 and 2 net emissions decreases and a reduction of 23.2% since our baseline year of 2021. This has been driven by a focus on reducing emissions from refrigeration ("F") gases across all markets. This minimised leakages and involved replacing with lower-carbon alternatives such as ammonia systems, where possible. The closure of two factories in the UK has reduced UK gross emissions by approximately 4% year-on-year.

A significant focus area for us is our Scope 3 emissions, which comprise 89.3% of our overall footprint. In 2023 we took steps to broaden our understanding of these indirect emissions by extending measurement to our US and China businesses as well as making direct reductions through interventions such as reducing our packaging use.

Bakkavor will review these targets and update as necessary in line with SBTi recommendations and every five years as a minimum.

1 The target boundary includes land-related emissions and removals from bioenergy feedstocks.

2 The target includes FLAG emissions and removals.

Our carbon emissions measurement

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

GHG emissions for 2023 have been measured and reported as required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations, the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

The total gross GHG emissions reported include all Scope 1 and Scope 2 emissions for the Group. This covers all sites where Bakkavor has full operational control. Data has not been collected for sites owned by Bakkavor and instead leased to tenants as Bakkavor does not have oversight or control of this energy usage and emissions data. These properties are immaterial within the context of our overall property footprint.

The Group's Environmental Management System is based on ISO 14001.

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

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

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

The methodology applied to the calculation of GHG emissions is the 'GHG Protocol Corporate Accounting and Reporting Standard' and the Corporate Value Chain (Scope 3) Standard. An 'operational control' boundary has been applied. Carbon factors from Defra's UK Government GHG Conversion Factors for Company Reporting and the International Energy Agency ("IEA") database are used to calculate the GHG emissions, where they are not separately provided by a supplier. Emissions are reported as tonnes of carbon dioxide equivalent (tCO_2e).

Bakkavor also discloses to CDP's climate change questionnaire. The most recent questionnaire is based on the 2022 reporting year and received a disclosure score of B – see: cdp.net.

The tables on pg 61 show GHG emissions and total annual energy for both the Group and Bakkavor Foods Limited (UK) and include the data for our Streamlined Energy and Carbon Reporting ("SECR").

ENERGY EFFICIENCY STATEMENT

Energy use has decreased 5.0% Group-wide compared to 2022. This is split as a 6.8% decrease in the UK, a 1.8% decrease in the US and an increase of 11.6% in China as a result of a production increase and volume recovery. The energy increase in China is not reflected in emissions growth largely due to a reduction in emissions from refrigerants.

Data, including an intensity ratio metric, is shown on the following pages.

Principal energy efficiency actions

The year-on-year improvement is driven by a combination of increased energy efficiency measures such as refrigeration upgrades, implementation of heat recovery systems and measures of continuous improvements as part of our ongoing operational efficiency engineering programme. Examples of this programme include adding insulation, monitoring and maintenance to avoid compressed air leaks, a focus on reducing emissions where possible from refrigeration ("F") gases by avoiding leaks and replacing the gases with lower-carbon alternatives.

All eligible UK manufacturing sites operate under Climate Change Agreements and we employ an Environmental Management System which includes risk management standards, guidance and tools.

In China (8.5% of Group energy demand), we went live with solar panels at our site in Beijing which produced almost 624MWh of clean energy for the site. In the US (9.2% of Group energy consumption), we focused on energy efficiency through site audits as well as opportunities to reduce refrigeration demand.

GREENHOUSE GAS EMISSIONS METRICS

The tables opposite show annual (1 January – 31 December) data for 2023, as well as prior years for GHG emissions for the Group and our UK business, Bakkavor Foods Limited.

In 2023 we saw a 3.5% reduction in our gross (location-based) carbon footprint (Scope 1 and 2), and a 5.3% decrease in our net (market-based) carbon footprint. In addition, the carbon efficiency of our business has improved as our intensity ratio (gross emissions per £m reported revenue) reduced by 6.4% to 63.1tCO_2e/£m reported revenue. In the UK, net emissions reduced by 3.9% and the intensity ratio decreased 5.5% to 52.5tCO_2e/£m reported revenue.

Operational (Scope 1 and 2) greenhouse gas emissions – Group – tCO_2e, for the period 1 January 2023 – 31 December 2023

	2023	Change	2022	2021	2020
Scope 1: emissions from combustion of fuel and operation of facilities					
UK	**58,293**	-2.6%	59,855	70,336	83,926
US	**7,168**	-14.5%	8,386	11,264	14,515
China	**5,315**	-41.1%	9,029	17,754	8,418
Total Scope 1 emissions	**70,776**	-8.4%	77,270	99,354	106,858
Scope 2: emissions from purchased electricity and cooling					
UK	**38,915**	-0.5%	39,121	44,012	49,396
US	**5,848**	-3.4%	6,052	6,495	7,583
China	**23,417**	8.5%	21,592	23,375	20,708
Total Scope 2 emissions (location-based)	**68,180**	2.1%	66,765	73,881	77,687
Green tariff	**34,687**	2.2%	33,928	37,544	43,007
Total Scope 2 emissions (market-based)	**33,492**	2.0%	32,836	36,337	34,680
Total gross emissions (location-based)	**138,956**	-3.5%	144,035	173,235	184,545
Total net (market-based) emissions	**104,269**	-5.3%	110,106	135,691	141,538
Intensity ratio (gross tCO_2e/£m reported revenue)	**63.1**	-6.4%	67.3	92.6	102.9

Annual energy consumption – Group – kWh

	2023	Change	2022	2021	2020
Scope 1: energy from combustion of fuel and operation of facilities including transport (kWh)	**322,710,333**	-4.8%	338,883,129	352,728,213	391,680,450
Scope 2: energy from purchased electricity and cooling (kWh)	**245,785,716**	-4.6%	257,698,953	265,077,689	269,787,168
(Of which, on-site generated renewable consumption)	**623,987**	–	–	–	–
Total energy (kWh)	**568,496,048**	-5.0%	596,582,083	617,805,902	661,467,618

Greenhouse gas emissions – UK – tCO_2e

	2023	Change	2022	2021	2020
Scope 1 emissions from combustion of fuel and operation of facilities	**58,293**	-2.6%	59,855	70,336	83,926
Location-based Scope 2 emissions from purchased electricity and cooling	**38,915**	-0.5%	39,121	44,012	49,396
Green tariff	**34,687**	2.2%	33,928	37,544	43,007
Market-based Scope 2 emissions	**4,227**	-18.6%	5,193	6,468	6,389
Total gross emissions (location-based)	**97,208**	-1.8%	98,976	114,348	133,322
Total net (market-based) emissions	**62,521**	-3.9%	65,048	76,804	90,315
Intensity ratio (gross tCO_2e/£m reported revenue)	**52.5**	-5.5%	55.5	71.8	85.1

Annual energy consumption – UK – kWh

	2023	Change	2022	2021	2020
Total non-renewable energy consumption (kWh)	**468,018,080**	-6.8%	501,953,056	521,885,147	573,288,445
Total renewable energy consumption (on-site generated), kWh)	**–**	–	–	–	–
Total energy consumption (kWh)	**468,018,080**	-6.8%	501,953,056	521,885,147	573,288,445

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

SCOPE 3 EMISSIONS

Scope 3 indirect emissions are those associated with the operations of the business that are not under our direct control. These can range across: the production of raw materials; transport of goods to site; disposal of waste; manufacturing of packaging; colleague commuting and business travel; and downstream use and disposal of our products by retailers and consumers. The emissions presented have been calculated in accordance with the GHG Protocol's Corporate Standard and Scope 3 Standard.

We first conducted a baseline assessment of our Scope 3 footprint for our UK business in 2021. This helped to:

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

In 2023 we extended this to map our Scope 3 footprint in our US and China businesses since 2021, which has also supported our setting of science-based climate targets for Scope 3 emissions. Those shown represent relevant Scope 3 categories from energy and industry sources. Following the initial baseline assessment other categories were deemed not applicable or 'de minimis'. We have calculated Scope 3 emissions from FLAG sources and will disclose these following the validation of our science-based targets by the SBTi.

Overall, our Scope 3 emissions represent 89.3% of our Group carbon footprint. The vast majority (81.7%) of our Scope 3 footprint comes from purchased goods and services. These are predominantly raw materials and ingredients such as dairy and meat and also plastic packaging.

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

ENABLING THE CLIMATE TRANSITION IN OUR BROADER VALUE CHAINS

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

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In addition, we address emissions associated with packaging by:

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

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

Greenhouse gas emissions – Scope 3 (energy and industry) – tCO_2e, for the period 1 January 2023 – 31 December 2023

Bakkavor Group				**Emissions (tCO_2e)**
Scope 3 category	**2023**	**Change**	**2022**	**2021**
1. Purchased goods and services	**707,662**	-19.0%	873,932	840,486
2. Capital goods	**14,078**	1.3%	13,896	18,025
3. Other fuel-and-energy-related activities	**31,167**	-3.0%	32,136	35,764
4. Upstream transportation and distribution	**5,867**	-1.3%	5,945	4,682
5. Waste generated in operations	**4,922**	-4.9%	5,177	5,240
6. Business travel	**733**	175.8%	266	160
7. Employee commuting	**22,449**	0.5%	22,329	22,240
9. Downstream transportation and distribution	**7,801**	-2.2%	7,980	6,200
12. End-of-life treatment of sold products	**71,303**	10.1%	64,748	57,682
Total Scope 3 emissions	**865,981**	-15.6%	1,026,409	990,481
As a proportion of total net footprint	**89.3%**	-1.2%	90.3%	88.0%

Building strong relationships with our *stakeholders*

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

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

SECTION 172(1) STATEMENT

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

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

We have identified five relevant stakeholder groups:

Stakeholders	Why we engage	What matters most to them
 **OUR COLLEAGUES** People are at the heart of our business, with c.18,000 diverse and talented colleagues belonging to over 100 nationalities.	• Understand what matters to them and incorporate their views into our Group Board decision-making. • Make Bakkavor a great place to work where our colleagues feel supported and fulfilled.	• A safe and inclusive workplace. • A voice in the Group's decision-making. • The opportunity to realise their potential. • Support for their needs in the face of cost of living and labour market challenges.
 **OUR CUSTOMERS** We have strategic relationships across our grocery retail, online, direct-to-consumer, brand and foodservice customers.	• Build long-term strategic relationships through ongoing engagement and investment. • Understand our customers' and consumers' needs so we can respond to new trends through innovation. • Support our mutual business models by a fair and transparent approach to sharing information. • Support our customers' sustainability goals and ambitions as part of our Trusted Partner ESG strategy.	• Opportunities to leverage insight to develop innovative and great-tasting products. • High-quality products that meet required technical and food safety standards at high service levels. • Minimised disruption from industry-wide challenges across supply chain, inflation and labour. • A collaborative approach to deliver progress on sustainability issues.

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

BOARD ACTIONS

Information gathering	Strategic discussions		Decision-making
	STEPS TAKEN		
Group Board papers include table of Section 172(1) factors and relevant information.	Section 172(1) factors considered in Group Board discussion on strategy, including how they underpin long-term value creation.	Group Board receives updates on a timely basis and assurance where appropriate.	Group Board updated and informed on the outcomes of its decisions.
Stakeholder engagement activities are recorded, and detail included in Board papers where applicable.	Group's culture fully considers the potential impacts of decisions.	Group Board ensures Section 172(1) factors are taken into consideration in its decision-making.	Actions taken as a result of engagement and dialogue with stakeholders.

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How the Group Board engages	How the Company engages	How we are responding
• Discusses Company purpose, culture, talent and people developments. • Designates a workforce engagement Non-executive Director. • Holds sessions with the Site Employee Forum ("SEF") and Group Employee Forum ("GEF"); relays colleague feedback, views and outcomes. • Understands colleague engagement by reviewing our Employee Engagement Survey ("EES") results, and takes action to address employee feedback. • Reviews food safety and health and safety data and updates, to ensure protecting colleagues remains a priority. • Reviews wellbeing and I&D support offered to colleagues.	• Participates in regular SEF and GEF, Wellbeing Committee and the I&D Forum. • Designated workforce engagement Non-executive Director interacts with colleagues. • Employs a Group-wide EES. • Implements our whistleblowing hotline 'Speak Up' initiative. • Updates via internal communications, intranet, a monthly UK Bakkavor Brief, and colleague magazine. • Maintains direct online messaging to UK factory workers through a digital portal. • CEO quarterly business updates for senior leaders, providing opportunities to connect in-person and virtually.	• React to change and embrace new ways of working through improved communications. • Enhanced leadership training planned for 2024. • Invest in our talent pipeline through award-winning apprenticeship and graduate schemes. • Continue to embed our refreshed values. • Run a Female Mentoring programme and Female Networking Group. • Celebrate success via our 'Proud to Be' Awards. • Review our EES for opportunities to improve. • Implement pay reviews and wider engagement activities to support retention and recruitment. • Offer Bakkavor-branded discounted food to all UK employees. • Launched a new Wellbeing strategy. • Standardise food safety and health and safety best practices and risk assessments.
• CEO regularly engages with key customers and reports back to Group Board on outcomes to maintain relationships, connect with the broader supply chain and share expertise. • Reviews updates on supply chain risk management, any potential impact on service levels, and opportunities to collaborate with customers to mitigate the impact. • Reviews updates on inflation impact and outlook. Considers levers to offset pressure, including pass-through mechanisms, pricing discussions, productivity improvements and cost control. • Considers UK market insight updates to understand consumers' needs, and how this is leveraged to inform category plans and new product pipelines. • Reviews market updates on latest developments and growth opportunities in US and China.	• Has daily engagement across Development, Marketing, Commercial and Technical functional teams. • Liaises closely with CEO and Customer Directors, with outcomes reported back to Group Board. • Rolls out online surveys, focus groups and research. • Receives announced and unannounced customer audits. • Works collaboratively with customers on shared ESG priorities.	• Continue to develop new products to meet consumer demands; focus on value optimisation and efficiency initiatives. • Maintain high service levels despite supply chain disruption and labour pressures. • Remain a high-quality manufacturer with strong food safety and health and safety. • Invest in automation and improvements in factory performance. • Support customers on key sustainability commitments. • Continue offering support through customer-dedicated teams. • Continue to implement pass-through mechanisms and secure price increases across our cost base. • Consolidate UK commercial and development structures to maintain operational efficiency, a customer-centric approach and category focus.

Stakeholders	Why we engage	What matters most to them
 **OUR SUPPLIERS** Across our well-established global network of c.1,300 suppliers, we collaborate closely on supply chain management as well as responsible sourcing.	• Source breadth of high-quality raw materials that meet our standards of food safety and technical integrity, and support innovation. • Maintain continuity of supply of raw materials to help manage labour availability. • Ensure the integrity of our supply chain through our Responsible Sourcing strategy.	• Clarity of forecast requirements to enable delivery on time and in full. • Opportunities to improve, innovate and grow their business. • A partnership underpinned by trust and transparency. • Fair and open discussions on movements in input costs and pricing.
 **OUR INVESTORS** Regular shareholder engagement is important; to capture feedback, respond and promote their interests, and ultimately deliver value.	• Share our purpose and strategy and demonstrate how we create value. • Establish an effective channel of communication with existing and potential shareholders to understand their priorities.	• A strong strategy and business model. • Long-term sustainable profitable growth to enhance returns. • Understanding business opportunities and challenges. • Fair, balanced and understandable reporting. • An understanding of the business's exposure and plans in relation to ESG issues, including climate risks.
 **OUR COMMUNITIES** We operate from 44 sites across the UK, US and China and recognise that we need to act responsibly and be a Trusted Partner to our local communities.	• Be a Trusted Partner by upholding our high standards and capability to operate responsibly. • Support local economic development by creating jobs and supporting local services. • Remain an employer of choice in our local communities, attracting and retaining the best talent.	• A business that acts with integrity and operates in a safe, responsible and sustainable way. • A reduction in environmental impact, including improvements in UK food waste, carbon emissions and packaging. • Support for local community initiatives and provision of economic opportunities for local people. • A business that looks after the health, safety and wellbeing of its colleagues.

How the Group Board engages	How the Company engages	How we are responding
• Reviews procurement updates to understand how we mitigate inflationary headwinds and supply chain disruption. • Receives updates on raw material sourcing, potential issues and action taken to minimise disruption. • Receives updates on centralised category procurement structure and the Bakkavor Inbound Logistics ("BIL") centre of excellence. • Has oversight of our Responsible Sourcing strategy, commitments and progress through our ESG Committee and Group Board ESG Sponsor. • Reports financial updates with detail of inflation impact and recovery levers, with the CFO providing additional commentary in Group Board meetings. • Engages with the CEO and CFO regarding plans to tackle supply chain issues. • Receives updates on 'supply chain' principal risk developments via the Audit and Risk Committee.	• Daily engagement via procurement colleagues including workshops and conferences. • Ensures supplier relationships are built on a foundation of contractual mutual agreement. • Agrees terms of supply whilst regularly reviewing performance and improvement plans. • Sets expectations of UK suppliers via the Supplier Code of Conduct. This is the basis of our Responsible Sourcing strategy, including Human Rights, Environmental Sustainability and Technical Integrity. • Utilises the Sedex online supply chain platform to monitor and assess labour practices in our supply chain.	• Leveraged scale, experience and strong customer partnerships to enhance buying power and mitigate the impact of industry challenges. • Forward-purchased certain raw materials and energy for good visibility of costs through 2023. • Reviewed sourcing plans to build further resilience in our inbound supply chain. • Worked with suppliers to identify potential issues and action to minimise disruption. • Worked with customers on supply performance, collaborative buying and cost models. • Increased supplier payment facility to provide further opportunity to receive payment early. • Introduced additional requirements around environmental action to our UK Supplier Code of Conduct and self-assessment questionnaires to improve understanding of human rights risks in supply chain. • Continued rolling out our Group Supplier Conduct Policy, adapting the UK Supplier Code of Conduct to support supply chain engagement on social issues within the US and China.
• CEO and CFO engage regularly with investors to gather feedback across governance, performance and strategy. • Chairman actively seeks to engage with shareholders. Senior Independent Director and Committee Chairs available for direct meetings where required. • Attends the Annual General Meeting ("AGM"). • Reviews updates on shareholder and analyst feedback and shareholder register composition. • Receives updates and feedback from brokers on wider investor sentiment, how the market views Bakkavor and areas of focus. • Approves all financial results: full and half-year results, Annual Report and Accounts, and trading updates. • Oversees the Group's allocation of capital, including dividend payments and leverage targets. • Reviews regular updates on our Trusted Partner ESG strategy, commitments and progress.	• Investor meetings, calls, conferences and events attended by the CEO, CFO and Head of Investor Relations. • Welcomes queries from shareholders via phone, post, email or via brokers. • Updates relevant shareholder communications via bakkavor.com. Includes the Annual Report and Accounts, financial results releases, share price information, RNS and press releases. • Reports on the TCFD and the Carbon Disclosure Project.	• Released a full-year, half-year and quarterly trading update to update on business performance and outlook. • Over 50 meetings with investors and analysts in 2023, attended by the CEO, CFO and Head of Investor Relations. • Invited shareholders to attend the 2023 AGM. • Discussed: inflation and supply chain impact; volumes and consumer behaviours; capital allocation approach (leverage, dividend); and outlook on our US and China regions. • Delivered against three-point strategic plan. • Approved final 2023 dividend of 4.37 pence per Ordinary share, taking the total to 7.28 pence. • Strong balance sheet with 1.5x leverage maintained within medium-term target range. • Regularly engaged with analysts to discuss business performance, guidance and review of financial models. • Reported under TCFD requirements and built further on our ambitions by submitting Net Zero aligned targets for all scopes to the Science Based Targets initiative ("SBTi").
• Oversees our Trusted Partner ESG strategy, commitments and progress through the ESG Committee with updates provided to the Group Board and from the CFO (Group Board Sponsor for ESG). • Considers climate-related issues alongside the long-term strategy of the Group, which informs investment decisions. • Has oversight of the climate transition plan. • Reviews and considers community initiatives, as well as how we are delivering on their progress, including our charity partnerships.	• Supports local communities across charities, schools, sports teams and projects through fundraising, donations, volunteering and educational activities. • Establishes Group charity partnerships and fundraises for these with a charity events programme. • Undertakes food redistribution via partners and colleague outreach to charities. • Provides employment opportunities, including apprenticeships and graduate placements, via the use of agencies.	• UK food waste reduced by 7,960 tonnes compared to 2022, from 8.1% to 6.6%, an improvement of 150 basis points and the equivalent of a 20.7% reduction year-on-year. • Actively engage each of our UK and US sites to maximise surplus food available for redistribution. • Industry-leading early careers programmes; voted the top FMCG company for apprentices for the fourth year running by TheJobCrowd, the UK's leading Job Graduate Review site. • £236,000 of charitable donations in 2023, including to our Group charity partners GroceryAid and Natasha Allergy Research Foundation. • Launched a charity matched-giving scheme, whereby each of our sites receives an annual budget of up to £2,500 to match funds raised by their site.

Building stronger foundations for the future

> We protected profitability while delivering significant debt reduction and improving leverage.

Ben Waldron
Chief Financial Officer

REVENUE

£m	2023 52 weeks	2022 53 weeks	Change reported	Change like-for-like ("LFL")
Revenue	**2,203.8**	2,139.2	3.0%	5.3%

Group reported revenue increased by 3.0% to £2,203.8m (2022: £2,139.2m). LFL revenue, which excludes the 53rd week in 2022 and the impact of currency movements, increased by 5.3% to £2,214.2m (2022: £2,103.2m). Of this growth, 5.4% was price, whilst volumes declined marginally by 0.1% as consumers reduced their spending in response to the more challenging economic conditions.

UK reported revenue was up 3.9% (2022: £1,783.1m) and up 5.7% on a LFL basis (2022: £1,752.3m), to £1,852.7m. This was primarily driven by price increases to mitigate significant inflation seen across our cost base, which was offset in part by a decline in volumes as consumers started to cut back on more discretionary purchases.

US reported revenue decreased by 10.1% to £229.4m (2022: £255.3m), driven by the previously reported loss of a single customer that occurred in November 2022, and reduced product launches in 2023 as we sought to simplify our business and address profitability challenges. Underlying sales growth, however, remained strong as we continued to benefit from growth in the fresh meals space.

In China, reported revenue increased by 20.7% to £121.7m (2022: £100.8m), driven primarily by increased volumes as a result of post-Covid recovery and expanding our retail propositions. LFL revenue was up 32.0% to £130.9m (2022: £99.2m).

ADJUSTED OPERATING PROFIT

Adjusted operating profit increased by £4.9m to £94.3m (2022: £89.4m) despite persistent inflationary pressures and lower volumes arising from the cost of living crisis, which was particularly pronounced in the UK.

The Group faced £133m of cost inflation in 2023, which represented a 6.5% increase on our total cost base. This was on top of £230m in 2022, representing 14% of inflation. Mechanisms allowing certain inflation to be passed to customers through an increase to our selling price continued to work well. Customers provided further support in certain areas where mechanisms were not already established. In 2023, 86% of inflation was recovered through a combination of these means.

The dual impact of unrecovered inflation and lower volumes had a negative impact on our profitability. Our own internal levers were, therefore, fundamental to enhancing our profitability. The completion of our restructuring initiatives and the implementation of operational initiatives at factory level contributed £27.9m to our bottom line.

From a margin perspective, it was encouraging to see adjusted operating profit margins stabilise at 4.3% (2022: 4.2%).

OPERATING PROFIT

Operating profit of £97.1m (2022: £37.8m) led to an improving margin of 4.4% (2022: 1.8%).

Operating profit includes the following exceptional items that are excluded from adjusted operating profit:

£m	2023	2022
Profit on disposal of property, plant and equipment	**1.5**	–
Profit on disposal of associate	**1.4**	–
Corporate restructuring costs	**–**	(5.3)
Restructuring provisions:		
– Closure costs	**2.2**	(11.8)
– Impairment charges	**0.6**	(19.5)
US impairment charges	**(2.9)**	(3.8)
Associate investment impairment	**–**	(9.7)
Total exceptional income/(expense)	**2.8**	(50.1)

In 2023, operating profit includes a net £2.8m of exceptional income, excluded from adjusted operating profit. This includes £2.9m of income relating to simplifying our operations in China: a £1.5m gain from the sale and leaseback of a property in Hong Kong and a £1.4m from the sale of our associate investments. Another £2.8m of income relates to the release of provisions, which we accrued in 2022 for UK restructuring activity. This provision is no longer needed and has been released. This is offset by £2.9m of net impairment charges in the US, mainly relating to unused assets.

FINANCE COSTS

Group profit before tax was £70.3m (2022: £18.1m). This is after finance costs (net) of £26.8m (2022: £20.8m), which increased due to the impact of rising interest rates, although this was partly offset by the benefit from the significant reduction in debt levels during the year. To hedge against movements in base rates, the Group has £150m of fixed interest rate swaps in place until March 2024, at an average rate of 37 basis points. The Group has a total of £130m of fixed-rate interest swaps from March 2024 until March 2026 at an average rate of 373 basis points. We expect the increase in interest rate, driven by the change in our fixed-rate swaps and the full year impact of higher base rates, to be offset by our lower level of debt and therefore finance costs for 2024 will be similar to that incurred in 2023.

TAX

The Group tax charge for 2023 was £16.4m (2022: £5.6m), representing an effective tax rate of 23.4% (2022: 30.9%). The underlying effective tax rate, which excludes exceptional and adjusting items and change in fair value of derivative financial instruments, was 24.4% (2022: 21.5%). The most significant increase in the underlying effective tax rate is driven by an increase to the UK corporation tax rate from 19% to 25%, which became effective in April 2023. We continue to expect our 2024 effective tax rate to be marginally above the UK corporation tax rate.

EARNINGS PER SHARE

Basic earnings per share increased by 7.2 pence to 9.4 pence for 2023 (2022: 2.2 pence), driven by the combination of improved trading profit and lower exceptionals, although this was partly offset by higher finance and tax costs.

Adjusted earnings per share decreased by 0.7 pence to 8.8 pence in 2023 (2022: 9.5 pence) as the improvement to adjusted operating profit was offset by increased interest and tax costs.

CASH FLOW

The Group generated £103.2m of free cash flow (2022: £53.4m) which was £49.8m higher than 2022, reflecting improved operating profit, a disciplined approach to capital expenditure and an enhanced focus on working capital. In line with our focus on managing cash, outlined in early 2023, we have sought to drive improvement in working capital, focused predominantly on inventory management. Our inventory levels had risen over the last three years to protect the business from supply chain disruption and to avoid significant levels of inflation. During this year, the supply chain has shown signs of stabilising, and we have therefore commenced an exercise to return inventory to more normalised levels, which is driving the improved and sustainable working capital performance.

£m	52 weeks ended 30 December 2023	53 weeks ended 31 December 2022
Operating profit	**97.1**	37.8
Exceptional and adjusting items	**(2.8)**	51.6
Depreciation and other items	**73.8**	69.1
Net retirement benefits charge less contributions	**(2.1)**	(2.2)
Working capital (excl. exceptional items)	**28.4**	(1.7)
Interest and tax paid	**(36.2)**	(24.1)
IFRS 16 lease payments	**(12.0)**	(13.4)
Dividends received from associates and interest received	**0.8**	0.2
Purchases of property, plant and equipment (net)	**(40.3)**	(61.0)
Purchases of intangible assets	**(3.5)**	(2.9)
Free cash flow	**103.2**	53.4

DEBT AND LEVERAGE

The improvement in cash generation has led to a reduction in operational net debt of £55.3m to £229.6m (2022: £284.9m).

Leverage, the ratio of operational net debt to adjusted EBITDA, improved by 0.4 times to 1.5 times for 2023 and is at the bottom end of the Group's target range of 1.5 to 2.0 times. The Group's liquidity position remains strong, with headroom of over £260m against our core debt facilities of £493m. The Group continues to have comfortable headroom against all financial covenants.

Now we are at the lower end of our leverage range, we have reset our target to 1.0 to 2.0x. We expect a further small reduction in debt, despite an increasing level of capital investment, through a combination of working capital improvements and enhanced profitability.

DIVIDEND

During the period, the Group paid £24.0m in respect of the final dividend for 2022 and £16.8m for the 2023 interim dividend declared in September.

The improved strength of the Group's financial position and continued good cash generation support our long-term growth aspirations and commitment to increasing returns to shareholders. We propose a final dividend for 2023 of 4.37 pence per Ordinary share, resulting in a total dividend for 2023 of 7.28 pence per Ordinary share. This represents an increase of 5% on the prior year. If approved by shareholders, the final dividend will be paid on 29 May 2024.

Going forward, the Board expects to maintain a progressive dividend policy.

CAPITAL ALLOCATION

We maintain a disciplined approach to capital allocation, with the overriding objective to enhance shareholder value. The allocation of capital is primarily split across capital investment, debt reduction to decrease financing costs given recent increases to base rates, and dividends. Inorganic opportunities are considered where they are a strategic fit for our business. In the medium-term, we remain committed to investing to enhance returns, and are focused on reducing leverage whilst maintaining a progressive dividend policy.

INVESTMENT AND RETURNS

The Group's ROIC for the 12 months to 30 December 2023 was 7.5%, ahead of the prior year of 7.1%. The increase of 40 basis points is driven by a lower invested capital balance following footprint rationalisation in the UK as part of a wider restructuring plan and a more disciplined approach to capital spend.

The Group continues to expect an improvement in ROIC in the medium-term as previous investments deliver an increase in returns. These investments include three key projects: investment in our Crewe factory; consolidation of our Desserts business following the closure of Desserts Leicester; and investment in our US Charlotte site.

After a planned year of restricted capital spend, we now expect investment to return to more normal levels, of c.£70m for FY24.

Included within this investment is c.£10m, which represents the first stage of replacing our aged UK ERP systems. We expect the total cost of this project to be between £35m and £40m, which will be incurred over the next three to four years, and as per 2024, will be funded through normal levels of capital investment. Recent changes to accounting standards may mean certain elements of this spend will be expensed and recognised as exceptional costs. If costs are expensed then the level of capital investment will reduce proportionately, so the cash impact will be neutral.

READ MORE pg 116.

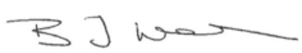
PENSIONS

Under the IAS 19 valuation principles, the Group recognised a surplus of £12.0m for the UK defined benefit scheme for 2023 (31 December 2022: surplus of £12.8m). The plan assets slightly increased their value but the defined benefit obligations also increased due to lower discount rates.

The Group and the trustee agreed the triennial valuation of the UK defined benefit pension scheme as at 31 March 2022 in May 2023, which resulted in a funding shortfall of £2m. This funding shortfall increased in the following months due to the volatility in gilt rates which resulted in investment values falling by more than the reduction in liabilities. As a result of the increase to the funding shortfall, a recovery plan for payments of £2.5m p.a. was agreed to be made through to 31 March 2025, with an extension through to 31 August 2025 if the scheme is in deficit at the end of December 2024 and the end of January 2025.

SUMMARY

The Group delivered a good performance during the year and, importantly, built stronger foundations from which to deliver future profitability. Revenue growth reflected our success in taking pricing action to offset continuing inflationary pressures, whilst internal levers were fundamental in delivering progressive adjusted operating profit that was ahead of market expectations. We exit the year with momentum in all three of our regions, a stronger balance sheet, and sufficient financing headroom and interest rate protection in place to deliver further progression in FY24.



Ben Waldron
Chief Financial Officer
4 March 2024

Group *highlights*

Like-for-like revenue[2]

£2,214.2m

+5.3% ✓
2022: £2,103.2m

Adjusted operating profit[1,2]

£94.3m

+5.5% ✓
2022: £89.4m

Free cash flow[2]

£103.2m

+£49.8m ✓
2022: £53.4m

Adjusted earnings per share[1,2]

8.8p

-0.7p ✗
2022: 9.5p

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

1.5x

-0.4% ✓
2022: 1.9x

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

7.5%

+40bps ✓
2022: 7.1%

Performance year-on-year

✓ Improved ✗ Worsened – Maintained

1 The Group's STIP scheme and long-term incentive awards are based on performance across a selection of three KPIs. See pg 130 in the Directors' remuneration report.

2 Alternative Performance Measures ("APMs"), including 'like-for-like', 'adjusted' and 'underlying', are applied consistently throughout the 2023 Annual Report and Accounts. The APMs are defined in full and reconciled to the reported statutory numbers in Note 36 of the Notes to the Consolidated Financial Statements.

Our approach to risk

A process that underpins the sustainable delivery of our strategic objectives.

Our risk management process is designed to support the Group as we set out to deliver our long-term sustainable value, whilst protecting the interests of our stakeholders and safeguarding our assets, finances and reputation. We have an established risk management framework to identify, assess, mitigate, monitor, report and escalate the risks our business faces. This has proven successful in the face of global economic volatility and has allowed us to strike the right balance between risk and opportunity.

OUR APPROACH

We have a successful and proven approach to risk management which has been fundamental in ensuring we meet our strategic objectives. The Group Board is responsible for effective risk management and has embedded a strong culture of risk awareness across the Group. The Group Board has achieved this by:

- Challenging key strategic and emerging risks to support the Group in delivering its strategic objectives.
- Reviewing and approving the ongoing risk management process. This includes the internal control system, risk management framework, policies and procedures that outline what can be considered an acceptable level of risk for an appropriate level of return.
- Reviewing our formal Risk Register. This identifies:
  - The principal risks faced by the Group.
  - The likelihood of their occurrence.
  - The potential impact on the Group.
  - The key mitigating actions used to address them.

Ownership of each principal risk is assigned to a Senior Executive. The Risk Register also outlines how we plan to minimise future probable risks through Bakkavor's policies and procedures, Code of Conduct and business ethics. It is updated on a quarterly basis, reviewed by the Audit and Risk Committee ("A&RC"), and subsequently the Group Board.

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

- Reports received from the Senior Executive Team ("SET") and Risk Committees.
- The output of internal audit work performed by our external adviser, KPMG.
- The output of external audit work performed by our External Independent Auditors, PriceWaterhouseCoopers LLP ("PwC").
- Advice from other experts and advisers.

These reports provide detail on current and emerging risks related to business activity, as well as looking at how effectively the internal controls deal with these risks, and an update on how approved mitigating actions are being implemented.

RISK MANAGEMENT FRAMEWORK

Our risk management framework incorporates both a top-down approach to the identification of the Group's principal risks and a bottom-up approach identifying operational risks.

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

RISK APPETITE

As with every year, the Group Board reviews and sets our risk appetite for each of the principal risks. This helps us to provide clear boundaries on the acceptable level of risk and influences our decision-making to support the delivery of our strategic objectives.

Our approach is to minimise exposure to reputational, financial and operational risk, whilst accepting a risk/reward trade-off in supporting the delivery of our strategic objectives. As a producer of fresh food, food safety and integrity are of paramount importance. We therefore have a low appetite for risks which may impact this area, with all practical efforts made to mitigate them. A low-risk appetite is also applied to health and safety. As a large employer, we take all practical precautions to ensure the health and safety of our colleagues whilst on our sites in compliance with laws and regulations.

Our risk management process and framework

GROUP BOARD

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

AUDIT AND RISK COMMITTEE

- Reports to the Group Board on the effectiveness of the risk management process and internal control system.
- Informed by regular reports from the Risk Committee's and Internal and External Auditors.

READ MORE on pg 116 for the activities of the A&RC in full-year 2023.

Internal Audit

- Reports directly to the A&RC.
- Agrees planning annually, with input and oversight from the Finance Director – Transformation, Treasury & Risk.
- Audits are financial and risk-based, and aligned with the Risk Register, providing assurance and recommendations on the suitability of and compliance with Group policies and procedures across risk management, governance and internal control processes.

External Audit

- Reports directly to the A&RC.
- PwC provides independent assurance over the Group's financial statements to ensure they are presented fairly in all material respects and have been prepared in accordance with the relevant standards and regulations.

SENIOR EXECUTIVES AND OTHER MANAGEMENT

- Maintain the Risk Register with assignment of individual principal risks.
- Manage and monitor their own risks through timely review.
- Escalate additional risks and evolutions in existing or emerging risks to their respective Risk Committees for review.
- Provide regular reports to the Risk Committees, A&RC and Group Board from key functions such as Technical (including health and safety, food safety), HR, Finance, Legal and IT.

Other external parties

- Report to the SET.
- Comprises a number of external parties, including: BRCGS unannounced and announced audits of food safety across UK sites; and other subject matter experts across insurance, property, health and safety, and cyber.

RISK COMMITTEE

- Outputs from the individual regional and Corporate Risk Committees are summarised and presented to the A&RC on a quarterly basis.

Corporate Risk Committee | UK Risk Committee | US Risk Committee | China Risk Committee

- Perform a quarterly review of the principal and emerging risks outlined in the Risk Register.
- Provide a summary of the changes to the Senior Executive Team ("SET").
- Each chaired by the Finance Director – Transformation, Treasury & Risk with SET representation.

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

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

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

UNDERPINNED BY OUR RISK MANAGEMENT PROCESS

IDENTIFY → ASSESS → MITIGATE → MONITOR → REPORT & ESCALATE

OUR PRINCIPAL RISKS

In reviewing our risk environment, we have reduced the number of principal risks from 15 down to 10. This reduction reflects our current risk environment and allows us to increase our focus on the key risks to the business.

We have removed the 'Covid' principal risk as we have been managing this risk since the start of the pandemic and mitigation activities are now part of business as usual. We have merged three principal risks: 'Consumer behaviour and demand'; 'Competitors'; and 'Reliance on a small number of key customers', with a new principal risk on 'Consumer demand and the retailer landscape'. 'Brexit' has also been removed as this principal risk now forms part of 'Supply chain' and 'Consumer demand and retailer landscape'. Finally, we have combined two further principal risks, 'Treasury and pensions' and 'Legal and regulatory', to create one single 'Corporate and regulatory' principal risk.

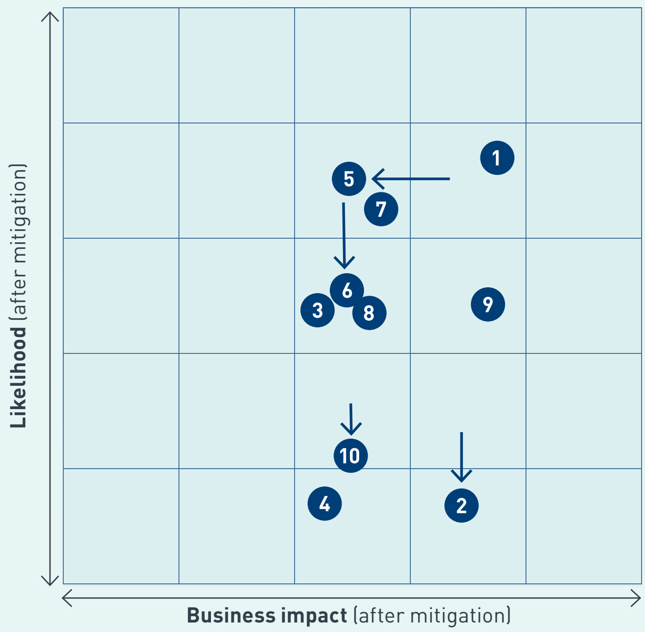
These changes have allowed us to streamline our risk reporting processes whilst still ensuring we provide an appropriate level of oversight over principal risks within the organisation.

READ MORE pg 76.

We have rebased our risk heat map from 2022 to reflect the ten principal risks in 2023.

RISK ASSESSMENT MAP

- The risk heat map shows the position of each principal risk as at December 2023 compared to the position in December 2022.
- The commentary on the following pages gives updates on each of our principal risks.



Risk movement; December 2022 to December 2023

Risk trend

New | Increased | Decreased | Unchanged

Principal risks	Risk trend 2023
1. Consumer demand and retailer landscape	New
2. Food safety and integrity	Decreased
3. Strategic growth and change programmes	Unchanged
4. Health and safety	Unchanged
5. Supply chain	Decreased
6. Availability, recruitment and retention of colleagues	Decreased
7. IT systems and cyber risk	Unchanged
8. Climate change and sustainability	Unchanged
9. Disruption to Group operations	Unchanged
10. Corporate and regulatory	New

EMERGING RISKS

We recognise the importance of future-proofing our business. In order to do this, we are not only assessing risks that are affecting us today, but also looking ahead to identify what has the potential to adversely impact us in the future. As part of our risk assessment process, both top-down and bottom-up, we seek to capture and monitor emerging risks. Their potential effects on the delivery of our strategy are considered at our regular risk reviews, using horizon scanning inputs from both internal and external sources. Emerging risks are highlighted during each regional Risk Committee meeting and then discussed with the A&RC on a quarterly basis.

Emerging risks of particular note:

- Artificial Intelligence is increasingly being used by businesses. We will conduct an analysis over the next 12 months about the risks and opportunities this may present for us.
- In recent years there have been a number of geopolitical events which have significantly impacted our business, such as rising energy costs which remain volatile. These events also have the potential to impact the wider economic environment in terms of overall inflation, availability of ingredients, consumer demand and financing costs. There will be a general election within the UK later this year and changes in legislation, which could have an impact on a number of our principal risks.
- The scarcity of the labour market across all three of our regions could see significant inflation in labour costs.
- Whilst inflation has slowed in the second half of 2023, there is the potential for further inflation which could impact interest rates and lead to a recession, resulting in further pressures on sales volume.

We have also started to explore potential options for replacing our UK ERP system. During 2023 we underwent a 'discovery' stage. The Group Board approved the project in February 2024 and we are now moving onto a 'detailed design' stage. This project will increase our risks in 'Strategic growth and change programmes' and 'IT systems and cyber risk'.

These emerging risks are kept under review during our regional Risk Committee meetings and mitigating actions are discussed and documented. This ensures that we are able to react ahead of any risk materialising, therefore minimising our risk exposure.

INTERNAL CONTROL SYSTEM

Our internal control system provides a structure and an ongoing process for risk management. This helps assure our Senior Executives and operational management that processes have been implemented effectively to manage operational risk. The system is designed to manage rather than eliminate all risks in line with the risk appetite set out by our Group Board. This is combined with a central governance framework which supports the business through Group-wide policies, procedures and training. Our Operational Management team is responsible for implementing procedures and monitoring controls.

RISK ASSURANCE

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

1st line	2nd line	3rd line	4th line
Management controls Includes a suite of policies and procedures governing day-to-day activities as well as related management information and data. Ensuring our staff are trained to fulfil their duties is also key to following our processes and work within our control framework. Management also submits bi-annual self-assessments.	**Central Functional teams** Our Central Functional teams provide oversight by attending working groups/committees. Central teams regularly monitor and report against KPIs.	**Internal and other independent audits** Performed on key risks, with our Internal Audit outsourced to KPMG. Also includes independent audits from food safety and health and safety experts, announced and unannounced customer audits and insurance audits.	**Regulatory audits** Conducted by the British Retail Consortium ("BRC") food safety audits, with other regulatory bodies including but not limited to: the Environmental Health and Trading Standards; the Health and Safety Executive; the FDA; the USDA; and external financial audits performed by our External Auditors PwC.

Principal *risks and uncertainties*

Link to our strategy

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

INTERNATIONAL: accelerate profitable growth in the US and China

EXCELLENCE: deliver superior performance through operational excellence

TRUST: be a Trusted Partner for our people, customers, suppliers and communities

Risk	Description	Controls	Risk trend
1. CONSUMER DEMAND AND RETAILER LANDSCAPE **Link to our strategy**	Could be driven by a significant change to the economy as well as changes in consumer attitudes, e.g. cost of living concerns, sustainability and health. The loss of business as a result of competitor activity, significant changes in commercial terms, and/or reputational damage could result in a loss of market share, leading to a significant impact on the Group's results.	• Work closely with customers to adapt to changing consumer trends, such as dietary changes, sustainability concerns and the impact of cost of living pressures. • Leverage insight from market data analysis, consumer surveys/feedback and industry reports to inform new and existing product development to meet consumers' needs. • Draw on a well-established global supply chain to source a wide range of ingredients to help drive innovation. • Ensure integrity of supply chain and the quality of raw materials through our Responsible Sourcing approach. • Maintain well-established, multi-level relationships with key customers to deliver high levels of service.	
2. FOOD SAFETY AND INTEGRITY **Link to our strategy**	Whilst we must ensure food is safe and clearly and correctly labelled, there are still risks of product contamination. This could affect consumer confidence and customer trust, potentially leading to product withdrawal or recall, financial and/or reputational impact, and loss of/reduction in business.	• Maintain industry-leading standards of food safety. Includes traceability procedures and processes, overseen by experienced Central Technical function, and clear approach to Responsible Sourcing under our Trusted Partner ESG strategy. Following issues in the wider industry highlighted by the Food Standards Agency, we also completed a review of our UK meat supply chain to gain assurance over the robustness of our processes and of our supply chain. • Use Hazard Analysis Control Point principles at all sites to identify and control food safety risks, with colleagues trained in these procedures. • Monitor performance against established food safety metrics, managed via a team of technical/food safety experts at each site. • Report metrics on a monthly basis to the Group Board. • Conduct regular audits against recognised global food safety standards by our internal Central Technical team, and independent bodies on an announced and unannounced basis. • Perform regular industry-leading allergen testing to monitor our controls and raw materials. • Continue to monitor emerging issues, in conjunction with other industry players, to ensure increasing compliance requirements are met.	Due to our mitigating actions regarding food safety we consider the likelihood of this risk crystallising to now be lower. A combination of strong results from customer audits and the decline of listeria identification across our factories evidences the effectiveness of our mitigations. We've also seen the UK Food Safety Audit scores showing strong results with reducing listeria finds across the UK factories.

READ MORE pg 16.

READ MORE pg 38.

Risk trend

Increased | Decreased | Unchanged | New (refer to principal risks pg 76, 80)

Risk	Description	Controls	Risk trend
3. STRATEGIC GROWTH AND CHANGE PROGRAMMES **Link to our strategy**	Investments in capital, resource and organisational change based on forecasted financial returns are by their nature uncertain. Climate change, in terms of acute and chronic risks, also has the potential to impact future investments.	• Leverage the Group's Capital Allocation Policy to balance spend across capital expenditure, acquisitions and disposals, debt reduction and dividends. • Maintain robust and standardised processes for evaluation and approval of capital expenditure. • Implement governance processes for key projects including new IT systems, to ensure individual project risks are documented and action plans are implemented to reduce and mitigate risks. • Track and report regularly to the Group Board on performance of significant projects against forecast metrics.	Unchanged
4. HEALTH AND SAFETY **Link to our strategy**	We have a duty to secure and protect the health and safety of our colleagues, contractors and visitors. Failure to maintain appropriate health and safety across the Group could result in a significant reputational, regulatory and/or financial impact on our business.	• Maintain strong health and safety processes and controls across all sites, supported by an established culture of engagement around accident prevention. • Health and safety managed locally by colleagues at sites, supported by in-house health and safety experts. • Review and share standards and best practice and support implementation of new processes and controls. • Manage health and safety on a digital platform with readily available information to monitor performance at each site against key health and safety metrics. • Undertake risk control and risk reduction activities across health and safety projects including: — Ammonia risk assessment. — Boiler reviews. — Factory transport vehicles. — Fire suppression. — Machinery. • Report metrics to the Group Board, with any significant issues reported immediately.	Unchanged

READ MORE:

Non-financial KPIs pg 6.
ESG: Trusted Partner pg 44.

Link to our strategy

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Risk	Description	Controls	Risk trend
5. SUPPLY CHAIN **Link to our strategy**	The loss and/or interruption from a major supplier could affect factory operations and customer service levels. External factors such as climate change, the current war in Ukraine and the conflict in Israel/Palestine could also expose suppliers to acute and chronic risks, driving inflation and impacting availability and quality.	• Maintain a sophisticated, agile supply chain and robust supplier selection with monitoring and management processes. • Leverage scale, experienced central and regional procurement teams and strong customer partnerships to enhance buying power. • Balance price, quality, availability and service levels to meet demand and supply forecast. • Seek protection on forward-purchasing and price variations through agreements with customers including cost pass-through mechanisms. • Utilise internal levers to mitigate the impact of input cost price increases, drive productivity improvements, and focus on value optimisation across product portfolios. • Increase end-to-end control of our supply chains through our Bakkavor Inbound Logistics ("BIL") team. • Leverage technology to support the drive for standardisation and efficiency in managing complex supply chains.	Over the last 12 months we have successfully implemented actions to minimise the impact of inflation. Given the easing of purchasing inflation coupled with the successful implementation of our actions we deem the impact of this risk to have reduced.
6. AVAILABILITY, RECRUITMENT AND RETENTION OF COLLEAGUES **Link to our strategy**	Labour availability and cost could be affected by political, economic, legislative and regulatory developments. Increasing competition from competitors and/or local employers could reduce the availability of labour and increase cost pressure.	• Manage recruitment through our Central Talent team, supported by regional Heads of HR, to drive campaigns and initiatives tailored to the local market and the offer of competitive remuneration and benefits packages. • Invest in training and development to upskill colleagues and support career progression, including a new 'Better Behaviours, Better Bakkavor' workshop launched in 2023 which is aimed at I&D and embedding our values. • Enhance and upgrade site facilities to make Bakkavor a better place to work. • Conduct an Employee Engagement Survey ("EES") annually to gather feedback from colleagues. • Seek to fill vacancies through direct recruitment and utilise agency labour to provide short-term solutions. • Ongoing engagement with employee representatives, including unions, to build relationship and understanding of key issues.	Due to mitigating actions taken, combined with an improving labour market in the UK and the US evidenced in the reduction of employee turnover and the level of ongoing vacancies, we now consider the likelihood of this risk crystallising as being lower.

READ MORE pg 30.

Risk trend

Increased Decreased Unchanged New (refer to principal risks pg 76)

Risk	Description	Controls	Risk trend
7. IT SYSTEMS AND CYBER RISK **Link to our strategy**	Group infrastructure becomes out-dated, inefficient and/or vulnerable to attack or malfunction. Unauthorised access to the Company's IT systems could lead to data breaches and the release of market-sensitive information, with potential reputational, financial and operational impact. Any breakdown and/or failure in the Group's IT infrastructure and/or the Group's communication networks, including malicious cyber-attacks by third parties, could cause disruption to the business.	• Actively identify risks and threats, design and implement layers of control that allow for an appropriate balance between preventive and detective controls. Includes business continuity planning and testing, phishing simulation, extended security detection and response. • Evaluate independently against leading industry standards published by the US Department of Commerce (National Institute of Standards and Technology Cyber Security Framework), and partner with external expert advisers to actively reduce risks posed. • Mitigate information security risks through a Group-wide security programme. This security programme provides a robust and consistent approach to information security across the Group. • Invest further in IT system modernisation including external advice on the use of Artificial Intelligence in our sector.	Unchanged
8. CLIMATE CHANGE AND SUSTAINABILITY **Link to our strategy**	A scenario-driven climate risk assessment of our business has identified four transition risks: costs of implementing low emissions technology; increased cost of raw materials; changing consumer preferences; and pricing of GHG emissions. We have also identified two physical risks: operations and supply chain. We also consider the potential reputational impact of failing to meet our ESG commitments as outlined under our Trusted Partner ESG strategy.	• Mitigating risks against the identified climate risks is detailed in the TCFD section. • Addressing our wider material ESG activities through Trusted Partner, our ESG strategy. • Regularly monitor and report on non-financial KPIs, including net carbon emissions, UK food waste, regular voluntary employee turnover, packaging use and health and safety. • Seek to integrate ESG factors into investment decisions and wider financial forecasts.	Unchanged

READ MORE:

ESG: Trusted Partner pg 44.
ESG: TCFD pg 50.

Link to our strategy

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Risk trend

Increased | Decreased | Unchanged | New (refer to principal risks pg 76, 80)

Risk	Description	Controls	Risk trend
9. DISRUPTION TO GROUP OPERATIONS **Link to our strategy** UK, International, Excellence, Trust **READ MORE** pg 44.	Damage to our sites by fire, flood, mechanical breakdown and natural disaster, or disruption from industrial action, could present a serious risk to our business operations and performance. Significant capital investment projects could also impact our ability to maintain production at required levels, negatively impacting our financial performance.	• Employ and audit building and property management protocols in conjunction with our property insurers, with regular progress reporting on recommended site improvements. • Implement continuity and disaster recovery plans at each site to identify and assess key risks, key controls, improvement actions and preparedness for an event. • Report regularly and proactively on progress of any identified site improvements or issues to encourage timely resolution. • Detail the procedures to be followed in the event of different disruption scenarios, auditing plans biennially with insurance brokers. • Support employee engagement in our factories through site representatives, employee forums and trade union engagement. • Implement governance processes for key capital investments to ensure project risks are documented and action plans are implemented to reduce and mitigate risks.	Unchanged
10. CORPORATE AND REGULATORY **Link to our strategy** UK, International	Failure to comply with local laws, regulations, codes of practice, or breach of internal policies and standards could impact our reputation, resulting in financial penalties and operational disruption. External financial risks include interest rate risk on borrowings, availability of liquidity, compliance with our financial covenants, changes in exchange rates and the funding of the defined benefit pension scheme.	• Regularly review the Group's investment strategy and its potential impact on liquidity and leverage. • Oversee framework of Group Board-approved policies and procedures for financial risk management; includes funding, liquidity, currency, interest rate and counterparty credit overseen by Treasury function. • Monitor financial results and projections through weekly, monthly and quarterly reporting and forecasting. • Meet quarterly with the Group Hedging Committee to review and ensure compliance with hedging policy for foreign currency. • Regularly review defined benefit pension scheme's investment and liability hedging strategy. • Monitor relevant laws and regulations across the business to ensure compliance across legal, financial, tax, HR, food safety, health and safety, and environmental matters. • Review and update key Group policies on standards and procedures via the Group Legal team on an annual basis and engage with Internal Auditors to provide assurance on principal and financial risks.	New Due to securing £130m of interest rate swaps through to March 2026 combined with the external environment which indicates that interest rates have most likely peaked, we deem that the likelihood of this risk crystallising has reduced.

Viability statement

In line with Provision 31 of the 2018 UK Corporate Governance Code, the Directors have carried out a thorough review of the prospects of the Group and its ability to meet its liabilities through to at least the end of December 2026.

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

The Directors have assessed the principal risks to the business and the key mitigating actions used to address them within this three-year timeframe. For each of the principal risks, action plans have been developed to mitigate the risk with a clear allocation of responsibilities for mitigation and the timescales for completion.

Whilst all the risks identified, including food safety and integrity, could have an impact on the Group's performance, the specific risks which could potentially impact the Group's financial position include weaker consumer demand following recent inflationary pressures that could potentially lower sales volumes. In addition, raw material, people and utility costs could increase following macroeconomic or geopolitical events and these costs would need to be recovered through price increases agreed with our customers in order to maintain the Group's profitability. These price increases could in turn result in retail price inflation which could then lead to lower sales volumes.

On 18 March 2020 the Group refinanced existing debt facilities of £410m with £455m of facilities that mature in March 2024 on similar terms to those in place under the previous financing structure. In March 2022 the maturity of £430m of these facilities was extended to March 2026. The Group plans to refinance these debt facilities within the next 12 months. In addition, at the end of 2023 the Group had £38m of other debt facilities that will be repaid on an amortising basis by August 2028.

As part of our annual strategic planning, the Group prepares a detailed financial model which forecasts the consolidated income statement, balance sheet, cash flow, covenant performance and liquidity requirements of the Group for a three-year period. A downside scenario that is severe but plausible has been modelled, taking account of the potential financial impact of the specific risks outlined above. The downside scenario model showed that, even without taking any mitigating actions that would be available to the Group if such a scenario occurred, the Group would not breach the financial covenants in its bank facilities agreement. It would also have significant liquidity headroom available.

Beyond the three-year timeframe of this viability statement, the Group would face transitional and physical risks as a result of climate change. The Group has a relatively low exposure from the transition to a low-carbon economy, and at this stage we do not expect the transition and physical risks to have a material impact on the business.

READ MORE pg 79.

Having taken account of the sensitivity analysis and downside scenario modelling, as well as the availability of adequate financing facilities, the Directors consider that the Group will be able to continue in operation over the three-year period to the end of December 2026.

The Strategic Report was approved by the Group Board and signed on its behalf by:

Mike Edwards
Chief Executive Officer
4 March 2024

Ben Waldron
Chief Financial Officer
4 March 2024

Governance

Chairman's letter on corporate governance

Dear fellow shareholders,

On behalf of the Group Board, I present to you our corporate governance report for the year ended 30 December 2023. The 2018 UK Corporate Governance Code (the "Code"), which is available on the Financial Reporting Council's website (frc.org.uk) continues to be the standard against which we measure ourselves. I am pleased to confirm that the Group has fully complied with the provisions of the Code for FY23, and this report sets out how we have applied the principles as set out in the Code.

We are committed to maintaining a high standard of governance and adopting best practice as this develops, and the Group Board will be overseeing the implementation of the newly introduced 2024 UK Corporate Governance Code. Our strong governance structures underpin our strategic priorities which the Group Board continued to have oversight of during the year.

READ MORE:
Strategy pg 20.
Group Board's key activities pg 95.

STRENGTHENING OUR GOVERNANCE

The Group Board approved a revised governance structure to reflect how strategic, operational, commercial, regulatory and risk matters have been managed and controlled under Mike Edwards' leadership.

The Senior Executive Team ("SET") (which replaces the Management Board) meets on a regular basis throughout the year (on a schedule aligned to the Group Board meetings) to focus on strategic, operational, commercial, regulatory and risk matters. Other senior leaders in the business (risk, regulatory, finance, strategy) are invited to the meetings of the SET from time to time and the Executive Directors share feedback from the meetings with the Group Board.

"The Group Board continues to take meaningful steps to further enhance Bakkavor's governance framework and ensure it is making a positive impact on the business.

Simon Burke
Chairman

THE UK CORPORATE GOVERNANCE CODE: COMPLIANCE STATEMENT

The Group Board is pleased to report that the Company has applied the principles and complied with the provisions of the UK Corporate Governance Code (the "Code") for the period ended 30 December 2023. A copy of the Code, issued by the Financial Reporting Council, can be found at frc.org.uk.

One of Mike's priorities upon taking the role of CEO was to develop clear and focused regional priorities for each of our distinct businesses, and to this end, Regional Boards have been set up to undertake monthly structured reviews of the business on a regional basis which supports strategic decision-making and operational activity in each region. The focus of these meetings is operational and commercial matters affecting the business.

This revised governance structure has been working effectively and ensures the Group Board has effective oversight of all strategic, operational, commercial, regulatory and risk matters.

CHANGES TO OUR GROUP BOARD

Following Baupost's sale of its entire stake in Bakkavor to LongRange Capital, Patrick Cook, who served on our Group Board as the representative of Baupost, stood down on 16 January 2024. Patrick has been a greatly valued member of the Group Board and we will miss his input. Bob Berlin was appointed as the representative director for LongRange Capital on 16 January 2024. We are welcoming Bob back to the Group Board, as he served as Baupost's representative director from 2017 to 2019, and we look forward to working with him again.

GROUP BOARD AND COMMITTEES' PERFORMANCE REVIEW

This year, our Group Board and Committee performance review was externally facilitated by Clare Chalmers Ltd ("Clare Chalmers"), who also undertook the last independent review of the Group Board three years ago.

Clare Chalmers' evaluation report was robust and informative and provided a valuable independent external perspective on the Group's governance. Clare Chalmers noted that Bakkavor's Group Board had in the last 18 months undergone a considerable transformation. In particular, the owner-CEO had become a Non-executive Director, a new CEO had been appointed and three new independent Non-executive Directors had been recruited. These changes have had a positive impact on the quality of governance provided by the Group Board, robust conversations were taking place, and the Non-executive Directors were able to provide the right balance of challenge and support.

As well as refreshing the Group Board, significant steps had been taken to address the areas suggested for improvement in the 2020 report. Clare Chalmers acknowledged the challenges the business and the sector as a whole had been through, such as Covid, inflationary pressures and supply chain issues. In addressing these challenges, the Group Board continues to be able to draw on some considerable strengths.

Clare Chalmers made a number of recommendations which were discussed at the Group Board and Committee meetings, and actions agreed.

READ MORE pg 106.

OUR STAKEHOLDERS

The Group Board is responsible for leading stakeholder engagement in line with Section 172 of the Companies Act 2006 ("Section 172"). I have sought to engage with our investors, and have had the opportunity in the last year to meet up and discuss with major shareholders of the Company, including a major institutional shareholder, about the performance of the business.

Sanjeevan Bala was appointed as our designated workforce engagement Non-executive Director effective from 1 January 2023. Sanjeevan has significant stakeholder engagement experience gained from his career across a range of sectors and as a member of the Remuneration Committee, it was thought he would be well-placed to take on the role. Sanjeevan visited sites and attended two Group Employee Forums ("GEF"), providing the Group Board with updates on the topics raised by our colleagues.

The Group Board attended a site visit to Bakkavor Bread Crewe when, as part of our tour, we had the opportunity to meet both members of local management and workers.

READ MORE:
Stakeholder engagement pg 64.
Governance in action pg 99.

AGM

I am pleased to confirm that this year's Annual General Meeting ("AGM") will be in person. The Group Board considers the AGM to be an important opportunity to engage with our shareholders. The 2020 Directors' Remuneration Policy has reached the end of its three-year life and a new policy will be put forward for a shareholder vote at the AGM.

READ MORE pg 151.

LOOKING AHEAD

The governance priorities for 2024 include continued stakeholder engagement and taking steps to implement the recommendations from the external Group Board and Committees' performance review, as well as the adoption of the newly introduced 2024 UK Corporate Governance Code. We will also be focused on monitoring progress against our sustainability targets.

Simon Burke

Simon Burke
Chairman
4 March 2024

THIS REPORT'S KEY FEATURES

This governance statement, which includes the reports of the Nomination, ESG, Audit and Risk, and Remuneration Committees, explains how we have applied the principles and complied with the provisions of the Code.

Section 1: Board leadership and company purpose

pg 87

Code principles:

A. Effective and entrepreneurial Board to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.

B. Purpose, values and strategy with alignment to culture.

C. Resources for Bakkavor to meet its objectives and measure performance. Controls framework for management and assessment of risks.

D. Effective engagement with shareholders and stakeholders.

E. Consistency of workforce policies and practices to support long-term sustainable success.

- Chairman's letter on corporate governance 84
- Strategic Report 2
- Section 172 statement and the Group Board's engagement with key stakeholders 64
- Purpose, values and culture 93
- Group Board's key activities 95

Section 2: division of responsibilities

pg 101

Code principles:

F. Leadership of Board by Chair.

G. Board composition and responsibilities.

H. Role of Non-executive Directors.

I. Company Secretary, policies, processes, information, time and resources.

- Group Board composition 103
- Roles and responsibilities 101
- Time commitment, external appointments, independence and tenure 102

Section 3: composition, succession and evaluation

pg 103

Code principles:

J. Board appointments and succession plans for Board and senior management and promotion of diversity.

K. Skills, experience and knowledge of Board and length of service of Board as a whole.

L. Annual evaluation of Board and Directors and demonstration of whether each Director continues to contribute effectively.

- Group Board composition 103
- Nomination Committee report 107
- Inclusion and Diversity 110
- Group Board, Committee and Director performance evaluation 106

Section 4: audit, risk and internal controls

pg 114

Code principles:

M. Independence and effectiveness of Internal and External Audit functions and integrity of financial and narrative statements.

N. Fair, balanced and understandable assessment of the Company's position and prospects.

O. Risk management and internal control framework and principal risks the Company is willing to take to achieve its long-term objectives.

- Audit and Risk Committee report 116
- Risk management 72
- Fair, balanced and understandable assessment 119
- Going concern 152
- Viability statement 81

Section 5: remuneration

pg 124

Code principles:

P. Remuneration policies and practices to support strategy and promote long-term sustainable success with executive remuneration aligned to Company purpose and values.

Q. Procedure for executive remuneration, Director and senior management remuneration.

R. Authorisation of remuneration outcomes.

- Directors' remuneration report 124

Section 1: Board leadership and company purpose

Our governance framework

BOARD OF DIRECTORS (GROUP BOARD)
NON-EXECUTIVE DIRECTORS AND EXECUTIVE DIRECTORS

- Collectively responsible for promoting the long-term sustainable success of the Group for the benefit of our stakeholders: employees, customers, suppliers, investors and communities.
- Lead and direct the Group by setting the purpose and strategy of the Group, overseeing management and monitoring and assessing culture.

Nomination Committee | Remuneration Committee | ESG Committee | Audit and Risk Committee

- The Board Committees assist the Group Board in the fulfilment of its duties and responsibilities.
- Oversee activities within each Committee's Terms of Reference.
- Report to the Group Board via the Committee Chairs on the matters discussed at Committee meetings.

SENIOR EXECUTIVE TEAM ("SET")

- The SET meets on a regular basis throughout the year (on a schedule aligned to the Group Board meetings) to focus on strategic, operational, commercial, regulatory and risk matters.
- The SET comprises the Group CEO and Group CFO and CEO Asia (the Executive Directors) and the Group Chief People Officer ("CPO"), UK Managing Director ("MD") Meals, UK MD Bakery, UK Finance Director and US COO.
- Other senior leaders in the business (risk, regulatory, finance, strategy) are invited to the meetings of the SET from time to time.
- The Executive Directors share feedback from the SET meetings with the Group Board.

REGIONAL BOARDS

UK operations | UK customers | US | China

- The Regional Boards undertake monthly structured reviews of the business on a regional basis which supports strategic decision-making and supports operational activity in each region.
- The focus of these meetings are operational and commercial matters affecting the business.
- The Executive Directors share feedback from the Regional Boards with the Group Board.

Meet our Group Board

SIMON BURKE
Non-executive Chairman

NC

Skills and experience: Simon is a Chartered Accountant with extensive experience within the retail and food sectors. Following multiple high-profile CEO positions, Simon completed the successful restructure and sale of Hamleys plc between 1999 and 2003, as its Chairman and Chief Executive. Since then, he has specialised in value creation roles for both quoted and private equity-backed businesses, acting as chair for many consumer businesses, including Majestic Wine, Mitchells & Butlers, Bathstore.com and Superquinn.

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

External appointments: Chairman of The Light Cinemas (Holdings) Limited; Chairman of Blue Diamond Limited; and an Independent Non-executive Director of Camelot UK Lotteries Limited.

MIKE EDWARDS
Chief Executive Officer

Skills and experience: Mike started working in Fresh Prepared Foods in 1989 as a graduate at United Biscuits (subsequently acquired by Heinz) before joining Bakkavor in 2001. Mike started his career in HR before quickly moving onto operations and then general management.

Appointment: Mike joined Bakkavor in 2001, was appointed Chief Operating Officer in 2014, joined the Board in 2020 and became Chief Executive Officer in 2022.

External appointments: none.

BEN WALDRON
Chief Financial Officer
and Asia CEO

Group Board ESG Sponsor

Skills and experience: prior to joining Bakkavor, Ben was an Assurance and Advisory Director at Ernst & Young London, bringing with him extensive experience in strategy, transactions and consulting. After joining Bakkavor as Group Financial Controller in 2011, he became Head of Strategic Development, supporting the Group's IPO in 2017 and leading acquisitions and the disposal of non-core business in the UK and Europe. In January 2019, he took on responsibility for the US business as President of Bakkavor USA. Ben holds a Bachelor of Science degree from the University of Birmingham.

Appointment: Ben joined Bakkavor in 2011 as Group Financial Controller. He has served as Chief Financial Officer and Executive Director since December 2020, and his role expanded with the appointment as Asia CEO effective from December 2022.

External appointments: none.

Group Board Committees

NC Nomination Committee pg 107
AC Audit and Risk Committee pg 116
ESG ESG Committee pg 111
RC Remuneration Committee pg 124
Committee Chair

SANJEEVAN BALA

Independent, Non-executive Director

Designated workforce engagement Non-executive Director

ESG AC RC

Skills and experience: Sanjeevan is a multi-award-winning data and analytics professional who has operated across a range of sectors and brings expertise in digital transformation, data and AI science, innovation, and culture. He has a proven track record of driving customer-centric business transformations through the strategic use of data, resulting in EBIT and revenue growth. Sanjeevan has had exposure to the food and beverage sector through his time consulting with PwC to Bestfoods, and through his time with Dunnhumby working with Tesco.

Appointment: Sanjeevan has served as a Non-executive Director of Bakkavor since August 2021.

External appointments: Sanjeevan is Group Chief Data & AI Officer at ITV plc.

UMRAN BEBA

Independent, Non-executive Director

Designated Non-executive Director for ESG matters

ESG NC AC RC

Skills and experience: Umran is an experienced senior business executive with a general management background and significant expertise in talent and diversity. She spent 25 years at PepsiCo Inc in both commercial and functional roles, also serving as Senior Vice President, Chief Global Diversity and Engagement Officer. From 2010 to 2015, she served as an Independent Non-executive Director on the board of Calbee, Inc, a major Japanese snack foods manufacturer, and from 2012 to 2020 was a Future Council Member of the World Economic Forum. She holds an MBA and Bachelor of Science degree in Industrial Engineering from Bogazici University in Istanbul.

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

External appointments: Umran is currently a partner at August Leadership, an executive search firm. She also serves on the board of the International Youth Foundation, Baltimore and BIS Çözüm.

JILL CASEBERRY

Independent, Non-executive Director

Senior Independent Director

RC NC

Skills and experience: Jill has extensive sales, marketing and general management experience across a number of blue-chip companies in the food and beverage sector including Mars, PepsiCo and Premier Foods. Jill brings deep understanding of the food industry, and has been involved in turnaround and growth situations in a range of branded and own label businesses.

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

External appointments: Jill is a Non-executive Director, Remuneration Committee Chair, and Audit/Nomination/ESG Committee member of Bellway plc and Halfords Group plc. She is a Senior Independent Director of Halfords Group plc, and Non-executive Director, Remuneration and Audit Committee member of C&C Group plc. Jill is also Senior Independent Director, Remuneration Committee Chair and a member of the Audit/Nomination Committees of St. Austell Brewery Company Limited.

Group Board Committees

NC Nomination Committee pg 107

AC Audit and Risk Committee pg 116

ESG ESG Committee pg 111

RC Remuneration Committee pg 124

Committee Chair

ROBERT (BOB) BERLIN

Non-independent,
Non-executive Director

Skills and experience: Bob is a senior investment professional with strategic operating experience across the consumer goods, food, manufacturing, technology and services sectors. From 2008 to 2018, Bob was principally responsible for private equity investments at the Baupost Group, aggregating more than $5B in total enterprise value. Bob received a Bachelor of Science degree with Honors from Washington and Lee University.

Appointment: Bob has served as a Non-executive Director of Bakkavor since January 2024.

External appointments: Bob is the Founder and Managing Partner of LongRange Capital L.P. and a Director of BL Memorial Holdings, L.L.C.

AGUST GUDMUNDSSON

Non-independent,
Non-executive Director

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

Appointment: Agust is one of the founders of Bakkavor and has served as Non-executive Director of Bakkavor since November 2022. He served as Executive Chairman of Bakkavor from 1986 through to May 2006, and served as Chief Executive Officer from 2006 through to November 2022.

External appointments: none.

LYDUR GUDMUNDSSON

Non-independent,
Non-executive Director

NC

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

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

External appointments: none.

DENIS HENNEQUIN

Independent,
Non-executive Director

NC ESG

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

Appointment: Denis has served as a Non-executive Director of Bakkavor since February 2017.

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

JANE LODGE

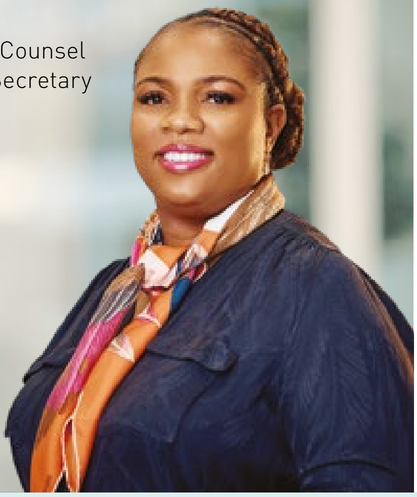
Independent,
Non-executive Director

AC ESG

Skills and experience: Jane spent 25 years with Deloitte where she advised multinational companies, including businesses in the transport, leisure, consumer and technology sectors. Since 2012 she has served as a Non-executive Director and Audit Committee Chair at several UK public companies in a range of sectors. In addition to broad international experience in a range of sectors, Jane brings substantial audit, risk and audit committee expertise to the Board.

Appointment: Jane has served as a Non-executive Director of Bakkavor since April 2018.

External appointments: Jane is currently a Non-executive Director and Chair of the Audit Committees of FirstGroup plc and TI Fluid Systems plc, and a Non-executive Director and Chair of the Remuneration Committee of Glanbia plc.



ANNABEL TAGOE-BANNERMAN

Group General Counsel
and Company Secretary

Skills and experience: Annabel has held senior legal positions in several companies, including Britvic plc and Ladbrokes plc. She was the Group General Counsel and an Executive Committee member at Ladbrokes plc. Annabel began her career in private practice, at the multinational law firm SJ Berwin LLP, in London. Annabel obtained her post-graduate law degree at The University of Law, UK and qualified as a solicitor (England and Wales) in March 2005. She is also a Chartered Company Secretary (ACIS) and an alumna of London Business School.

Appointment: Annabel joined Bakkavor as Group General Counsel and Company Secretary in June 2019.

External appointments: Annabel is currently a Non-executive Director of Edinburgh Investment Trust plc.

Board leadership and Company purpose

The Group Board challenges strategy, performance and the responsibility of management to align our purpose, values, strategy and culture; promote the long-term success of the Group; and create value for all stakeholders.

THE ROLE AND RESPONSIBILITIES OF THE GROUP BOARD

The Group Board provides effective and entrepreneurial leadership by setting the long-term strategic direction of the Group and overseeing and challenging management's implementation of the strategy, as well as establishing our purpose and values which underpin the culture of the business.

It is collectively responsible for promoting the long-term success of the Group through the creation and delivery of sustainable stakeholder value. In exercising this responsibility, the Group Board considers the needs of all relevant stakeholders and its contribution to wider society.

The Group Board endeavours to ensure that workforce policies and practices are in line with our values and support the Group's long-term sustainable success.

It is accountable for ensuring that, as a collective body, it has the appropriate skills, knowledge, experience and resources in place to meet its objectives and perform its role effectively. The Group Board is provided with timely and comprehensive information to enable it to discharge its responsibilities, to encourage strategic debate and to facilitate robust, informed and timely decision-making. The Group Board also receives regular presentations from key heads of functions and updates from the Chair of each Committee.

Subject to company law and the Articles of Association, the Directors may exercise all of the powers of the Company and delegate their power and discretion to Committees. Decisions reserved for the Group Board include approval of strategic plans and annual budgets, acquisitions and disposals, audited Financial Statements, and appointment of additional Directors. Its work also includes engagement with key stakeholders, including our shareholders. The powers of the Directors are set out in the Schedule of Matters Reserved for the Group Board which was updated in November 2022. This is available for review on our website (bakkavor.com/en/investors/governance).

PURPOSE AND CULTURE

The Group Board sets the Group's purpose and assesses its culture. Both are key to strengthening the Group's impact among its stakeholders and are supported by the Group's values and strategy.

OUR PURPOSE

To lead the way through flawless execution and by living our values. To delight customers and consumers through fresh, convenient and great-tasting food that we create every day.

OUR CULTURE

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

Respect and trust each other

Working together, being open and honest with each other and ensuring that we treat all colleagues with equal respect. They are people-focused and the foundation of our culture, guide our behaviours and reflect who we are today and aspire to be tomorrow.

Keep the customer at the heart of what we do

Our customers and suppliers remain at the heart of what we do as we value and protect our partnerships, maintain our commitment to the highest standards of food safety, integrity and quality, innovate to help customers stay ahead and work together with our customers to anticipate future needs.

Get it right, keep it right

It is important that we get it right and keep it right, uphold our standards, stay safe and look after ourselves and each other and take responsibility for the impact of our actions on the environment and in our communities.

Be proud of what we do

We are proud of what we do, inspire others to work with passion and enthusiasm, and look for ways to improve the way we work.

ASSESSING OUR CULTURE

All Directors act with integrity and lead by example to promote the desired culture: to empower and support our stakeholders by living our values. The Group Board is responsible for assessing the Group's culture, ensuring it is closely aligned with our strategic priorities which are underpinned by our focus on operational excellence and being a responsible, caring and Trusted Partner for all our stakeholders.

The Group Board receives updates from the Chief People Officer ("CPO") and the designated workforce engagement Non-executive Director on colleague engagement through the annual Employee Engagement Survey ("EES") and the Site and Group Employee Forums. We identified four areas of focus following the 2022 EES: responding to change effectively and embracing new ways of doing things; providing opportunities for personal growth and development; embedding our values; and providing relevant colleague benefits. Our 2023 EES showed a significant improvement in the proportion of people willing to recommend Bakkavor as a great place to work, with score trends generally moving upwards with great improvements in understanding our values; our ESG (Environmental, Social and Governance) strategy; and what our Site Employee Forums do and how they can help. Management responded to feedback from the 2023 survey which was completed in September 2023 and have identified the key areas to focus efforts on throughout 2024.

READ MORE:

Our people pg 30.
Group Board's key activities pg 95

MONITORING OUR CULTURE

Throughout the year, the Group Board monitored the Group's culture and how our colleagues' feedback was being implemented, receiving regular updates from the CPO and updates from the designated workforce engagement Non-executive Director on the role of Bakkavor's Site Employee Forums ("SEF") and feedback sessions held with Bakkavor's Group Employee Forum ("GEF"). The Group Board reviewed the suggestions made during the feedback sessions on the involvement of the SEF in staff pay negotiations, site conditions and extending the variety of products available for colleagues at our staff shops. The Group Board recognises that the role of the SEF at sites is vital and provides an open and transparent communication forum, where employees can air their views and contribute to the wider Group operational decision-making process.

For further information on how the Group Board monitored the culture of the Company during the year, please see the Group Board activities section.

READ MORE pg 96.

GROUP BOARD COMMITTEES

The Group Board has four Committees: the Audit and Risk Committee, the ESG Committee, the Nomination Committee and the Remuneration Committee. All four Committees comprise only Non-executive Directors and each Committee has agreed Terms of Reference which are available on our website (bakkavor.com/en/investors/governance).

The Group Board also has a Disclosure Committee which comprises the Chairman, the CEO, CFO and Asia CEO and Group General Counsel and Company Secretary. The Disclosure Committee has oversight of the Company's regulatory compliance with its disclosure obligations under the Market Abuse Regulation.

These Committees assist with the detailed oversight of Bakkavor's financial reporting, disclosure obligations, risk management, Internal and External Audit work, ESG matters, establishing the Remuneration Policy and overseeing its implementation, and building appropriate succession and contingency plans for the Directors and Senior Executives, including overseeing workforce engagement, and establishing a diverse pipeline of talent for the Group Board, Senior Executive Team ("SET") and senior leadership positions.

SENIOR EXECUTIVE TEAM

The SET meets on a regular basis throughout the year (on a schedule aligned to the Group Board meetings) to focus on strategic, operational, commercial, regulatory and risk matters and comprises the CEO and CFO (together, "the Executive Directors") and the CPO, UK Managing Director ("MD") Meals, UK MD Bakery, UK Finance Director, and US Chief Operating Officer.

Other senior leaders in the business (risk, regulatory, finance, strategy) are invited to the meetings of the SET from time to time. The Executive Directors share feedback from the SET meetings with the Group Board.

CONFLICTS OF INTEREST

Directors have a statutory duty to avoid situations in which they may have interests that conflict with those of the Company, unless that conflict is first disclosed and authorised by the Group Board. Directors are required to disclose both the nature and extent of any potential or actual conflicts with the interests of the Company.

In accordance with company law and the Company's Articles of Association, at each Group Board meeting, Directors declare any conflicts of interest in respect of the agenda items for the meeting and the Group Board is permitted to authorise potential conflicts that may arise and to impose such conditions or limitations as it deems fit. During the year, any potential conflicts were considered and assessed by the Group Board and approved where appropriate. The Group Board confirms that the procedures in place to deal with conflicts of interest are operating effectively.

Key activities in 2023

Board meetings are an important mechanism through which the Directors fulfil their duties, particularly under Section 172 of the Companies Act 2006.

Here we describe the Group Board's activities during 2023. Whilst not an exhaustive list, it provides an indication of the factors affecting our stakeholders which we consider in Board discussions. The Group Board discharges its responsibilities under Section 172 of the Companies Act 2006. It also considers our stakeholders in its decision-making.

READ MORE pg 64.

For each Group Board and Committee meeting, a tailored agenda is agreed beforehand by the Chairman, Committee Chair, CFO (as appropriate), and Group General Counsel and Company Secretary.

A typical meeting will comprise reports from the CEO and the CFO, as well as regional reports (US and China) on current trading and financial performance. There is also a report from the CPO at each Group Board meeting, reviewing the colleague engagement plan, Company values and culture as well as the employer brand. Furthermore, there will be two or three deep-dives into areas of strategic importance.

At each meeting, the Group Board received presentations on and discussed selected strategically significant matters in greater depth to evaluate progress, provide insight and, where necessary, decide on appropriate action.

OUR KEY STAKEHOLDERS

Colleagues | Customers | Suppliers | Investors | Communities

STRATEGY AND COMPANY PERFORMANCE

The CEO and CFO led discussions focusing on recent trading, general business performance and the key strategic initiatives underway:

GROUP

- Oversight and challenge of management's implementation of the Group strategy, enabling the Group to protect profits against sustained headwinds throughout 2023.

READ MORE pg 10.

UK

- Received updates on UK trading performance.
- Discussed the offset of inbound inflation through contractual pass-through mechanisms, conventional pricing negotiations and self-help measures, value optimisation and tight cost control.
- Discussed commercial landscape and competitor environment across the UK business.
- Discussed and approved investments in automation as well as capacity and capability investment to accommodate business wins.

READ MORE pg 99.

- Discussed the relaunch of our retail offer for our main licensed brand and the expansion of the range of our Delicious Desserts Company offer, now the fifth largest brand in the chilled desserts category.

US

- Refocused from growth to profit, overseeing completion of a cost base review, delisting margin-dilutive products and implementing tangible performance improvement plans at each site.
- Discussed ways to strengthen the leadership team in operations and commercial, supported by internal transfers and secondments from the UK.
- Reconfirmed our USP and our approach to customers.
- Approved the launch of a first-to-market sharing bread at a pre-eminent national retailer.

CHINA

- Agreed forward-looking strategic priorities with a focus on developing our presence in the retail channel.
- Approved the sale of our minority stakes in the bakery businesses La Rose Noire Limited and Patisserie et Chocolat Limited.
- Discussed methods for reducing operating losses to offset low factory utilisation levels, poor crop yields and wage inflation.
- Looked at strengthening relationships with our existing customers through new product development and expansion of our core offering.

CULTURE

- Reviewed colleague feedback from our 2023 Employee Engagement Survey ("EES") and approved the areas of focus for 2024.
- Received updates from Sanjeevan Bala, designated workforce engagement Non-executive Director, and the CPO on feedback sessions with the SEF and GEF.

READ MORE pg 100.

- Oversaw the Wellbeing strategy which involves three core pillars of physical, emotional and financial wellbeing, which the Group Board considers critical during this time of increased inflation and the cost of living crisis.
- Received updates on embedding our values and development of in-house workshop 'Better Behaviours, Better Bakkavor'.
- Approved launch of Bakkavor-branded discounted food offering to all UK employees in response to colleague feedback from the EES on how to make Bakkavor a better place to work.
- Approved enhanced leadership training with a foundation programme planned for 2024.
- Approved investment in award-winning apprenticeship and graduate programmes.

READ MORE pg 30.

FINANCIAL UPDATES

- Reviewed financial KPIs and non-financial KPIs.
- Approved an interim dividend of 2.91 pence per Ordinary share on 13 October 2023 to shareholders and agreed to propose a final dividend of 4.37 pence per Ordinary share at the AGM on 23 May 2024.
- Discussed the balance sheet strategy, capital efficiency and the leverage position of the Group.
- Reviewed financial performance in the UK, US and China.
- Received updates on performance against the prior year and against the budget.
- Approved the 2024 budget, including material capital expenditure projects.
- Considered and approved the Group Tax Strategy and Policy and the Group Treasury Policy.
- Received regular updates from the Audit and Risk Committee Chair on the Committee's oversight of financial performance.
- Approved the viability and going concern statements.
- Approved the reappointment of PriceWaterhouseCoopers LLP ("PwC") as the Company's External Auditors subject to shareholder approval at the 2024 AGM.
- Oversaw a disciplined approach to, and the implementation of, the capital allocation framework to enhance shareholder value.

READ MORE pg 68.

GOVERNANCE AND LEGAL

- Approved the revised governance structure.

READ MORE pg 87.

- Undertook an external performance review of the Group Board and Committees and considered the output and recommendations.

READ MORE pg 104.

- Approved the termination of the relationship agreement with the Baupost Group, which resulted in Patrick Cook, Baupost's representative to the Group Board, stepping down.
- Approved the entry into the relationship agreement with LongRange Capital and the appointment of Bob Berlin as a non-independent Non-executive Director of the Group Board, as LongRange Capital's representative.
- Led by the Senior Independent Director, undertook an evaluation of the performance of the Chairman.
- Approved the Annual Report and Accounts and the half-year results, going concern and longer-term viability statement, Notice of AGM and the Modern Slavery Statement which can be viewed on the Bakkavor website (bakkavor.com/en/esg/policies-and-documents).
- Reviewed and approved the Schedule of Matters Reserved for the Board. This can be viewed on the Bakkavor website (bakkavor.com/en/investors/governance/).
- Received regular updates on whistleblowing and approved the Group's Whistleblowing Policy.
- Received governance updates and ongoing training on relevant matters throughout the year.

READ MORE pg 107.

TECHNICAL RISK MANAGEMENT AND MITIGATION – HEALTH AND SAFETY AND FOOD SAFETY

- Received regular updates on health and safety, food safety, food integrity and environmental compliance.
- Discussed the Technical strategy led by the Central Technical team and progress made to standardise health and safety and food safety across the business.
- Discussed Bakkavor's approach to allergen management, listeria and hygiene.
- Approved the technical priorities for 2024.

INVESTOR ENGAGEMENT

- Received regular updates on Bakkavor's share price performance, analyst consensus, ratings and target prices, and summary of listed peer results.
- Received, reviewed and discussed draft financial results statements and accompanying presentations.
- Received investor feedback post roadshows and meetings, included in the Group Board pack, and in discussion with the CFO and the Company's brokers. Key areas of focus: inflation and supply chain impact, volumes and consumer behaviours, capital allocation approach (leverage, dividend and capital expenditure) and outlook on US and China regions.
- Reviewed investor relations calendar, including consideration of quarterly trading updates.
- Chairman actively seeks to engage with shareholders. Senior Independent Director and Committee Chairs available for direct meetings where required.

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RISK

- Reviewed the Group's principal risks and agreed the Group risk appetite for each of the principal risks.
- Approved the reduction of principal risks from 15 down to 10, and noted the reduction reflects the current risk environment and allows us to increase our focus on the key risks to the business.
- Received technical updates at each meeting from the UK, US and China across health and safety, food safety and whistleblowing.
- Considered risk appetite in connection with major capital proposals and transformation projects (supported by detailed analysis to ensure the risks associated with each project are fully understood).
- Discussed the impact of climate change and sustainability risk on the Group.
- Assessed the impact of cyber risk.
- Oversight of potential options for changing our UK ERP system. Received regular updates from the Audit and Risk Committee Chair on the activities of the Audit and Risk Committee during the full-year 2023.

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ESG

- Received updates from the ESG Committee, designated Non-executive Director for ESG matters and the Group Board ESG Sponsor on the execution of the Trusted Partner ESG strategy and performance against non-financial KPIs: UK food waste, UK accidents, Group net carbon emissions and UK employee turnover.
- Discussed UK food waste reduction and reviewed the roll-out of a waste tracking and elimination project to identify reduction opportunities as part of our Operational Excellence programme.
- Received a dedicated training session from external advisers, focusing on developing ESG regulation, including climate disclosures.
- Reviewed and considered the Group's community initiatives, how we are delivering these and our progress in doing so.
- Received updates on Task Force on Climate-related Financial Disclosures ("TCFD") requirements and reviewed overall outcomes of climate risk assessment.
- Approved proposed science-based targets for submission to the Science Based Targets initiative ("SBTi") and climate-linked remuneration incentives as recommended by the ESG Committee and the Remuneration Committee.
- Discussed the progress of our climate transition plan to meet the commitment to Net Zero by 2040.

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REMUNERATION

- Determined and agreed with the Remuneration Committee the arrangements for the Chairman, Executive Directors and SET.
- Reviewed workforce remuneration and related policies, taking into account the alignment of incentives and rewards with wider Company pay policy when setting the policy for Executive Director remuneration.
- Received regular updates from the Remuneration Committee Chair on the activities of the Remuneration Committee during 2023 including changes to the Group's Remuneration Policy.
- Agreed with the Remuneration Committee's recommendation to introduce UK food waste as an additional ESG measure to the STIP, reflecting colleagues' desire to incorporate ESG metrics in future Executive Rewards. This is alongside employee turnover and in line with our ESG targets.

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CUSTOMERS AND SUPPLIERS

- Collaborated with customers to manage input cost inflation through value optimisation and efficiency initiatives.
- Updated on pricing model discussions with customers and suppliers to enable price increases, helping to mitigate inflation impact, share deflation in raw materials and other input costs.
- Updated on engagement with suppliers on sourcing raw materials and the early identification of potential issues.
- Considered UK market insights updates to understand how they inform category plans and new product pipelines.
- Approved comprehensive range reviews across selected customers and categories to improve value and quality.
- Reviewed latest developments and growth opportunities in the US and China, with measures taken to broaden and strengthen existing customer partnerships.
- Discussed impact of energy inflation and approach to hedging.
- Updated by Procurement Director on centralised category procurement structure, and Bakkavor Inbound Logistics ("BIL").
- Discussed the work of the Operational Excellence team through a dedicated session covering detailed performance initiatives to drive labour efficiencies and reduce UK food waste.
- Updated on our Responsible Sourcing strategy, commitments and progress.
- Agreed to incorporate climate risk understanding into raw material sourcing to build further resilience in our inbound supply chain.
- Approved additional requirements around environmental action in our Supplier Code of Conduct.

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GROUP IT STRATEGY

- Reviewed Group IT objectives, strategy and tactics to deliver business trust, value and security resilience.
- Monitored the progress made against the 2023 Group IT priorities.
- Reviewed the status of the UK cyber programme and Group IT international programme.
- Received updates on exploring potential options for upgrading our UK ERP system. During 2023 we were in the discovery phase of this project.

KEY PRIORITIES FOR THE GROUP BOARD IN 2024

- Continuing to foster relationships and engaging with stakeholders, including colleagues, customers, suppliers, investors and communities.
- Engaging with capital markets to drive share price performance.
- Reviewing strategy and plan to target new business wins with competitive pricing and product innovation.
- Further strengthening our talent pipeline and leadership development offer.
- Focusing on the ESG framework and its implementation, including implementation of our science-based targets in the near-term.

Governance in action: Board visit to Crewe

BACKGROUND

In January 2022, the Group Board approved a significant capital investment of £10m in our Crewe Bread site. This enabled us to enhance our operations, improving productivity, capacity and efficiency to underpin our Group strategy.

A new automated flatbread production line was introduced, installing a fourth flatbread line, which automated pinning and end-of-line packing, providing labour-saving and quality improvement benefits. As part of the investment, a low-carbon, energy-efficient chilling system was also introduced at Crewe, replacing nitrogen chilling and resulting in cost-saving and carbon offset.

Following completion of the investment, the Group Board visited the site in June 2023. It completed a site tour and received presentations from the Managing Director of Bakkavor Bakery and the UK Finance Director, which focused on improvements to operational efficiencies as well as the financial benefits delivered.

SECTION 172 FACTORS CONSIDERED

Prior to approval, the Group Board considered how the investment would promote the long-term success of the Group through the creation and delivery of sustainable stakeholder value, and, in doing so, considered the needs of all relevant stakeholders, including customers, suppliers and colleagues.

LONG-TERM CONSEQUENCES OF THE DECISION

The Crewe site has delivered in line with expectations, whilst operational efficiency has improved and the site is well-placed to capitalise on future opportunities, with headroom for growth.

FOSTERING RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

For our customers, it is imperative we maintain our high levels of service and continue to deliver quality products. The high-speed, high-capacity automated flatbread production line has enabled us to increase volume and introduce cost savings for our customers. We also worked collaboratively with our suppliers to ensure the on-time and on-budget delivery of this project.

INTERESTS OF OUR COLLEAGUES

Working with the Site Employee Forums ("SEF") to share details of the project, from concept stage through to launch, enabled us to gain feedback to ensure that the project was positively received and colleagues understood the benefits. Topics included health and safety, product quality and increased capacity that would underpin the future of the Crewe site.

IMPACT ON THE COMMUNITY AND ENVIRONMENT

The replacement of nitrogen chilling with a low-carbon, energy-efficient system has helped to contribute to a reduction in our gross (location-based) and net (market-based) carbon footprint. The automation of end-of-line packing has reduced surplus, and a factory and waste reduction programme is in place. Surplus products are sold in our staff shop, in line with the waste reduction initiatives we have at all our Group sites.

ACTING FAIRLY BETWEEN SHAREHOLDERS

The Group Board believes the plan is in the interests of all shareholders. The investment was return-enhancing and delivered in line with the plan. It also creates more opportunities for further business wins, and financial performance at the site has improved.

MAINTAINING OUR REPUTATION FOR HIGH STANDARDS OF BUSINESS CONDUCT

The customers of our flatbread offering have trust and confidence in our capacity for future delivery, making us ideally placed for future growth opportunities. In addition, the improvement in product quality has been positively received by our customers, which is reflected in their consumer online reviews.

Overall, the investment at Crewe has had a positive impact on the business. We reshaped the relationships with our stakeholders whilst also creating capacity for further growth and improving the financial performance of the site.

Governance in action: Colleague engagement

Since his appointment as designated workforce engagement Non-executive Director, Sanjeevan Bala gives an insight into colleague engagement at Bakkavor:

Q What does 'a day in the life' of your role look like?

I engage with colleagues through sessions with the Group Employee Forum ("GEF") and on visits to sites, before reporting the key headlines back to the Group Board. I really enjoy the opportunity to understand our colleagues' interests and ensure they are considered in the Group Board's decision-making.

Q Can you tell us about your career so far?

I started in strategy consulting, advising both B2C and B2B businesses on customer centricity. I then moved into scale-ups and start-ups in Silicon Valley, and then to various client-side roles in digital transformations. I spent several years at Dunnhumby, which pioneered the Tesco Clubcard programme. Currently, I'm the Group Chief Data and AI Officer at ITV plc and AI Adviser for Gartner, Data IQ and IPQC, where I lead and influence the industry on the value creation opportunities, risks and future impact associated with deploying AI at scale. My experience spans sectors including media, retail, financial services, e-commerce, telecoms and pharmaceuticals.

Q Why do you consider Bakkavor's Group Employee Forum ("GEF") and Site Employee Forums ("SEF") important?

We have a highly diverse workforce with multiple nationalities at our sites, so it is key that all their voices are heard. There is a balance between Group-based and local site initiatives, which we feel is critical to our continued success and growth. Our SEF are an excellent way of empowering colleagues to deliver their best. They are a key link in how we execute and calibrate our strategy. Our people are our greatest asset and the forums keep them front and centre of our operations as a business.

Q What did you discuss at the GEF sessions you attended?

We updated our colleagues on our people plan for 2023 in response to colleague feedback from the 2022 Employee Engagement Survey ("EES").

We held sessions on the involvement of the SEF in staff pay negotiations, site conditions and extending the variety of products available for colleagues at our staff shops. We received updates on Bakkavor's wellbeing activities, with a particular focus and commitment on mental health.

I presented to the GEF to explain Executive Reward at Bakkavor and enhanced transparency around pay and benefits. This allows us to discuss the alignment of executive with wider colleague remuneration.

We captured a desire from colleagues to incorporate ESG metrics into future Executive Rewards, which I fed back to both the Remuneration and ESG Committees.

Q How important is it for the voice of colleagues to be heard in the boardroom?

I strive to ensure that colleagues' trust is maintained in the Group's SET and senior leaders. Directly engaging with colleagues promotes a culture of openness, inclusivity and transparency.

Q What have been your 2023 highlights in your new role?

I really enjoyed joining Donna-Maria Lee, our Chief People Officer, on site visits and attending the two GEF sessions where I met many colleagues from different sites and functions. I complemented this with three additional site visits. Something I consistently observed was the passion, care and desire to improve, which is deeply embedded in the SEF leadership. They develop deep ties with the site workforce alongside links with the local community. We have a very loyal and committed workforce, with over 1,000 colleagues celebrating ten years at Bakkavor. At Holbeach, we explored how the localisation of SEF budgets had made a material change in SEF effectiveness, developing ownership and opportunities for further engagement.

Q What are your key priorities for 2024?

I plan to attend further GEF sessions and sites throughout the year to hear how the 2023 EES is shaping our focus for 2024, so that colleagues' views, concerns and ideas remain a feature of our Group Board discussions.

Sanjeevan Bala
Non-executive Director

Section 2: Division of responsibilities

The Group Board is satisfied that there is a clear division of responsibility between the leadership of the Group Board and the Executive leadership of the business.

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

KEY ROLES AND RESPONSIBILITIES

Non-executive Chairman **Simon Burke**	The Chairman leads the Group Board. His leadership style fosters a culture of openness, active participation, dialogue and debate at the Board-level. This promotes cohesion on the Group Board. He facilitates the right conditions to ensure effectiveness in all aspects of the role of the Group Board and its Committees. Working with the CEO and the Group General Counsel and Company Secretary, the Chairman sets the agenda for the Group Board meetings, taking cognisance of Group Board members' priorities. He ensures that Group Board papers are made available to all Directors in good time before meetings and allows sufficient time for robust and constructive discussions at meetings. He encourages and facilitates active engagement by all Directors, drawing on their skills, knowledge and experience. Each Director contributes and constructively reviews management's updates and requests, thereby holding management accountable. The Chairman promotes effective communication between the Group Board, Senior Executives, shareholders and other key stakeholders. Through regular investor relations updates and investor engagement feedback, the Chairman ensures that the Group Board, as a whole, has a clear understanding of investors' views, and how those views have influenced the Group Board's decisions. He maintains close working relationships with the CEO and the Group General Counsel and Company Secretary to ensure that the strategies and actions agreed by the Group Board are implemented. At least annually, the Chairman meets with the Non-executive Directors without the Executive Directors present to discuss, amongst other matters, the performance of Executive Directors, the Group Board as a whole, the Committees and the interaction between the Executive and Non-executive Directors.
CEO **Mike Edwards**	The CEO has specific responsibility for recommending the Group's strategy to the Group Board, for the execution of strategy once approved and for overseeing the day-to-day running of the business. In undertaking such responsibilities, the CEO is supported by the Senior Executive Team. Together with the CFO and Asia CEO, the CEO monitors the Group's operational efficiency and financial performance as he directs the daily business of the Group. The CEO is also responsible for the recruitment and development of the Group's Senior Executive Team below Group Board level.
CFO **Ben Waldron**	The CFO is an Executive Director and is responsible for the financial reporting of the Group, monitoring the Group's operating and financial results and management of the Group's internal financial risk management and financial control systems. He supports the CEO in implementing the Group's strategy and, in relation to the financial and operational performance of the Group, is also responsible for the Group Treasury, Tax, Legal, Investor Relations, Risk and Information Systems functions.

Non-executive Directors **Sanjeevan Bala** **Umran Beba** **Bob Berlin (since 16 January 2024)** **Simon Burke** **Jill Caseberry** **Patrick Cook (until 16 January 2024)** **Agust Gudmundsson** **Lydur Gudmundsson** **Denis Hennequin** **Jane Lodge**	The role of the Non-executive Directors is to offer guidance and advice to the Group Board as a whole and the Executive Directors in particular, drawing on their wide experience across many industries. They also provide scrutiny, constructive challenge and oversight of the Executive Directors and Senior Executives. The roles and responsibilities of each Non-executive Director are approved by the Group Board and set out in their letters of appointment. Of the nine Non-executive Directors, six are Independent whilst three are Non-independent. **NON-EXECUTIVE DIRECTORS' ROLE AT BOARD MEETINGS** Independent and Non-independent Non-executive Directors assess, challenge and monitor the Executive Directors' delivery of strategy within the risk appetite and governance structures agreed by the Group Board. As Group Board Committee members, they also review the integrity of the Group's Financial Statements, recommend appropriate succession plans, monitor Group Board diversity and set the Directors' remuneration. **NON-EXECUTIVE DIRECTOR TIME COMMITMENT** Each Director commits to dedicating an appropriate amount of time to their duties during the financial year and it is expected that each Non-executive Director will meet the time commitment reasonably expected of them, pursuant to their letters of appointment. Where Directors are unable to attend meetings, they are encouraged to give the Chairman their views in advance on the agenda items. They also have the option to dial-in for meetings. **EXTERNAL APPOINTMENTS** In advance of any new Group Board appointments, each potential new Non-executive Director is asked to disclose details of all other directorships and significant commitments, together with a broad indication of the time commitment associated with such other directorship(s) or significant commitments(s). Prior to undertaking any additional external appointments, Directors must seek prior approval of the Group Board. Before approving any additional external appointments, the Group Board considers the time commitment required for the role, as well as the experience, skills and other commitments of the Director. Each proposed external appointment shall be reviewed independently. The Company recognises that external appointments enable Directors to broaden their knowledge and experience. However, they must not interfere or conflict with their roles on the Group Board. In respect of Jill Caseberry's appointment to the role of Senior Independent Director of Halfords Group plc on 6 September 2023, the Group Board approved the appointment following a review of Jill Caseberry's time commitment required for the role, as well as Jill's experience, skills and other commitments. **MONITORING NON-EXECUTIVE DIRECTOR INDEPENDENCE** During the Group Board and Committees' annual effectiveness review, the Nomination Committee and the Group Board review the independence of the Non-executive Directors, giving consideration to the circumstances which are likely to impair, or could appear to impair, a Non-executive Director's independence, as set out in provision 10 of the UK Corporate Governance Code ("the Code"). With the exception of Agust Gudmundsson, Lydur Gudmundsson, Patrick Cook (Group Board representative of the Baupost Group until 16 January 2024) and Bob Berlin (Group Board representative of LongRange Capital since 16 January 2024), the Group Board considers the remaining Non-executive Directors to be independent and the Chairman was considered to be independent on appointment. **TENURE** The Company maintains clear records of the terms of service of the Chairman and Non-executive Directors to ensure that they continue to meet the requirements of the Code. Neither the Chairman nor any of the Non-executive Directors have exceeded the maximum nine-year recommended term of service set out in the Code.
Senior Independent Director **Jill Caseberry**	The Senior Independent Director ("SID") acts as a sounding board for the Chairman and serves as a trusted intermediary for the other Directors when necessary. The SID is also available to shareholders if they are unable to resolve any concerns through communication with the Chairman, the CEO or other Executive Directors, or when shareholders prefer to speak to the SID directly. The SID is responsible for evaluating the performance of the Chairman on behalf of the other Directors. Led by the SID, the Non-executive Directors meet without the Chairman at least annually to appraise the Chairman's performance, and on other occasions as necessary.
Group General Counsel and Company Secretary **Annabel Tagoe-Bannerman**	The Group General Counsel and Company Secretary supports the Group Board, its Committees and the Senior Executive Team. She advises the Chairman, the Executive Directors and the Group Board Committee Chairs in setting agendas for meetings of the Group Board and its Committees, and supports the accurate, timely and clear flow of information to and from the Group Board and its Committees, and between Directors and the Senior Executive Team. She leads the Legal function and the Group Company Secretariat, advises the Group Board on corporate governance matters and is responsible for administering Bakkavor's Share Dealing Code and organising the AGM.

Section 3: Composition, succession and evaluation

The Group Board continuously evaluates the balance of skills, experience, diversity, knowledge and independence among the Directors.

GROUP BOARD COMPOSITION

The Group Board consists of a total of 11 Directors – two Executive Directors and nine Non-executive Directors – and collectively is well-resourced, with a combination of skills, experience and knowledge. Within this report, we have set out biographical details of each of the Directors, along with each of their individual dates of appointment.

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MEETING ATTENDANCE

The Group Board held eight scheduled meetings during the year and the meeting attendance is set out below.

Sufficient time is provided, periodically, for the Chairman to meet privately with the Senior Independent Director and the Non-executive Directors to discuss any matters arising.

CURRENT DIRECTORS EXCEPT AS NOTED[1]

	Group Board	Annual General Meeting
Total number of meetings in 2023	8	1
	Meetings attended/scheduled meetings eligible to attend	
Executive Directors		
Mike Edwards	8/8	1/1
Ben Waldron	8/8	1/1
Non-executive Directors		
Simon Burke (Chairman)	8/8	1/1
Sanjeevan Bala	8/8	1/1
Umran Beba	8/8	1/1
Jill Caseberry	8/8	1/1
Patrick Cook[2]	8/8	1/1
Agust Gudmundsson	8/8	1/1
Lydur Gudmundsson	8/8	1/1
Denis Hennequin	8/8	1/1
Jane Lodge	8/8	1/1

1 Bob Berlin was appointed to the Group Board on 16 January 2024.

2 Patrick Cook stepped down from the Group Board on 16 January 2024.

GROUP BOARD COMMITTEE COMPOSITION

Director	Audit and Risk Committee	Remuneration Committee	Nomination Committee	ESG Committee	Other
Sanjeevan Bala	Committee member	Committee member		Committee member	Designated workforce engagement NED
Umran Beba	Committee member	Committee member	Committee member	Committee Chair	Designated NED for ESG matters
Simon Burke			Committee Chair		
Jill Caseberry		Committee Chair	Committee member		Senior Independent Director
Patrick Cook (until 16 January 2024)				Committee member	
Lydur Gudmundsson			Committee member		
Agust Gudmundsson					
Denis Hennequin (member of ESG Committee since 31 January 2024)			Committee member	Committee member	
Jane Lodge	Committee Chair			Committee member	

● Committee Chair ● Committee member

GROUP BOARD SKILLS AND EXPERTISE

In light of the current and future needs of the Group Board, part of the role of the Chairman and the Nomination Committee is to maintain a balance of skills and expertise on the Group Board and to make recommendations to the Group Board where changes are required to maintain that balance. When doing so, they take account of the Group Board knowledge and skills matrix, which identifies key areas of diversity, skill or experience that add to the effectiveness and reach of the Group Board.

Collectively and individually, the Directors are highly experienced with a wide range of skills, understanding and expertise which facilitates effective and entrepreneurial leadership. The Group Board comprises individuals from a varied range of backgrounds, each of whom brings a different perspective on a number of key issues for the Group, including strategy, performance, operations, culture, sustainability, health and safety, data analytics, leadership, ethics and regulation, diversity, finance, risk and IT. This range of backgrounds and expertise is invaluable to both the Group Board and the Group as a whole.

Group Board skills and experience	Number of Directors
Non-executive Director of Listed Company	7/11
Audit and/or Risk Committee Membership	9/11
Remuneration Committee Membership	6/11
Nomination Committee Membership	7/11
Senior Management (CEO, CFO, COO)	9/11
General experience	
Strategic Planning/Oversight	9/11
Corporate Development/M&A	9/11
Manufacturing, Food Production, Food Retail	7/11
Operational, Food Safety and Hygiene	8/11
Qualified Accountant/Auditor (financial expertise)	8/11
IT, E-commerce, Technology and Innovation	5/11
HR and Talent Development	7/11
Legal and Regulatory	4/11
Experience Leading Diversity and Inclusion Initiatives	6/11
Public Relations/Media/Investor Relations	8/11
Operation of an International Business	8/11
Environmental/Sustainability	7/11

Further information can be found on the skills and experience of each Director and appointments to the Group Board.

READ MORE pg 88.

GROUP BOARD SUCCESSION

More information on Group Board succession is available in our Nomination Committee's report.

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GROUP BOARD INDUCTIONS

Following appointment, each Director receives a comprehensive and formal induction to familiarise them with their duties and Bakkavor's business operations and risk and governance arrangements. The induction programme, which is co-ordinated by the Chief People Officer and the Group General Counsel and Company Secretary, includes briefings on industry and regulatory matters relating to Bakkavor, site visits, and face-to-face meetings with the Senior Executive Team, senior leaders and different teams within the business.

ONGOING PROFESSIONAL DEVELOPMENT AND SKILLS TRAINING

In order to facilitate greater awareness and understanding of Bakkavor's business and the environment in which it operates, all Directors are given regular updates on changes and developments in the business. Directors will continually update and refresh their skills and knowledge and seek independent professional advice when required. During the year, the Group Board received dedicated training on ESG regulation and climate-related issues, developing skills in climate and Net Zero; responsible sourcing, including biodiversity and deforestation; UK food waste; and packaging. The Group Board received presentations throughout the year from various departments within the business on key topics including financial performance, human resources, legal, audit, risk and compliance, food safety, health and safety, sustainability, investor relations, corporate governance and corporate finance.

ANNUAL RE-ELECTION OF THE GROUP BOARD

The rules governing the appointment and replacement of Directors can be found in the Articles of Association, the Code, the Companies Act 2006 and related legislation. Under the Terms of Reference of the Nomination Committee, any appointment must be recommended by the Nomination Committee for approval by the Group Board.

In compliance with the Code, all Directors will retire and offer themselves for election or re-election, as appropriate, on an annual basis. At our sixth AGM, held on 31 May 2023, each Director offered himself or herself for election or re-election as a Director. All Directors will retire at the 2024 AGM to be held on 23 May 2024 and offer themselves for election or re-election, as appropriate.

Group Board and Committees' *performance review*

EXTERNAL GROUP BOARD AND COMMITTEES' PERFORMANCE REVIEW

In accordance with the Code, there should be formal and rigorous annual evaluation of the performance of the Board, its Committees, the Chair and individual Directors and an externally facilitated Board evaluation, at least every three years.

This year, our Group Board and Committee performance review was externally facilitated by Clare Chalmers Ltd ("Clare Chalmers"). The Group Board considered Clare Chalmers' appointment appropriate given Clare is independent and had undertaken the previous externally facilitated performance review in 2020 and would therefore be best placed to comment on progress achieved since then.

PROCESS

Following appointment, Clare Chalmers met with the Chairman and Group General Counsel and Company Secretary to gain a greater understanding of the strategy of the business and context within which the external Board and Committees' performance review was being undertaken and to agree the scope of the performance review process to cover a range of agreed topics, including:

- Board composition.
- Leadership and succession planning.
- Board dynamics and decision-making.
- Strategy, purpose, values and culture.
- Operation of Board Committees.
- Board logistics and secretariat support.

The Group Board's Schedule of Matters Reserved, the Committees' Terms of Reference and a range of Group Board and Committee papers were reviewed, and Clare Chalmers attended and observed our November Group Board and Committee meetings.

Clare Chalmers held interviews with the individual Directors and a number of Senior Executives who interact regularly with the Group Board, as well as the Internal and External Audit Partners, who regularly attend the Audit and Risk Committee meetings.

The initial conclusions from the performance review were discussed with the Chairman and a report was prepared, which was circulated to all members of the Group Board and Committees, which included Clare Chalmers' findings and a number of recommendations. The report was then presented to the Group Board by Clare Chalmers and discussed at its January meeting.

FINDINGS

Clare Chalmers' evaluation report was robust and informative and provided a valuable independent external perspective on the Group's governance. Clare Chalmers noted that Bakkavor's Group Board had in the last 18 months undergone a considerable transformation. In particular, the owner-CEO had become a Non-executive Director, a new CEO had been appointed and three new independent Non-executive Directors had been recruited since the last external performance review. These changes have had a positive impact on the quality of governance provided by the Group Board, robust conversations were taking place and the Non-executive Directors were able to provide the right balance of challenge and support.

As well as refreshing the Group Board, significant steps had been taken to address the areas suggested for improvement in the 2020 report. Clare Chalmers acknowledged the challenges the business and the sector as a whole had been through, such as Covid, inflationary pressures and supply chain issues. In addressing these challenges, the Group Board continues to be able to draw on some considerable strengths including:

- Skilled and committed Non-executive Directors.
- Positive, collaborative relationships, based on openness, trust and a strong sense of common purpose.
- A dynamic new senior management team bringing new ideas and energy to the business.
- Clear values and purpose, which are well-socialised throughout the organisation.
- Good relationships with stakeholders, including shareholders, employees and customers.
- Good progress on the ESG agenda resulting in ongoing reductions in carbon emissions and UK food waste.

Clare Chalmers made a number of recommendations which included the following:

- Continue to drive the Group Board's work on the strategy and provide opportunities to widen some of the Group Board's discussions on key strategic issues.
- Continue to oversee and monitor a long-term view of executive succession and a plan for fostering talent and preparing executives for leading roles.
- In conjunction with the work from the designated workforce engagement Non-executive Director, continue to work on engaging with the workforce.
- Continue the good work to further progress ESG objectives, particularly with regard to UK food waste and carbon reduction, whilst keeping in step with others and pursuing a pragmatic approach.
- Oversee the Company's adoption of the newly introduced 2024 UK Corporate Governance Code.

The summary of the Group Board and Committees' performance review set out above has been reviewed and approved by Clare Chalmers.

Nomination Committee report

"During the year, the Committee oversaw the external Board and Committee performance review, reviewed Bakkavor's governance structure and approved changes to the Group Board.

Simon Burke
Chair of the Nomination Committee

Committee purpose

To review the structure, size and composition of the Group Board, and make recommendations on new appointments of Executive and Non-executive Directors.

COMMITTEE MEETINGS AND MEMBERSHIP

The Committee consists of three Independent Non-executive Directors, one Non-independent Non-executive Director, and the Chair of the Committee who is also the Group Board Chair.

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2

Scheduled meetings were held during the year. The Committee was provided with a detailed People Priorities Update in June 2023.

Details of members' attendance at the meetings are set out below:

Member	Member since	Meetings attended/Total meetings held	% of meetings attended
Simon Burke (Chair)	19 October 2020	2/2	100%
Umran Beba	1 September 2020	2/2	100%
Jill Caseberry	13 August 2021	2/2	100%
Lydur Gudmundsson	20 October 2017	1/2	50%
Denis Hennequin	20 October 2017	2/2	100%

MAIN DUTIES OF THE COMMITTEE

The role of the Committee is to review and report on the leadership and succession needs of the Group and ensure that appropriate procedures are in place for nominating, training, evaluating and succession planning for the Group Board, Senior Executive Team ("SET") and senior leaders; considering the benefits of diverse genders, social and ethnic backgrounds, cognitive and personal strengths. The Committee remains vital to a strong, diverse and effective Board and Senior Executive Team that delivers our long-term strategic objectives.

The Committee discharges its responsibilities appropriately through a series of scheduled meetings during the year, linked to the Committee's Terms of Reference, which are available on the Bakkavor website (bakkavor.com/en/investors/governance) and were last updated in January 2024. After each meeting, the Committee Chair reports activities and recommendations to the Group Board as appropriate.

The Group General Counsel and Company Secretary attends all Committee meetings to record minutes and provide advice to the Directors. The Chief People Officer ("CPO") is invited to update on succession planning, talent acquisition, learning and development, and colleague engagement. No Director attends discussions relating to their own appointment.

The Committee's 2023 activities

1 Group Board and Committee performance review

An external Group Board and Committee performance review was undertaken in 2023 by Clare Chalmers Ltd ("Clare Chalmers"), which the Committee considered appropriate given Clare Chalmers' independence and ability to comment on progress achieved since the last external performance review in 2020.

The performance review concluded that the Group Board and its Committees continue to provide effective leadership and required levels of governance and control.

NOMINATION COMMITTEE ACTIONS

The Committee will continue to oversee and monitor a long-term view of Executive succession and a plan for fostering talent and preparing Executives for leading roles. There will be increased opportunities for site visits during the course of the year for the Group Board and individual Non-executive Directors to meet employees to look at how well the culture is embedded in the Company and to provide anonymised feedback to the Group Board. The Committee will also play a key role in the recruitment of new Independent Non-executive Directors, as some of the more experienced Group Board members prepare to stand down in the next three years.

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2 Revised governance structure

The Committee approved and recommended to the Group Board a revised governance structure to reflect the changes that had been implemented in the last year since Mike Edwards' appointment as CEO.

3 Board composition and succession planning

The Committee recommended to the Group Board for approval the appointment of Bob Berlin as a Non-executive Director.

A key 2023 focus was on clear succession planning for the Group Board, SET and their direct reports.

4 Workforce engagement

The Committee received updates from Sanjeevan Bala, the designated workforce engagement Non-executive Director.

5 Employee Engagement Survey ("EES")

The Committee oversaw actions taken in response to the 2022 EES feedback. It also discussed the results and recommended actions arising from the 2023 EES which will be carried out in 2024.

DETAILS OF KEY ACTIVITIES

Revised governance structure

The Committee recommended a revised governance structure to the Group Board for approval, to reflect the changes that had been implemented in the business since Mike Edwards' appointment as CEO.

The SET has been established (which replaces the Management Board) and meets throughout the year in line with Group Board meetings to focus on strategic, operational, commercial, regulatory and risk matters. The SET comprises the CEO and CFO ("the Executive Directors") and the CPO, UK Managing Director Meals, UK Managing Director Bakery, UK Finance Director and US COO.

Other senior leaders in the business (risk, regulatory, finance, strategy) are invited to attend the meetings of the SET as needed. The Executive Directors share feedback from these meetings with the Group Board.

Regional Boards have also been established, and these meet monthly to undertake structured reviews of the business which supports strategic decision-making and operational activity in each region, focusing on operational and commercial matters affecting the business. The Executive Directors share feedback from the Regional Boards with the Group Board.

Board composition

Following the transition of share ownership from Baupost to LongRange Capital, the Committee recommended to the Group Board the termination of the Baupost relationship agreement and Patrick Cook stepping down from the Group Board. It also recommended to the Group Board the entry into a relationship agreement with LongRange Capital and the appointment of Bob Berlin as a non-independent Non-Executive Director to the Group Board.

Board and senior leadership succession planning

The Committee is vital in promoting effective Board and leadership succession. It reviewed succession planning for the Group Board, SET and senior leaders to ensure a diverse pipeline of required skills and expertise.

The review included: contingency arrangements for sudden and unforeseen exits to ensure orderly replacement; medium- to long-term planning for identifying candidates within the Group; and potential areas for external recruitment. This highlighted robust plans for key roles across the business, supported by our Senior Executive Development programme. High-performing senior colleagues are sometimes invited to attend Group Board or Committee meetings to present on specific matters, projects or their divisions' performance, serving as good exposure for our colleagues and an opportunity for the Group Board to assess our talent pool. The Group Board is also updated on our Inclusion and Diversity plans to prioritise the development of under-represented groups through the organisation.

Renewal of Non-executive Director terms of appointment

The Committee recommended to the Group Board for approval the reappointment of Simon Burke, Denis Hennequin, Umran Beba, Jill Caseberry and Lydur Gudmundsson for a further term of three years, given their independence, performance, skills and experience which continue to contribute to the Group Board.

Time commitment of Non-executive Directors

The Committee reviewed the responsibilities of the Non-executive Directors to ensure they are sufficiently balanced, considering time commitment, number of Group Board and Committee meetings held during the year, preparation and attendance at those meetings. It is pleased to report that there are no over-boarding concerns at the current time, and believes that the Non-executive Directors have devoted sufficient time to be effective representatives of stakeholders' interests.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The Committee considered the continued independence of the Non-executive Directors and the circumstances which are likely to impair this independence, as set out in provision 10 of the Code.

The Committee concluded that all Non-executive Directors remained independent, with the exception of Agust Gudmundsson, Lydur Gudmundsson and

Board division	Committee action
Group Board	• Used Group Board knowledge and skills matrix to inform recruitment criteria. • Ensured necessary mix of skills and experience across Group Board to contribute to the strategic objectives.
Senior Executive Team	• Looked at succession planning for the Senior Executive Team, identifying future successors using our performance rating scale/high-potential framework. This aligned to our talent principles to develop leaders at all levels, invest in high potential, develop capabilities required for the next three years, and promote those who are 80% ready for a new role.
Senior leaders	• Considered longer-term planning for two levels below the SET, focused on identifying potential candidates within the Group for progression and areas where external recruitment may be required.

Patrick Cook (Group Board representative of the Baupost Group), and following his appointment on 16 January 2024, Bob Berlin (Group Board representative of LongRange Capital), who are all significant shareholders of the Company.

WORKFORCE ENGAGEMENT

The Committee received updates from the CPO on engagement with Bakkavor's SEF and GEF. It reviewed feedback from the sessions on the involvement of the SEF in staff pay negotiations, site conditions and extending the variety of products available for colleagues at our staff shops. Additionally, the designated workforce engagement Non-executive Director provided updates to the Group Board.

READ MORE pg 100.

Feedback from our 2023 EES

The Committee reviewed the 2023 EES conducted in September 2023 and discussed the recommended action areas which it will continue to oversee in 2024.

READ MORE pg 30.

Inclusion and Diversity

Bakkavor's success relies on the skills, experience and commitment of a diverse workforce. Therefore, all appointments, including recruitments and internal promotions, are based on merit, qualification and ability, encouraging greater diversity in social and ethnic background and cognitive and personal strengths.

Beyond this, we strive to create an equal and inclusive workplace where colleagues feel valued, included and inspired to perform their best.

Our Inclusion and Diversity Policy supports the delivery of the 'Trust' element of our Group strategy and can be found at: bakkavor.com/en/esg/esg-reporting/default.aspx).

READ MORE pg 44.

The Committee received regular updates on the work of the Inclusion and Diversity Forum chaired by the Group General Counsel and Company Secretary, including a programme of events to promote inclusive behaviours: highlighting stories and inspirations during UK Black History Month, sharing unconscious bias awareness training during Pride month, and showcasing our own heritages during Celebrate Your Culture at Work Week.

The Committee also received updates on our new Female Mentoring programme and Female Networking Group, designed to develop and progress female talent within Bakkavor, as well as our female mentoring cohort which began in December 2023.

The Committee reviewed and agreed the Inclusion and Diversity focus areas for 2024 which are:

1. Achieving better gender balance
- Implementing job share in Manufacturing, Finance, IT.
- Supporting Bakkavor Women's Month in March.
- Female Mentoring programme and Female Networking Group.

2. Completing the groundwork to establish our ethnicity position by additional efforts to increase completion of data information by colleagues.

3. Leadership inclusive behaviours
Feedback on Better Behaviours, Better Bakkavor (values programme) to inform our Leadership Development programmes.

Local causes and community engagement

The Committee received updates on the Local Causes and Community Engagement workstream, and Bakkavor's corporate charity programme with partners GroceryAid and the Natasha Allergy Research Foundation.

READ MORE pg 45.

Group Board and Committee diversity

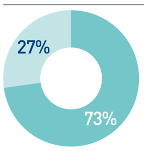
The Committee recognises the importance and benefits that come with having a diverse Board, and considers diversity at succession discussions for the Group Board and its Committees and in line with our Group-wide Inclusion and Diversity Policy. The Committee is proud of its progress in this area, with Bakkavor compliant with the recommendations of the Parker Review. The Group Board will continue to appoint based on merit, skills and experience, being mindful of the Hampton-Alexander and Parker Reviews, and considering all forms of diversity when the Committee reviews the Group Board and Committees' composition.

The Company ensures that potential candidates for Non-executive Directors reflect the Group Board's diversity commitments in respect of gender and ethnicity. All lists of potential appointments include at least 50% female candidates, and the Company is committed to ensuring that candidates from all ethnicities are considered. For Group Board appointments, we use Executive Search Consultants signed up to the Voluntary Code of Conduct for Executive Search Firms, setting out the key principles of best practice which include the consideration of gender diversity.

The Financial Conduct Authority's Listing Rule 9.8.6R(10) ("the Rule") on diversity and inclusion disclosures applies to financial periods commencing on or after 1 April 2022 and requires companies to explain where they do not meet the following targets: at least 40% of the Board are women; at least one senior Board position (Chair, CEO, Senior Independent Director, CFO) is held by a woman; and at least one Board member is from a minority ethnic background.

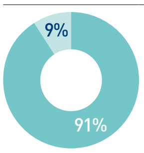
Bakkavor does not meet the target with respect to the requirement that at least 40% of the Board are women, (currently, there are three women out of the 11 members on the Group Board). It is our aim to meet this requirement when there is suitable opportunity to do so. We are pleased to report that one of Bakkavor's senior Board positions is held by a woman, following the appointment of Jill Caseberry as Senior Independent Director, effective 1 January 2023, and one Board member is from a minority ethnic background, following the appointment of Sanjeevan Bala to the Group Board in August 2021. These targets were met on 30 December 2023 and no changes have occurred since then which affect the Company's ability to meet the targets.

Reporting table on sex and gender representation



Percentage of the Group Board	Number of Group Board members	Percentage of the Group Board	Number of senior positions on the Board (CEO, CFO, SID and Chair	Number in executive management	Percentage of executive management
Male	8	73%	3	5	63%
Female	3	27%	1	3	37%
Not specified/ prefer not to say	–	–	–	–	–

Reporting table on ethnicity



Percentage of the Group Board	Number of Group Board members	Percentage of the Group Board	Number of senior positions on the Board (CEO, CFO, SID and Chair	Number in executive management	Percentage of executive management
White British or Other White (including minority White groups)	10	91%	4	5	63%
Mixed Multiple Ethnic Groups	–	–	–	1	12.3%
Asian/Asian British	1	9%	–	1	12.3%
Black African/ Caribbean/ Black British	–	–	–	1	12.3%
Other Ethnic Group including Arab	–	–	–	–	–

DIVERSITY REPRESENTATION AS AT 4 MARCH 2024

The following tables set out the information required to be disclosed under the Rule as at 4 March 2024. For the purposes of these tables, executive management is as defined in the Listing Rules, being the Executive Committee or the most Senior Executive or managerial management body below the Board (or where there is no such formal Committee or body, the most senior level of managers reporting to the Chief Executive), including the company secretary but excluding administrative and support staff. For Bakkavor, this is the SET including the Group General Counsel and Company Secretary. Collection of data was carried out on the basis of self-reporting.

CORPORATE GOVERNANCE

The Committee received regular updates on corporate governance developments from the Group General Counsel and Company Secretary and know-how training from external legal advisers.

Overall, there has been good progress made this year. I would like to express my thanks to my colleagues on the Committee for their ongoing support.

Simon Burke
Chair, Nomination Committee
4 March 2024

ESG Committee report

> The Committee recognises the step-change that has been made in ESG, particularly on our three strategic priorities: climate and Net Zero, UK food waste and sustainable sourcing.

Umran Beba
Chair of the ESG Committee

Committee purpose

Oversight of the Group's ESG strategy, Trusted Partner, and its execution. Specifically, the Committee recognises that our Group-wide commitment to Net Zero by 2040 is a significant challenge that requires a multi-faceted approach across our functions and operations, supported by financial investment. The Committee will oversee work already underway to get a full and detailed understanding of where we stand, and what we need to do in the years ahead to set and achieve our climate transition plan.

3

meetings held during the year.

100%

meeting attendance by all Committee members.

COMMITTEE MEETINGS AND MEMBERSHIP

On 16 January 2024, Patrick Cook stepped down from the Group Board and as a member of the Committee. We wish to thank Patrick for his contribution during his tenure and welcome Denis Hennequin who was appointed as a member of the Committee on 31 January 2024. As of 31 January 2024, the Committee consists of four Independent Non-executive Directors.

READ MORE pg 88.

The Committee held three scheduled meetings during the year in accordance with its Terms of Reference. Details of members' attendance at the meetings are set out below:

Member	Meetings attended/Total meetings held
Umran Beba (Chair)	3/3
Sanjeevan Bala	3/3
Patrick Cook	3/3
Jane Lodge	3/3

MAIN DUTIES OF THE COMMITTEE

The role of the Committee is to have oversight of the Group's ESG strategy, Trusted Partner, and its execution.

It also oversees the communication of the Group's ESG activities with its stakeholders and provides input and advice to the Group Board and its Committees on the Group's performance against ESG metrics and on the setting of ESG targets and other ESG matters as required.

The Committee discharges its responsibilities through scheduled meetings during the year. These are linked to its Terms of Reference, which are available on the Bakkavor website (bakkavor.com/en/investors/governance) and last updated in February 2024. Following each meeting the Committee Chair, who is also the designated Non-executive Director for ESG matters, reports to the Group Board on the Committee's activities and makes recommendations as appropriate.

The Group General Counsel and Company Secretary attends all Committee meetings to record minutes and provide advice to the Directors. The CFO, who is the ESG Group Board Sponsor, the Chief People Officer ("CPO"), the UK Finance Director and the Head of Group ESG Strategy are standing attendees at the Committee meetings.

The Committee's 2023 activities

1 Reviewed and signed off the Group's 2022 ESG report for publication on the Bakkavor website (bakkavor.com/en/esg/esg-reporting)

Our dedicated ESG report contains a detailed overview of our Trusted Partner strategy and progress against our ESG objectives and activities throughout 2022.

2 Approved science-based targets for submission to the Science Based Targets initiative ("SBTi") and oversaw the steps taken to develop the Group's climate transition plan

We have now expanded on our commitment to reach Net Zero greenhouse gas emissions across the full value chain by 2050 and set interim targets to reduce Scope 1, 2 and 3 emissions by 42% by 2030.

3 Reviewed and approved the TCFD report

The Committee reviewed the approved disclosures contained within the TCFD report in response to the TCFD recommendations and compliance with the FCA's Listing Rule 9.8.6R (8).

4 Received a dedicated training session from external ESG strategy consultants

This sought to develop skills and knowledge of ESG regulation, including disclosures related to climate and biodiversity.

5 Approved the ESG targets for the STIP and LTIP schemes

UK food waste has been introduced as an additional ESG measure for the STIP, alongside employee turnover. Carbon emissions has been introduced as an ESG measure for the LTIP.

6 Group Board and Committees' performance review

During the year, an external performance review of the Committee was carried out in accordance with the requirement of the Code and recommendations of the Financial Reporting Council's Guidance on Board Effectiveness.

The resulting report noted that the Committee should continue the good work to further progress ESG objectives, particularly with regard to UK food waste and carbon reduction, while keeping in step with others and pursuing a pragmatic approach.

READ MORE pg 103.

DETAILS OF KEY ACTIVITIES

Oversight of Trusted Partner ESG strategy

The Committee reviewed the Trusted Partner ESG strategy focus areas, priority issues and commitments across Responsible Sourcing, Sustainability and Innovation and Engagement and Wellbeing.

Non-financial KPIs

Reducing UK food waste, accidents and carbon emissions in a difficult trading environment demonstrates the resilience and importance of our ESG objectives. The Committee received updates from management on the following non-financial KPIs: UK food waste, UK accidents, Group net carbon emissions and UK employee turnover.

UK food waste reduction is a key priority within our Bakkavor Operational Excellence model, and during the year, the Committee approved the introduction of UK food waste as an additional ESG measure to the STIP, alongside employee turnover, in line with our ESG targets.

READ MORE pg 124.

Environmental

Our climate transition planning has been a major focus for 2023.

During the year, the Committee had oversight of the steps taken to prepare our business by developing our delivery roadmap and embedding Net Zero into our governance structures. In 2023 we further built on our ambitions and the Committee approved the submission of Net Zero aligned targets for all scopes to the Science Based Targets initiative ("SBTi"). As part of this, we submitted near-term and long-term targets to the SBTi, which include reducing net Scope 1 and 2 emissions Group-wide by 42% and Scope 3 emissions from purchased goods and services by 42%, both by 2030 from a 2021 baseline.

This means that we have now expanded on our commitment to reach Net Zero greenhouse gas emissions across the full value chain by 2050.

The Committee received regular updates on environmental issues under the Trusted Partner strategic focus areas including:

- Responsible Sourcing: supply chain human rights and environmentally sustainable sourcing, including deforestation and biodiversity topics.
- Sustainability and Innovation: UK food waste, resource efficiency and emissions, impact of packaging and product innovation.

We are pleased with the improvements made to support our progress towards achieving the UK Plastics Pact's 2025 industry goals: in 2023 we eliminated 1,390 tonnes of plastic – an 8% reduction – across our product ranges in the UK through removal and light-weighting projects and no items on the UK Plastics Pact's 'Problem list' for elimination are used in our products.

READ MORE:

ESG: TCFD pg 50.
ESG: Trusted Partner pg 38.

Social: engagement and wellbeing

The Committee received updates from the CPO and the Head of Group ESG Strategy on the ESG impacts on our Communities and Colleagues stakeholder groups, including:

- Updates on colleague safety, wellbeing and engagement, development and retention.
- Information on our risk-based approach managing human rights issues in both our supply chain and own operations.
- Succession planning.
- Inclusion and Diversity initiatives and activities undertaken at local sites.

The Committee reviewed Bakkavor's progress against a 'Good Practice Implementation Checklist' for tackling modern slavery, and action plans in place to drive further improvements in the scores throughout 2023, and recommended the Modern Slavery Statement for approval by the Group Board.

READ MORE pg 130.

Governance

Throughout the year, the Committee provided regular updates to the Group Board on the execution of the Trusted Partner ESG strategy and performance against non-financial KPIs.

Members of the Committee and the Group Board received a dedicated training session from external advisers, focusing on developing ESG regulation, including climate disclosures which enabled the attendees to develop further skills and knowledge in relation to ESG matters.

Looking ahead, the Committee remains confident that our ESG agenda strengthens and complements Bakkavor's business strategy and helps the Company to fulfil its purpose and grow in a positive and sustainable way.

READ MORE:

ESG governance framework pg 39.
ESG: TCFD pg 50.

Umran Beba
Chair, ESG Committee
4 March 2024

Audit, risk and internal control

ACCOUNTABILITY

Disclosures required under DTR 7.2.6 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), providing information on major interests in shares, the Company's Articles of Association, share capital and capital structure, restrictions attaching to shares and the powers of the Company issuing or buying back shares.

READ MORE pg 147.

AUDIT, RISK AND INTERNAL CONTROL

The Group has a well-established approach and framework for managing risks and uncertainties, which form part of the Directors' report.

READ MORE pg 72.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group Board has overall responsibility for the Group's system of internal control and risk management. It ensures the effective identification and management of key strategic and emerging risks, and the review and approval of the ongoing risk management process, including clear policies that outline what can be considered an acceptable level of risk.

The Group Board has established procedures to:

- Manage risk, oversee the internal control framework and determine the nature and extent of the principal risks that Bakkavor is willing to take in order to achieve its long-term strategic objectives.
- Ensure the maintenance of the Group's risk management and internal control systems, reviewing them annually.

The risk management framework is supported by a system of internal controls designed to embed the effective management of the key business risks throughout the Group.

The Group Board receives presentations on Group risk twice a year. This includes a comprehensive review and consideration of changes to both existing and emerging risks, with particular attention to appetite across the principal risks. Detailed risk and control reviews are conducted for each of the principal risks, with additional presentations from the Group IT Director covering cyber security and the Group Technical Director covering health and safety and food safety.

As delegated by the Group Board, the Audit and Risk Committee is responsible for establishing procedures to oversee the internal control framework. It reviews the effectiveness of the Group's risk management process and internal control system and receives regular reports from management and both Internal and External Auditors. These include: the risks that are relevant to business activity; the effectiveness of internal controls in dealing with these risks; and an update on any necessary corrective actions.

The Group Board receives regular reports from the Audit and Risk Committee and verbal updates from the latter's Chair after each meeting. This enables an evaluation of how the Group can continue to improve the effectiveness of its approach to risk management.

Day-to-day risk management is led by Senior Management, with ownership of individual risks per the Risk Register assigned to members of the Senior Management team. Management of risk is embedded in daily working practices and underpinned by Bakkavor's policies, Code of Conduct and business ethics. Where risks are identified, action plans are developed to mitigate each risk, with clear allocation of responsibilities and timescales for completion. Progress towards implementing these plans is monitored by the Audit and Risk Committee as part of a structured business review, and reported back to the Group Board.

The process for identifying, evaluating and managing the principal risks has been in place throughout the financial year. Up to the date of approval of the Annual Report and Accounts, the process accords with the Financial Reporting Council's ("FRC") guidance on risk management, internal control and related financial and business reporting. It is regularly reviewed by the Group Board and the Audit and Risk Committee.

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

In analysing and reviewing risk and the Group's system of internal controls, the Audit and Risk Committee and the Group Board consider:

- The nature and extent of the risks, including principal risks, facing the Group, as well as emerging risks.
- The extent and categories of risks that they regard as desirable or acceptable for the Group to bear.
- The likelihood that the risk concerned will materialise, and the associated impact of this as a consequence.
- The Group's ability to reduce the incidence and impact on its business for risks that do materialise.
- The operation of the relevant controls and control processes.
- The costs of operating particular controls relative to the benefits in managing related risks.
- The Group's risk culture.

The Directors confirm that the Group Board has carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. No significant failings or weaknesses were identified in the Group Board's assessment of the Group's systems of risk management or internal control.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Group's financial reporting process has been designed to provide assurance regarding the reliability of the financial reporting and preparation of its Financial Statements, including Consolidated Financial Statements, for external purposes in accordance with UK-adopted International Financial Reporting Standards ("IFRS"). The annual review of the effectiveness of the Group's system of internal controls included reviews of systems and controls relating to the financial reporting process.

Internal controls over financial reporting include procedures and policies that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions of the Group.
- Provide reasonable assurance that:
  - Transactions are recorded as necessary to allow the preparation of Financial Statements.
  - Receipts and expenditures are being made only in accordance with authorisations of management and Directors.
- Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposal of Group assets that could have a material effect on the Group's financial and operational controls, and compliance with laws and regulations.

Audit and Risk Committee report

> The Committee focused its core responsibilities on supporting the Group Board and protecting the interests of shareholders in relation to financial reporting and internal control.

Jane Lodge
Chair of the Audit and Risk Committee

Committee purpose

The Committee's remit covers accounting and financial reporting, the effectiveness of internal controls, identification and management of risks, and the External and Internal Audit processes.

COMMITTEE MEETINGS AND MEMBERSHIP

The Committee currently comprises three Independent Non-executive Directors. Jane Lodge has recent and relevant financial experience, having spent 25 years at Deloitte, and the Committee as a whole has competence relevant to the sector in which Bakkavor operates.

READ MORE pg 88.

4

meetings were held during the year.

100%

meeting attendance of Committee members.

Details of members' attendance at the meetings are set out below:

Member	Member since	Meetings attended/Total meetings held	% of meetings attended
Jane Lodge (Chair)	3 April 2020	4/4	100%
Sanjeevan Bala	1 August 2021	4/4	100%
Umran Beba	1 January 2023	4/4	100%

MAIN DUTIES OF THE COMMITTEE

The role of the Committee is to monitor the integrity of the Group's Financial Statements and announcements, review internal financial controls and risk management systems, monitor and review the Internal Audit function, recommend the appointment of the External Auditors, review the effectiveness of their work and develop and implement policy on the use of the External Auditors for non-audit services.

The Committee discharges its responsibilities appropriately through a series of scheduled meetings during the year, linked to the Committee's Terms of Reference, which are available on the Bakkavor website (bakkavor.com/en/investors/governance). The Terms of Reference were last updated in February 2024.

Following each Committee meeting, the Committee Chair reports to the Group Board on the activities of the Committee and makes recommendations to the Group Board as appropriate.

Only Committee members have the right to attend meetings, but the CFO, Finance Director – Transformation, Treasury & Risk, the Internal Auditors KPMG LLP ("KPMG") and the External Auditors PriceWaterhouseCoopers LLP ("PwC") are invited to attend meetings of the Committee as the Committee feels appropriate.

The Committee also meets privately without management present and the Committee Chair meets with the External and Internal Auditors, without management present, on a regular basis in order to discuss any issues which may have arisen.

Section 4: Audit, risk and internal controls

Key activities in 2023

1. Ensured that the Group can manage its risks and has the processes needed to make going concern and viability statements, through: a robust and consolidated risk management process; and an effective internal control framework.

2. Conducted in-depth reviews of our risk management and mitigation in health and safety, food safety and integrity, IT systems including the potential replacing of the UK ERP system, tax compliance and treasury and pensions.

3. Continued to focus on ensuring the integrity, quality and compliance of the Group's external financial reporting.

4. Focused its attention on challenging and supporting management's response to a tough operating environment with significant inflation and supply chain disruption.

   This was done by ensuring that the ongoing risks and the relevant mitigating actions have been appropriately modelled and managed.

5. Continued to oversee, in conjunction with the ESG Committee, the alignment of ESG focus areas within the Group's principal risks and reviewed the Group's financial reporting approach to the recommendations of TCFD.

6. Considered the potential impact of any changes needed to the Group's risk management framework and its internal control systems in response to the proposed changes arising from UK Corporate Reform.

GROUP BOARD AND COMMITTEES' PERFORMANCE REVIEW

During the year, a performance review of the Committee took place in accordance with the requirement of the Code and recommendations of the Financial Reporting Council's Guidance on Board Effectiveness.

The performance review indicated that the Committee continues on an upward trajectory, under the strong leadership of its Chair. Described as experienced and inclusive, the Chair takes care to ensure all the Committee members can put forward their views.

The Committee's focus over the next year will be on the implementation of the newly introduced 2024 UK Corporate Governance Code, particularly in relation to audit, risk and internal control and the application of the Minimum Standard: Audit Committees and the External Audit. The Committee will also focus on providing oversight and challenge of the project to replace the UK ERP system.

The Group Board is satisfied that the Chair, Jane Lodge, has significant financial experience in the UK listed environment, and the necessary qualifications, skills and experience to fulfil the role as the Committee Chair.

READ MORE pg 106.

Details of key activities during the year

HOW THE COMMITTEE HAS DISCHARGED ITS RESPONSIBILITIES DURING 2023

Key areas of focus

The Committee has an extensive agenda which focuses on the audit, assurance and risk management processes within the business. During 2023, the work of the Committee principally fell under the following key areas:

KEY AREAS OF FOCUS AND MATTERS CONSIDERED

FINANCIAL REPORTING

The Committee reviewed the form and content of the Annual Report and Accounts as well as the half-year and full-year results statements, including the key estimates and judgements made by management in the preparation of the Financial Statements.

In order to fulfil these duties, during the year under review, the Committee:

- Considered the implications of the highly inflationary environment and the potential for weaker consumer demand on the full-year Financial Statements.
- Reviewed and challenged management on the appropriateness of estimates and judgements made in the preparation of the Financial Statements, including financial reporting and disclosure considerations in respect of climate change.
- Reviewed the critical judgements and key sources of estimation uncertainty disclosed in the Financial Statements to ensure they fairly reflected the potential financial impact on the business.

MONITORING THE INTEGRITY OF THE 2023 FINANCIAL STATEMENTS INCLUDING SIGNIFICANT JUDGEMENTS

The Committee:

- Reviewed the appropriateness of Group accounting principles, practices and policies and monitored changes to, and compliance with, accounting standards on an ongoing basis.
- Reviewed the half-year and full-year results statements for 2023. Before recommending their release to the Group Board, it compared the results to management financial statements and budgets, focusing on key areas of judgement and also discussed the statements with the External Auditors.
- Reviewed, prior to making recommendations to the Group Board, the Annual Report and Accounts for the period ended 30 December 2023.

In undertaking the review, the Committee discussed with management and the External Auditors the critical accounting policies and issues considered most significant in preparing the Annual Report and Accounts.

GOING CONCERN

- The Committee reviewed the Group's assessment of going concern which is for a period of 12 months from the date of approval of the Financial Statements. Management presented a number of stress scenarios to the Committee which considered historical forecasting inaccuracy and the implications of weaker consumer demand on revenue volumes following the recent inflationary pressures and the potential impact of further cost inflation on the Group's performance. In assessing going concern, the Committee also reviewed the steps taken by management to ensure adequate liquidity is available to the Group. The Committee concluded that under the scenarios presented, the Group would have sufficient financial resources available to continue to operate through to at least March 2025 and it was therefore appropriate to recommend the adoption of the going concern basis in preparing the Financial Statements.

IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

As at 30 December 2023, the Group had significant amounts of goodwill and intangible assets that are subject to an annual impairment review under IFRS.

The Committee:

- Reviewed a paper prepared by management that set out the basis and assumptions for the annual impairment review of goodwill and intangible assets. The paper set out the determination of cash-generating units ("CGUs"), the cash flow forecasts used and the discount rate to be applied for the purpose of the value-in-use calculation. The impairment review allowed for the forecasted costs and expenditure required from 2032 for the Group to meet its Net Zero carbon commitment. The paper also considered downside scenarios if financial performance was below the forecasted amounts. The Committee challenged management on the key assumptions used in the impairment review. The impairment review indicated that no impairment provisions were required for the period ended 30 December 2023.
- Reviewed and approved the associated disclosure in the Financial Statements including the sensitivity analysis in respect of the US CGU.

KEY AREAS OF FOCUS AND MATTERS CONSIDERED

FAIR, BALANCED AND UNDERSTANDABLE REPORTING

Each year, in line with Provision 25 of the Code and the Committee's Terms of Reference, the Committee is asked by the Group Board to assess, through discussion with, and the challenge of, the Senior Executive Team ("SET"), whether disclosures in the Group's published Financial Statements are fair, balanced and understandable and whether or not the disclosures provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Committee:

- Received papers on key judgement areas that set out management's accounting treatment, and also sought and obtained confirmation from the CFO and his team that they considered the disclosures to be fair, balanced and understandable.
- Discussed this evaluation with the External Auditors, which took this into account when conducting their audit. It also established through reports from management that there were no indications of fraud relating to financial reporting matters.
- Received a detailed paper covering key points and areas of consideration in the preparation of the Group's published Financial Statements for the period ended 30 December 2023, to assist the Committee with its assessment that the disclosures were considered to be fair, balanced and understandable.

Having assessed the available information and the assurances provided by management, concluded that the processes underlying the preparation of the Group's published Financial Statements were appropriate in ensuring that those statements were fair, balanced and understandable.

RISK MANAGEMENT AND INTERNAL CONTROL

The Committee is required to assist the Group Board in the annual review of the effectiveness of the Company's risk management process and internal control systems.

In order to fulfil these duties, during the year under review, the Committee:

- Received regular reports and assessments of the current and emerging risks that might threaten the Group's business model, future performance or liquidity.
- Received reports on the risk management and mitigation for health and safety, food safety and integrity, IT systems (cyber security risks, legacy systems and business continuity), treasury and pensions, and tax (including approval of the Group Tax Strategy and Policy).
- Considered and challenged management on the overall effectiveness of the risk management and internal control systems in accordance with the Group Board's risk appetite. Reviewed relevant disclosures within the 'Audit, risk and internal control' section of the corporate governance report of the Annual Report and Accounts.
- Reviewed a report from external advisors on the impact to the business of the proposed changes to the UK Corporate Governance Code. The Committee also received training, from our internal auditors (KPMG), specifically regarding the financial scoping element of these proposed changes.
- Reviewed and approved the Internal Audit Plan for 2024, which sets out the planned activities for the year ahead.

In light of the above, the Committee continues to be satisfied that the Group control environment remains appropriate and effective and that the risk management and internal control procedures comply with the requirements of the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the FRC. The Committee has reported this opinion to the Group Board.

PRINCIPAL RISKS AND VIABILITY

The Committee:

- Reviewed and approved the reduction of principal risks from 15 down to 10, and noted the reduction reflects the current risk environment and allows us to increase our focus on the key risks to the business.
- Evaluated a paper from management that set out the view of the Group's longer-term viability and the forecasts over the Group's three-year planning horizon, taking account of the potential risks faced by the business over that period.
- Reviewed and approved the principal risks and uncertainties disclosures and the viability statement in the Annual Report and Accounts.

Taking the management assessment into account and having considered other relevant information in terms of the risk profile of the Group, the Committee agreed to recommend the viability statement to the Group Board for approval.

KEY AREAS OF FOCUS AND MATTERS CONSIDERED

GROUP IT RISKS

The Group IT Director provides the Committee with regular updates on cyber security and, during the year, the Committee received an in-depth report on Group IT risks.

In the past three years the Company has rapidly scaled technology, driven change and delivered some major successes at an operational, people and security level and during 2023 delivered a step-change in our cyber maturity within the UK, with our key technology-based mitigations being delivered.

During the year, work has taken place in relation to technology transformation, including approving a proposal to investigate the replacing of our ERP systems in the UK. It is expected that a proposal for the upgrade system will be presented to the Group Board for approval in the first quarter of 2024 and following Board approval, we will move into a more detailed design phase in the first half of 2024.

TCFD

The Group has reported under the TCFD framework for 2023. The Committee, in conjunction with the ESG Committee, reviewed the Group's financial reporting approach to TCFD.

The Committee:

- Challenged management's approach to reporting under the TCFD framework for 2023.
- Reviewed the TCFD report prepared by management, including the Scope 3 emissions and carbon emissions data for 2023, to ensure it was prepared and disclosed on a consistent basis.
- Considered the impact of future carbon tax on the Group's impairment review assumptions.
- Reviewed the principal risk 'Climate change and sustainability' and ensured climate-related risks were considered in the Group's viability assessment and impairment reviews.

The Committee was satisfied that the TCFD report prepared by management adequately summarised the progress the Group has made under the TCFD framework and that the impact of TCFD had been considered in the Group's annual impairment review.

EXTERNAL AUDIT

Following a competitive tender carried out in 2018, PwC have been the Group's External Auditors since the appointment in 2019. The current External Audit partner is Sandeep Dhillon who has held this role since October 2021. During the year, the Committee considered the approach, scope and risk assessments of External Audit.

The Committee:

- Met with the key members of the PwC Audit team to discuss the 2023 Audit Plan and agree areas of focus.
- Assessed regular reports from PwC on the progress of the 2023 Audit and any material issues identified, including management override of controls and fraud in revenue recognition.
- Reviewed and debated the draft audit opinion for the 2023 year-end and was briefed by PwC on their approach to the audit of critical accounting estimates and areas where significant judgement is needed.
- Approved the Audit Plan and the main areas of focus, including impairment reviews for goodwill and intangible assets, including the sensitivity analysis in respect of the US CGU.
- Reviewed and discussed with PwC its Audit and Risk Committee report on the 2023 Financial Statements which highlighted any matters arising from the audit work undertaken by the External Auditors and no significant issues were identified.

Audit and audit-related fees

The Committee:

- Reviewed and approved a recommendation from management on the Company's audit and audit-related fees payable to the Company's External Auditors, PwC.
- Considered the 2023 audit fees to be in line with those expected for a listed company of this type given the complexities of the business, the external reporting requirements and recent regulatory developments that require External Auditors to exercise greater independence and rigour in the provision of their services and in the setting of their fees.
- Total audit fees of £1.2m were paid to the External Auditors in 2023.

KEY AREAS OF FOCUS AND MATTERS CONSIDERED

Non-audit fees

To prevent the objectivity and independence of the External Auditors becoming compromised, the Committee has a formal policy governing the engagement of the External Auditors to provide non-audit services which is reviewed on an annual basis.

The Committee reviews and updates the Group's policy for the provision of non-audit services to be provided by the External Auditors to ensure that it is in line with regulatory guidance for public-interest entities. The Committee ensures that there are no exceptions to the policy. All non-audit services to the Group provided by the External Auditors will be put to the Committee for prior consideration and approval.

The External Auditors do not provide any non-audit services to the Group other than:

- Subscription to PwC's online technical portal (Viewpoint) which is a generic accounting subscription service. Management confirmed this platform met their requirements.
- The half-year review of the Financial Statements. The Committee provided prior approval for this, having noted that the External Auditors' knowledge of the business made them the preferred choice.

Non-audit fees of £45,000 were paid to the External Auditors for these services.

Further information on the Audit and non-audit fees can be found in Note 6 of the Notes to the Consolidated Financial Statements pg 183.

The Committee confirms that it has complied with the requirements of the CMA Order 2014 regarding audit tendering, Auditors' appointment, negotiation and agreement of audit fees and approval of non-audit services.

EXTERNAL AUDIT EFFECTIVENESS

Under its Terms of Reference, the Committee assesses annually the qualifications, expertise, resources and independence of the External Auditors as well as the quality and effectiveness of the audit process.

The Committee assessed the External Auditors' performance and effectiveness through a questionnaire completed by the Committee members and other relevant internal parties. The Committee reviewed the FRC's practice aid on assessing audit quality and considered the following factors in assessing the effectiveness of the External Audit process:

- The experience and expertise of the Audit partner and the audit team.
- The internal quality-control processes in place.
- The findings from external inspections, including the FRC's July 2023 Audit Quality Inspection and Supervision report.
- The level of professional scepticism displayed throughout the audit process.
- The extent to which the Audit Plan was met and the quality of its delivery and execution.
- The robustness and perceptiveness of work performed on key accounting and audit judgements.
- The content of reports on audit findings and other communications.

The assessment highlighted that PwC had provided a detailed review of the full-year 2022 Annual Report and Accounts and best-practice approaches on disclosures as well as demonstrating strong technical knowledge. The assessment also highlighted proposed actions for further consideration to ensure the smooth running of the full-year 2023 External Audit and these were reflected in the approach presented to the Audit and Risk Committee for the full-year 2023 audit.

In assessing the External Auditors' professional scepticism, the Committee noted in the current year that PwC had robustly challenged management's assumptions and judgements made in carrying out the impairment review of goodwill and intangible assets including the sensitivity analysis in respect of the US CGU. In addition, PwC challenged management's assumptions around downside scenarios including the implications of weaker consumer demand on revenue volumes following the recent inflationary pressures and the potential impact of further cost inflation on the Group's performance.

KEY AREAS OF FOCUS AND MATTERS CONSIDERED

EXTERNAL AUDITORS' INDEPENDENCE

In assessing the independence of the External Auditors, the Committee takes into account the information and assurances provided by the External Auditors confirming that its engagement team and its network firms involved in the audit are independent of any links with the Company.

During the year, the Committee reviewed and considered the following factors to assess the objectivity and independence of PwC:

- PwC's procedures for maintaining and monitoring independence, including those to ensure that the partners and staff have no personal or business relationships with the Group, other than those in the normal course of business permitted by UK ethical guidance.
- The degree of challenge to management and the level of professional scepticism shown by the Audit partner and the audit team throughout the process.
- PwC's policies for rotation of the Audit partner every five years, and regular rotation of key audit personnel. The current Audit partner, Sandeep Dhillon, has held this role since October 2021.

Following consideration of the performance and independence of the External Auditors, the Committee recommended to the Group Board that the reappointment of PwC as the Company's External Auditors should be proposed to shareholders at the 2024 AGM.

OUR INTERNAL AUDIT

The Committee oversees the performance, resourcing and effectiveness of the Internal Audit's activity.

Internal audit services have been outsourced to KPMG, who were appointed with effect from the beginning of the 2019 financial year. Overall responsibility and direction for the Group's internal audit activity is retained by the Finance Director – Transformation, Treasury & Risk, who reports to the Committee. The Internal Audit provides assurance over the effectiveness of key internal controls, as identified as part of the risk assessment process. KPMG reports to the Finance Director – Transformation, Treasury & Risk throughout the year and to the Committee at least four times a year.

The Committee:

- Reviewed and assessed the Internal Audit ("IA") Plan for 2023. The proposed plan represents the assurance plan that KPMG put in place on its appointment as the Company's Internal Auditors and will be a mixture of full systems audits, in-flight reviews and high-level limited-scope reviews, as agreed with the Committee. The IA Plan responds to certain factors across the Group's operations such as: i) the requirement to continue providing assurance over financial controls across the UK, US and China in support of 'operational excellence'; ii) maintaining a strong system of internal controls across the Group; and iii) coverage of information security/cyber controls and the continued importance of infrastructure, network and data security to the Group.
- Reviewed and approved the Internal Audit Charter.
- Assessed the Audit quality.
- Reviewed and monitored management's responsiveness to the findings and recommendations of the Internal Audit's activity.
- Reviewed the satisfactory findings following a full compliance review for UK health and safety activities with on-site visits and detailed testing as well as Assurance Maps for Health and Safety following desktop reviews for the US and China.
- Received all reports from the Internal Audit and, in addition, received summary reports on the results of the work of the Internal Audit on a periodic basis.

The Committee is actively engaged in strengthening the Internal Audit's activity and extending its scope during 2024.

OUR INTERNAL AUDIT'S EFFECTIVENESS

The Committee has a duty to carry out an annual assessment of the effectiveness of the Internal Audit function, and as part of this assessment:

- Determine whether it is satisfied that the quality, experience and expertise of the Internal Audit is appropriate for the business.
- Review and monitor management's responsiveness to the Internal Auditors' findings and recommendations.

The assessment highlighted that the Committee considered that the Internal Audit function was highly effective and noted that, going forward, the Internal Audit function should continue to cultivate relationships within the business to have more impact and influence across the Group.

KEY AREAS OF FOCUS AND MATTERS CONSIDERED

ANTI-BRIBERY AND BUSINESS ETHICS POLICY

The Committee considered the adequacy of the Group's arrangements with regard to its anti-bribery and corruption and business ethics processes, noting that as part of our annual legal and governance compliance programme, UK colleagues undertook their mandatory refresher training module on anti-bribery and corruption during 2023.

The Committee reviewed the Anti-bribery and Business Ethics Policy which applies across the Group and concluded that the policy remains adequate.

PRIORITIES FOR 2024

The Committee's key priorities for 2024 include the following:

- Continue to focus on the integrity, quality and compliance of the Group's external reporting.
- Provide challenge in respect of significant judgements and critical estimates that impact financial reporting.
- Detailed monitoring and challenge of the Group's principal risks including reviewing emerging risks.
- Review the Group's financial reporting relating to TCFD including the climate transition plan.
- Provide oversight and challenge of the project to replace the UK ERP system.
- Assess the impact of the changes introduced by the 2024 UK Corporate Governance Code, effective from 1 January 2025 and ensure that appropriate plans are in place to enhance internal controls documentation and testing in light of the requirements under Provision 29, effective from 1 January 2026.
- Oversight of the application of the Financial Reporting Council's Minimum Standard: Audit Committees and External Audit.

Jane Lodge
Chair, Audit and Risk Committee
4 March 2024

Directors' remuneration report

"The Committee reviewed the Directors' Remuneration Policy to ensure it remains fit for purpose over the next three-year period.

Jill Caseberry
Chair of the Remuneration Committee

Committee purpose

The Remuneration Committee ("the Committee") designs and implements the Directors' Remuneration Policy (the "Remuneration Policy"), setting the framework and parameters within which Directors are paid, and ensures payments are consistent with the Policy and that outcomes are in line with the Group's performance and aligned with stakeholder experience.

4

meetings held during the year.

100%

meeting attendance by all Committee members.

The Committee comprised three Independent Non-executive Directors.

Member	Member since	Meetings attended/Total meetings held	% of meetings attended
Jill Caseberry (Chair)	1 March 2021	4/4	100%
Umran Beba	1 September 2020	4/4	100%
Sanjeevan Bala	1 January 2023	4/4	100%

MAIN DUTIES OF THE COMMITTEE

The role of the Committee is to set remuneration for the Executive Directors, Chairman and key management personnel, ensuring that decisions are taken with a clear understanding of the Company's wider remuneration principles and practices. The Committee is key in ensuring that the Group's approach to remuneration attracts and motivates our Executives and aligns with the long-term interests of shareholders.

The Committee discharges its responsibilities appropriately through a series of scheduled meetings during the year, linked to the Committee's Terms of Reference and Remuneration Policy, which are available on the Bakkavor website at bakkavor.com/en/investors/governance/default.aspx. The Terms of Reference were last reviewed in November 2023. The Remuneration Policy in place in 2023 was approved by shareholders at the 20 May 2021 AGM and a new Remuneration Policy is set out in this Remuneration Report, subject to approval by shareholders at the AGM on 23 May 2024. Following each Committee meeting, the Committee Chair reports to the Group Board on the activities of the Committee as appropriate.

Section 5: Remuneration

Key activities in 2023

1. Reviewed performance against the FY22 STIP and FY20 LTIP targets and determined the payout/vesting.
2. Determined the measures and performance targets for the FY23 STIP and LTIP awards.
3. Consideration of developments in market trends, good practice and updated investor and proxy agency guidance.
4. Reviewed the Directors' Remuneration Policy that will be put forward for a shareholder vote at the 2024 AGM.
5. Received updates from the Chief People Officer ("CPO") on pay and benefits across the wider workforce and how they align with Bakkavor's culture and those applying to senior colleagues.
6. An update and Q&A session with Sanjeevan Bala (our Non-executive Director tasked with workforce engagement and bringing colleague views to the Group Board) at our Group Employee Forum 'workforce engagement session' in May 2023 on how Executive remuneration aligns with Bakkavor's wider pay policies.

THIS REPORT COMPRISES:

Annual Statement: a summary of the work of the Committee during the year and our approach to remuneration.

The 2024 Directors' Remuneration Policy: details the framework and parameters within which Directors are paid, subject to shareholder approval at the 2024 AGM.

READ MORE pg 127.

Annual Report on Remuneration: sets out the pay and incentive outcomes for the year under review and how the Remuneration Committee intends to implement the Remuneration Policy in 2024.

READ MORE pg 138.

At the AGM on 23 May 2024, there will be an advisory vote on, together, the Annual Statement and the Annual Report on Remuneration, and a separate binding vote on the 2024 Directors' Remuneration Policy.

Annual Statement

FY23 BUSINESS PERFORMANCE

The operating environment remained challenging in 2023 and although inflationary headwinds eased later in the year, they remained significant with the business facing £133m of cost inflation. Cost of living pressures for our consumers and ongoing difficulties in the supply chain created further challenges for the Group. Despite all of this, we have delivered a robust trading performance, with 5.3% like-for-like revenue growth and were able to protect our profitability, achieving adjusted operating profit ahead of market expectations at £94.3m, an increase of £4.9m year-on-year. The Group's enhanced focus on cash management saw us further strengthen our balance sheet; reducing leverage from 1.9x to 1.5x, which is the bottom of our target range whilst retaining significant liquidity headroom against debt facilities. Further progress was made in 2023 with embedding ESG into the Group's ways of working, including the approval of science-based targets for submission to the Science Based Targets initiative ("SBTi") and continued improvement in UK food waste, which reduced by 150 basis points to 6.6%. A number of initiatives were also put in place to focus on reducing employee turnover, a key measure for the Group. These included: the roll-out of a behavioural change training course (Better Behaviours, Better Bakkavor); a significant focus on improved communications with our weekly workforce; a focus on pay and benefits including a new staff shop offering; and a review of pay rates with subsequent increases for both our weekly and monthly paid colleagues.

READ MORE:

Chairman's statement pg 8.
Chief Executive's overview pg 10.

REMUNERATION OUTCOMES FOR FY23

Variable pay – STIP

The STIP for 2023 was based on two measures which were met in full:

Element	Weighting	Metric	Outcome
Financial	75%	Group adjusted EBIT, also referred to as Group adjusted operating profit	Met in full: FY23 Group adjusted EBIT of £94.3m versus maximum of £93m
Non-financial	25%	Colleague engagement measured through UK employee turnover	Met in full: FY23 UK employee turnover of 26.2%, versus threshold of 28.1% and maximum of 26.7%

The Committee carefully considered whether the level of payment was appropriate or whether any adjustment or use of negative discretion was required to reflect the overall performance of the business and the impact on broader stakeholders. On balance, the Committee felt that a STIP outcome of 100% of the maximum was appropriate given the strong financial and non-financial performance delivered over the course of the year against a challenging market backdrop. In arriving at this decision, the Committee took into account the following factors:

- The Group delivered a very strong financial performance against a challenging backdrop, with further significant inflation across the cost base and continued pressure on household budgets, which has impacted consumer behaviour.
- The balance sheet remains robust, with leverage at the bottom end of the target range and significant liquidity headroom on debt facilities.
- Total FY23 dividend of 7.28 pence per Ordinary share, an increase of 5% on FY22.
- Improvement in all strategic focus areas for ESG as well as an increase in our overall engagement score from our Employee Engagement Survey for 2023.

Variable pay – performance and restricted share awards

Mike Edwards and Ben Waldron were granted performance share and restricted share awards under the LTIP in October 2020 (prior to them joining the Board). These awards were delayed from the usual April grant date as the Board and the Remuneration Committee prioritised their efforts on dealing with the emergence of the pandemic.

The performance share awards were subject to a relative total shareholder return ("TSR") condition which was measured to October 2023. Performance over the three-year performance period placed Bakkavor in the top quartile of the peer group and therefore these awards have vested in full. The grants to Mike and Ben were subject to a cap which limited the potential value at the point of vesting. The value at vesting was below the cap and therefore no post-vesting adjustment was required. These awards, consistent with the terms granted to other below Board employees at the time, did not include a provision relating to windfall gain adjustment. Nevertheless, the Committee is satisfied that the vesting is appropriate, having considered the good progress of the business since 2020 despite the considerable headwinds of Covid, Brexit, supply chain disruptions and unprecedented inflation. This includes:

- Group sales, Group EBIT and Group ROIC all above 2020 levels.
- Net debt 31% lower than in 2020.
- Delivered a major cost reduction programme and efficiency improvement in the UK.
- Emissions forecast to drop by 25% thanks to modernisation of refrigeration systems and purchase of green electricity in the UK.
- Decline of UK food waste driven by better monitoring and subsequent process improvements as well as re-distribution efforts.

Performance share awards were also granted in April 2021 shortly after both Executives joined the Board as Executive Directors. These awards were subject to a relative TSR measure and an Adjusted EPS condition in equal measure. The EPS condition has not been met; however, reflecting the continued strong relative performance of the business, the TSR measure was met in full. Overall, this will result in 50% of the April 2021 award vesting.

The grants to Mike and Ben were subject to a cap which limited the potential value at the point of vesting. The value at vesting was below the cap and the Committee believes the vesting outcomes are reflective of company and individual performance over the period and no discretion has been used to amend the payouts or vesting outcomes.

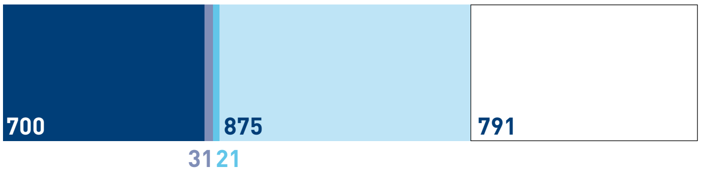
EXECUTIVE DIRECTOR TOTAL REMUNERATION IN FY23

£000s

Mike Edwards

Total remuneration

2,418



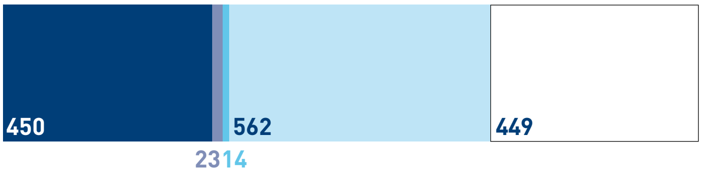
£000s	2023	2022
Base salary	700	529
Benefits	31	26
Pension entitlements	21	76
STIP	875	165
LTIP[1]	791	0
Total	2,418	796

£000s

Ben Waldron

Total remuneration

1,498



£000s	2023	2022
Base salary	450	410
Benefits	23	23
Pension entitlements	14	12
STIP	562	128
LTIP[1]	449	0
Total	1,498	573

1 Mike Edwards' and Ben Waldron's FY23 remuneration total includes values for both the Covid-delayed 2020 LTIP and the 2021 LTIP.

REVIEW OF DIRECTORS' REMUNERATION POLICY

The 2021 Directors' Remuneration Policy has reached the end of its three-year life and a new policy will be put forward for a shareholder vote at the 2024 Annual General Meeting. The Committee undertook a comprehensive review including a number of stakeholder meetings and concluded that the policy remains appropriate and that there should be no material change to the structure of packages and incentives. Some modest changes primarily aimed at promoting further clarity in how the policy operates have been made and these are described in this 2024 Directors' Remuneration Policy section.

HOW THE COMMITTEE WILL APPLY THE REMUNERATION POLICY IN 2024

The Committee intends to operate the Remuneration Policy for Executive Directors for 2024 as follows:

- The CEO's salary will increase by 4.0% to £728,000 and the CFO's salary by 4.0% to £468,000 which is below the workforce rate, effective 1 January 2024.
- Executive Director employer pension contributions will continue to be aligned with the workforce rate at 3%.
- STIP opportunities will remain at 125% of salary for the CEO and CFO which is below the overall Policy limit of 150% of salary. The STIP measures will be: 75% based on Group adjusted EBIT, 12.5% on UK employee turnover and 12.5% on UK food waste. UK food waste has been introduced as an additional measure alongside employee turnover in line with our ESG objectives to support focus on this important area. These criteria also apply to the broader workforce in the UK who are eligible for the STIP, covering c.1,300 colleagues. Regional profit performance is assessed where relevant in the US and China.
- It is expected that LTIP awards will be granted in 2024 at 150% of salary to the CEO and CFO. The measures will be: 45% on relative TSR, 40% on EPS targets and 15% on carbon emissions. As part of our updated climate ambition within our ESG Trusted Partner strategy and our Net Zero aligned target of reducing Scope 1 and 2 emissions, we have decided to add a carbon emissions measure to our LTIP for 2024.

ALIGNMENT WITH THE CODE AND STAKEHOLDER FEEDBACK

In designing the 2024 Remuneration Policy, the Committee once again considered the key themes set out in the 2018 UK Corporate Governance Code – clarity, simplicity, risk, predictability, proportionality and alignment to culture. The Committee has addressed each of these in determining the remuneration outcomes for 2023 and the approach to paying our Executives in 2024. The Committee is confident that the policy has operated in FY23 as intended and remuneration and company performance have been appropriately aligned. In this light the Committee has not made any discretionary amendments to any remuneration outcomes.

The Committee is keen to take the views of employees on pay into account when making decisions on the Directors' Remuneration Policy and recognises this as an important input into discussions. The Bakkavor Board operates with a Non-executive Director tasked with workforce engagement and for bringing colleague views to the Group Board. Sanjeevan Bala undertakes this role alongside his role as a Remuneration Committee member. This year an update and Q&A session with Sanjeevan was convened at our Group Employee Forum 'workforce engagement session' and included a segment on how Executive remuneration aligns with Bakkavor's wider pay policies. Sanjeevan was able to update the Committee on the discussions from the session and this informed our review of the Directors' Remuneration Policy.

The Remuneration Committee was pleased to note the very high level of shareholder support for the 2022 remuneration report at the 2023 AGM, with 99.9% of votes in favour. This year there will be two votes on remuneration at the 2024 AGM, being the normal annual advisory vote on Directors' remuneration and a second vote to approve the new Directors' Remuneration Policy. I hope you will be supportive of both resolutions.

Jill Caseberry
Chair, Remuneration Committee
4 March 2024

The 2024 Directors' Remuneration Policy

The Remuneration Policy for the Group was prepared in accordance with Schedule 8: the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the UK Listing Authority's Listing Rules. This Remuneration Policy will be put to a binding shareholder vote at the AGM on 23 May 2024 and, subject to its approval, will be effective until the 2027 AGM (or until another Remuneration Policy is approved, if sooner).

KEY CONSIDERATIONS WHEN DETERMINING THE REMUNERATION POLICY

The Remuneration Committee designed the Policy with the following aims in mind. The Policy should:

- Attract, retain and motivate high-calibre Senior Executives and focus them on the delivery of the Group's strategic and business objectives.
- Be competitive against appropriate market benchmarks with the scope to earn above-market rewards for strong performance.
- Be simple and understandable, both internally and externally.
- Achieve the appropriate consistency of approach across the Senior Management population.
- Take due account of good governance and promote the long-term success of the Group.

In seeking to achieve the above objectives, the Committee is mindful of the views of a broad range of stakeholders in the business and accordingly takes account of a number of factors when setting remuneration. This includes market conditions, pay and benefits in relevant comparator organisations, terms and conditions of employment across the Group, the Group's risk appetite, the expectations of institutional shareholders and feedback from shareholders and other stakeholders.

The Policy considered the principles of the 2018 UK Corporate Governance Code and the voting guidelines of major UK institutional investor bodies. Under the Code, the Remuneration Committee is asked to address six factors in determining the Policy:

1. Clarity: the Policy is well understood by our Directors and Senior Executive Team and has been clearly articulated to shareholders and proxy voting agencies.
2. Simplicity: the Remuneration Committee believes the current market-standard remuneration structure is simple and well-understood. We have purposefully avoided any complex structures which have the potential to deliver unintended outcomes.
3. Risk: our Policy and approach to target setting seek to discourage any inappropriate risk-taking. Measures may be a blend of share price, financial and non-financial objectives and the targets are appropriately stretching to help ensure that the risk of inappropriate actions being taken is mitigated. Enhanced malus and clawback provisions will apply.
4. Predictability: Executives' incentive arrangements are subject to individual participation caps. An indication of the range of values in packages is provided in the reward scenario charts included in the Policy report. Deferred STIP and LTIP awards provide alignment with the share price and their values will depend on share price at the time of vesting.
5. Proportionality: there is a clear link between individual awards, delivery of strategy and our long-term performance.
6. Alignment to culture: pay and policies cascade down the organisation and are fully aligned to Bakkavor's culture.

KEY CHANGES TO THE DIRECTORS' REMUNERATION POLICY

The Committee concluded that the Remuneration Policy remains appropriate and that there should be no material change to the structure of packages and incentives. In order to promote further clarity in how the policy operates, the following modest changes have been made:

- References to the former CEO's and the COO's STIP opportunity have been removed following their change of roles and the STIP maximum wording has been simplified, referring to a STIP opportunity of 150% of salary (which is unchanged from the previous policy).
- References to the CFO's and COO's LTIP award policy has been removed following their change of roles and the LTIP maximum wording has been simplified, referring to an overall LTIP grant maximum of 200% of salary (which is unchanged from the previous policy).
- For LTIP awards, the wording has been changed to provide greater flexibility on introducing measures other than relative TSR and EPS growth.
- As stated in last year's remuneration report, Lydur Gudmundsson's consultancy agreement has now ceased and therefore is not included in the new policy.
- To provide clarification in the recruitment policy, that in the case of a new recruit who joins Bakkavor as an Executive Director following any acquisitions we undertake, awards held at his or her former employer may be rolled over into awards over Bakkavor shares.
- To include details of how unvested share awards are treated in the event of a change of control.

REMUNERATION POLICY TABLE

The table below sets out, for each element of pay, a summary of how remuneration is structured and how it supports the Company's strategy.

Executive Directors

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Base salary			
To recruit and retain Executives of the highest calibre who are capable of delivering the Group's strategic objectives, reflecting each individual's experience and role within the Group. Base salary is designed to provide an appropriate level of fixed income to avoid an over-reliance on variable pay elements that could encourage excessive risk-taking.	Salaries are normally reviewed annually, and changes are generally effective from the start of the financial year. The annual salary review of Executive Directors takes a range of factors into consideration, including: • Business performance. • Salary increases awarded to the overall colleague population. • Skills and experience of the individual over time. • Scope of the individual's responsibilities. • Changes in the size and complexity of the Group. • Market competitiveness assessed by periodic benchmarking. • The underlying rate of inflation.	Whilst there is no prescribed formulaic maximum, any increases will take into account prevailing market and economic conditions and the approach to colleague pay throughout the organisation. Base salary increases are awarded at the discretion of the Remuneration Committee; however, salary increases will normally be no greater than the general increase awarded to the wider workforce, in percentage of salary terms. Percentage increases beyond those granted to the wider workforce may be awarded in certain circumstances, such as when there is a change in the individual's role or responsibility or where there has been a fundamental change in the scale or nature of the Company or to address salaries that have fallen behind market rates. In addition, a higher increase may be made where an individual had been appointed to a new role at below-market salary whilst gaining experience. Subsequent demonstration of strong performance may result in a salary increase that is higher than for the wider workforce.	Executive Directors' performance is a factor considered when determining salaries. No recovery or withholding provisions apply.
Benefits			
Benefits in kind offered to Executive Directors are provided to assist with retention and recruitment.	The Company aims to offer benefits that are in line with typical market practice. The main benefits currently provided include: • Family private medical insurance. • Life assurance. • Income protection. • Health screening. • Company car/car allowance. • Travel insurance. Under certain circumstances, the Group may offer relocation allowances or assistance. Expatriate benefits may be offered where required. Travel and any reasonable business-related expenses (including tax thereon) may be reimbursed, including any tax paid on such expenses. Executive Directors may become eligible for other benefits which are introduced for the wider workforce on broadly similar terms.	There is no maximum cap on the value of benefits. The value of each benefit is not predetermined and is typically based upon the cost to the Group.	Not performance-related. No recovery or withholding provisions apply other than for any relocation costs that may be provided. A proportion of any relocation costs may be recovered where a Director leaves the employment of the Group within a specified time period after appointment or date of relocation.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Pension			
The Group aims to provide a contribution towards life in retirement.	Directors are eligible to receive employer contributions to the Company's pension plan (which is a defined contribution plan) or a salary supplement in lieu of pension benefits, or a mixture of both.	Existing Executive Directors receive company pension contributions in line with the workforce rate (which is currently 3% of base salary) and any future Executive Director appointments will receive pension contributions aligned with the workforce contribution rate in place at the time.	Not performance-related. No recovery or withholding provisions apply.
Short-Term Incentive Plan ("STIP")			
The STIP rewards the achievement of stretching objectives that support the Group's corporate goals and delivery of the business strategy. Delivery of a proportion in Deferred STIP shares provides a retention element and alignment with shareholders.	STIP awards are determined based on measures and targets that are agreed by the Remuneration Committee. STIP measures are typically based on performance over the relevant financial year. Up to two-thirds of the STIP will be payable in cash, typically in March following the end of the financial year. At least one-third of the STIP is compulsorily deferred in shares for three years under the Deferred STIP. At the discretion of the Remuneration Committee, participants may also be entitled to receive the value of dividends paid between grant and vesting on vested shares. The payment may assume dividend reinvestment. STIP payments, including deferred awards, are subject to recovery and withholding provisions (see 'Recovery and withholding' in the Notes to the Policy table for further detail).	The maximum STIP opportunity is 150% of salary for Executive Directors. The STIP opportunity for FY2024 is 125% of salary and any increase to this limit during the remaining years of this policy will be subject to prior consultation with shareholders.	Performance measures are determined by the Remuneration Committee each year and may vary to ensure that they promote the Company's long-term business strategy and shareholder value. The majority of the STIP outcome will be based on financial measures. This may be a single measure, such as profit, or a mix of measures as determined by the Remuneration Committee. Personal objectives and/or strategic KPIs may also be chosen. Where a sliding scale of targets applies to financial measures, up to 20% of that element may be payable for threshold performance. The STIP measures are reviewed annually, and the Remuneration Committee has the discretion to vary the mix of measures or to introduce new measures taking into account the strategic focus of the Company at the time. The Remuneration Committee may alter the STIP outcome if it considers that the payout is inconsistent with the Company's overall performance, taking account of any factors it considers relevant. This will help to ensure that the payout reflects overall Company performance during the period. The Remuneration Committee will, if possible, seek to consult with leading investors if appropriate before any exercise of its discretion to increase the STIP outcome.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Long-Term Incentive Plan ("LTIP")			
The LTIP is designed to incentivise the successful execution of business strategy over the longer term and provide long-term retention. It facilitates share ownership to provide further alignment with shareholders.	Awards will typically be granted annually to Executive Directors in the form of nil or nominal cost options that vest according to performance conditions normally measured over three financial years. The Remuneration Committee will consider the prevailing share price when deciding on the number of shares to be awarded as part of any LTIP grant. Awards will normally be subject to an additional post-vesting holding period, which requires awards to be retained for a period of two years from the end of the vesting period, except for shares sold to pay personal tax upon vesting or exercise. At the discretion of the Remuneration Committee, participants may also be entitled to receive the value of dividends paid between grant and vesting (or, if applicable, between grant and the earlier to occur of the expiry of any holding period and the exercise of an award) on vested shares. The payment may be in cash or shares and may assume dividend reinvestment. Awards are subject to recovery and withholding provisions (see 'Recovery and withholding' in the Notes to the policy table for further detail).	The individual plan limit is 200% of base salary in any financial year. The maximum opportunity for 2024 is 150% of salary and any increase to this grant level during the remaining years of this policy will be subject to prior consultation with shareholders.	Performance is normally measured over no less than three financial years. Awards will be subject to the achievement of stretching targets designed to incentivise performance in support of the Group's strategy and business objectives. LTIP awards may be subject to relative TSR and earnings per share growth targets or other relevant measures aligned with delivering Group strategy. The Remuneration Committee has the flexibility to vary the mix of measures or to introduce new measures for future awards, taking into account business priorities at the time of grant. Typically, no more than 25% of each element may vest for threshold performance. The Remuneration Committee may alter the vesting outcome if it considers that the level of vesting is inconsistent with the Company's overall performance, taking account of any factors it considers relevant. This will help to ensure that vesting reflects overall Company performance during the period.
All-colleague share schemes			
Encourages colleague share ownership and therefore increases alignment with shareholders.	The Company may, from time to time, operate tax-approved share plans (such as the HMRC-approved Save As You Earn Option Plan and Share Incentive Plan) for which Executive Directors could be eligible.	The schemes are subject to the limits set by HMRC from time to time.	Not performance-related. No recovery or withholding provisions apply.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Share ownership guidelines			
Encourages Executive Directors to build a meaningful shareholding in the Group so as to further align their interests with those of shareholders.	Executive Directors are required to retain at least half of any share awards vesting as shares (after the sale of any shares to settle tax due) until they have reached the required level of holding. Shares owned outright by the Executive Director or a connected person are included. Shares or share options which remain subject to a performance condition are not included. Unvested Deferred STIP shares and vested LTIP awards which remain unexercised may count towards the in-employment guideline on a net of tax basis.	During employment: Executive Directors are required to build and retain a shareholding in Bakkavor equivalent to at least 200% of their base salary. Post-employment: Executive Directors are normally required to hold shares at a level equal to the lower of their shareholding at cessation and 200% of salary for two years post cessation (excluding shares purchased with own funds and any shares acquired from share plan awards granted before the approval of this policy).	Not performance-related.
Chairman and Non-executive Directors' fees			
To attract Non-executive Directors who have a broad range of experience and skills. To provide the Group with access to independent judgement on issues of strategy, performance, resources and standards of conduct.	Non-executive Directors may receive fees paid monthly in cash, which consist of an annual basic fee. They may also receive additional fees for additional responsibilities. The Chairman's fee is reviewed annually by the Remuneration Committee (without the Chairman present). Fee levels for the Non-executive Directors are determined by the Chairman and Executive Directors. In exceptional circumstances if there is a temporary, yet material, increase in the time commitments for Non-executive Directors, the Group Board may pay extra fees to recognise that additional workload. Non-executive Directors ordinarily do not participate in any pension, STIP or share incentive plans. Travel, accommodation and other business-related expenses incurred in carrying out a Non-executive role will be paid by the Company including, if relevant, any 'gross-up' for tax.	When reviewing fee levels, account is taken of market movements in the fees of Non-executive Directors, Group Board Committee responsibilities and ongoing time commitments. Actual fee levels are disclosed in the annual remuneration report for the relevant financial year.	Not performance-related. No recovery or withholding provisions apply.

NOTES TO THE REMUNERATION POLICY TABLE

Recovery and withholding

Awards under the STIP, the Deferred STIP ("DSTIP") and the LTIP are subject to recovery and withholding provisions which permit the Remuneration Committee, at its discretion, to reduce the size of any future award or share award granted to the colleague, to reduce the size of any granted but unvested share award held by the colleague, or to require the colleague to make a cash payment to the Company. The circumstances in which the Company may apply the recovery and withholding provisions are the discovery of a material misstatement of financial results, a miscalculation or error in assessing any condition (including any performance condition) applying to the award, in the event of serious misconduct committed by the colleague, or where there has been corporate failure or reputational damage.

In respect of cash award payments under the STIP, the recovery and withholding provisions apply for one year from the date of payment of the award (or, if later, the date of publication of the Company's financial results for the year following the relevant year over which the award was earned).

In respect of share awards under the DSTIP and the LTIP, the recovery and withholding provisions apply up until the third anniversary of the date on which the relevant award vests, although the Committee may extend this period for a further two years if there is an ongoing investigation into the circumstances of any event that, if determined to have occurred, would permit the Committee to operate the recovery and withholding provisions.

Performance conditions

The choice of performance metrics applicable to the STIP reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of key financial targets and individual and/or strategic performance measures intended to ensure that Executive Directors are incentivised to deliver across a range of objectives for which they are accountable. The Committee has retained some flexibility on the specific measures which will be used to ensure that any measures are fully aligned with the strategic imperatives prevailing at the time they are set. The measures and their weightings for the STIP scheme will normally be set out in the Annual Report on a prospective basis, subject to limitations with regard to commercial sensitivity. The full details of the targets will normally be disclosed in the Directors' remuneration report when they are in the public domain, usually following the end of the relevant financial year. The choice of the performance conditions applicable to the LTIP awards will be aligned with the Company's objective of delivering superior levels of long-term value to shareholders. The Committee has retained flexibility on the measures which will be used with the award cycles over the life of the Policy to ensure that the measures are fully aligned with the strategy prevailing at the time the awards are granted. The Committee will review the calibration of targets applicable to the STIP and the LTIP annually to ensure they remain appropriate and sufficiently challenging, taking the Company's strategic objectives and the interests of shareholders into account.

Differences in remuneration policy between Executive Directors and other employees

The overall approach to reward for employees across the workforce is a key reference point when setting the remuneration of the Executive Directors. When reviewing the salaries of the Executive Directors, the Committee pays close attention to pay and employment conditions across the wider workforce and increases for Executive Directors will be set in the context of increases for the general workforce.

The STIP cascades down the business and covers c.1,300 employees with payouts usually based on the same measures and targets applying to Executive Directors. The STIP opportunity varies by employee grade.

A key difference between the remuneration of Executive Directors and that of our other employees is that, overall, at senior levels, remuneration is increasingly long-term and 'at-risk', with an emphasis on performance-related pay linked to business performance, and share-based remuneration. This ensures that remuneration at senior levels will increase or decrease in line with business performance and provides alignment between the interests of Executive Directors and shareholders. In particular, long-term incentives are provided to a group of senior leaders below Executive Directors, as they are reserved for those considered to have the greatest potential to influence overall levels of performance. Restricted share awards are granted to some non-Director level employees to aid retention.

Committee discretion in operation of variable pay schemes

The Committee operates under the powers it has been delegated by the Board. In addition, it complies with rules that are either subject to shareholder approval (Long-Term Incentive Plan and DSTIP) or to approval by the Board (annual performance STIP scheme). These rules provide the Committee with certain discretions which serve to ensure that the implementation of the Remuneration Policy is fair, both to the individual Director and to shareholders. The Committee also has discretion to set components of remuneration within a range, from time to time. The extent of such discretion is set out in the relevant rules, the maximum opportunity or the performance metrics section of the Policy table above. To ensure the efficient administration of the variable incentive plans outlined above the Committee will apply certain operational discretions. These include the following:

- Selecting the participants in the plans on an annual basis.
- Determining the timing of grants of awards and/or payments.
- Determining the quantum of awards and/or payments (within the limits set out in the Directors' Remuneration Policy table).
- Determining the choice and adjustment of performance measures and targets for each incentive plan in accordance with the Policy set out above and the rules of each plan.
- Determining the extent of vesting based on the assessment of performance, and judgement relating to measurement of performance in certain circumstances such as a change of control or reconstruction or other corporate events.

- Whether recovery and withholding shall be applied to any award in the relevant circumstances and, if so, the extent to which it shall be applied.
- Making appropriate adjustments as required in certain circumstances, for instance changes in capital structure.
- Determining 'good leaver' status for incentive plan purposes and applying the appropriate treatment.
- Undertaking the annual review of performance measures including their weightings and setting targets for the STIP and other incentive schemes, where applicable, from year to year.

If an event occurs which results in the STIP or LTIP performance conditions and/or targets being deemed no longer appropriate (e.g. material acquisition or divestment), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions are not materially less challenging than the original conditions. Any use of the above discretion would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

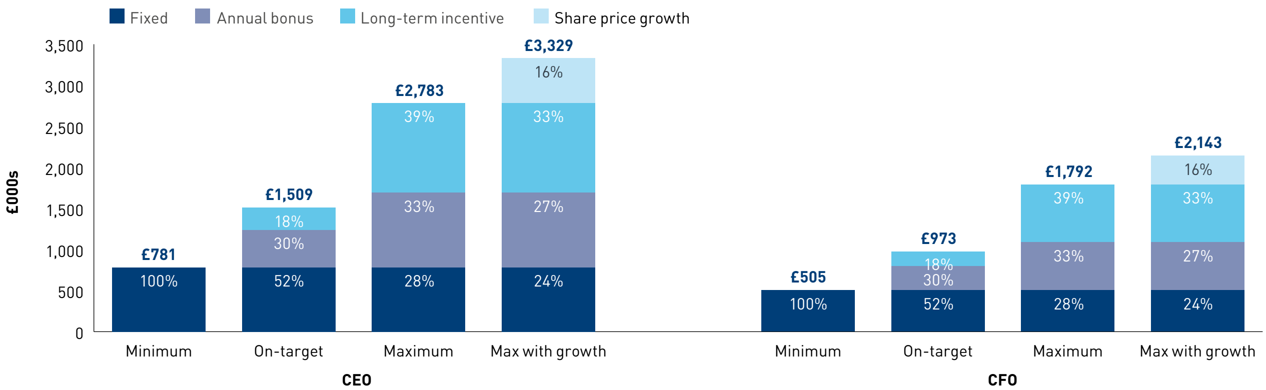
Legacy arrangements

For the avoidance of doubt, the Committee may approve payments to satisfy commitments agreed prior to the approval of this Directors' Remuneration Policy, including prior to the listing of the Company in November 2017 that have either been disclosed to shareholders in the prospectus or formed part of the pre-IPO Remuneration Policy. The Committee may also approve payments outside this Remuneration Policy in order to satisfy legacy arrangements made to an employee prior to (and not in contemplation of) promotion to the Board.

This includes restricted share awards (being share awards without any performance criteria) which were granted to below Board employees who have subsequently been appointed to the Bakkavor Board. All historic awards that were granted prior to the approval of this Directors' Remuneration Policy, including in connection with or prior to listing, but which remain outstanding, remain eligible to vest based on their original award terms.

Remuneration scenarios for Executive Directors

The charts below show an estimate of the 2024 remuneration package for each Executive Director under four performance scenarios, which are based on the Remuneration Policy set out above.



Assumptions:

	Performance scenario			
	Minimum	Target	Maximum	Maximum with share price growth
Base salary	As at 1 January 2024			
Benefits	Estimated value for 2024 based on 2023 actual value			
Pension	3% of salary			
STIP	0% of maximum	50% of maximum	100% of maximum (being 125% of salary)	
LTIP	0% of maximum	25% of maximum	100% of maximum (being 150% of salary)	As per the maximum, plus a 50% share price increase over three years is assumed

RECRUITMENT POLICY

Where it is necessary to appoint or replace an Executive Director, the Committee's approach when considering the overall remuneration arrangements in the recruitment of a new Executive Director is to take account of the calibre, expertise and responsibilities of the individual, his or her remuneration package in their prior role, and market rates. Remuneration will be in line with our Policy and the Committee will not pay more than is necessary to facilitate recruitment. The remuneration package for a new Executive Director will be set in accordance with the terms of the Company's approved Remuneration Policy in force at the time of appointment. Further details are provided below:

Base salary
The Committee will set a base salary appropriate to the calibre, experience and responsibilities of the new appointee. In arriving at a salary, the Committee may take into account, amongst other things, the market rate for the role, internal relativities and his or her salary level prior to joining the Board. The Committee has the flexibility to set the salary of a new Executive Director at a lower level initially, with a series of planned increases implemented over the following few years to bring the salary to the desired positioning, subject to individual performance. In exceptional circumstances, the Committee has the ability to set the salary of a new Executive Director at a rate higher than the market level to reflect the criticality of the role and the experience and performance of the individual.
Benefits
Benefits will normally be consistent with the principles of the Policy set out in the Policy table. The Company may award certain additional benefits and other allowances including, but not limited to, those to assist with relocation support, temporary living and transportation expenses, educational costs for children and tax equalisation to allow flexibility in employing an overseas national.
STIP
The maximum STIP opportunity is 150% of base salary.
LTIP
The maximum opportunity is 200% of base salary. This may be used on recruitment and on an ongoing basis, if appropriate.
Replacement awards
In addition to the above, the Committee may offer additional cash and/or share-based elements in order to 'buy out' remuneration relinquished on leaving a former employer. In the event of Bakkavor acquiring or merging with a business, awards held at the former employer may be rolled over into awards over Bakkavor shares. In the event that such a buyout is necessary to secure the services of an Executive Director, the structure of any award or payment will mirror, as far as is possible, the arrangements in place at the incoming Executive Director's previous employer. Any share awards made in this regard may have no performance conditions, or different performance conditions, or a shorter vesting period compared with the Company's existing plans, as appropriate. Shareholders will be informed of any buyout arrangements at the time of the Executive Director's appointment.
Notice periods
Notice periods shall be up to 12 months.

Depending on the timing and responsibilities of the appointment, it may be necessary to set different STIP/LTIP performance measures and targets from those applicable to other Executive Directors.

Any incentive awards granted to employees prior to their promotion to the Board will be permitted to vest on their original terms. The terms of appointment for a Non-executive Director would be in accordance with the Remuneration Policy for Non-executive Directors as set out in the Policy table.

Termination and loss-of-office payments

The Group's policy on remuneration for Executive Directors who leave the Group is consistent with general market practice. The Committee will exercise its discretion when determining amounts that should be paid to leavers, taking into account the facts and circumstances of each case.

It is the Company's policy that the period of notice for Executive Directors will not normally exceed 12 months. In the event of an Executive Director's departure, a payment in lieu of notice may be payable. The Company may pay the value of the Executive Director's base salary together with accrued holiday entitlement.

The Company is unequivocally against rewards for failure; the circumstances of any departure, including the individual's performance, would be taken into account in every case. Statutory redundancy payments may be made, as appropriate. Service agreements may be terminated without notice and without payment in lieu of notice in certain circumstances, such as gross misconduct. The Company may require the Executive Director to work during their notice period or may choose to place the individual on garden leave; for example, to ensure the protection of the Company's and shareholders' interests where the Executive Director has access to commercially sensitive information.

The Committee may agree payments it considers reasonable in settlement of potential legal claims. This may include an entitlement to compensation in respect of leavers' statutory rights under employment protection legislation in the UK or in other jurisdictions.

Except in the case of gross misconduct or resignation, the Company may at its absolute discretion reimburse for reasonable professional fees relating to the termination of employment and, where an Executive Director has been required to relocate, to pay reasonable repatriation costs, including possible tax exposure costs.

Ordinarily, Executive Directors have no entitlement to a STIP payment in the event they cease to be employed by the Group or are under notice of termination of employment at the date that their STIP would otherwise be paid. However, they may be considered for a STIP payment by the Committee in 'good leaver' circumstances (i.e. death, injury, disability, retirement, their employing company or the business for which they work being sold out of the Group or in other circumstances at the discretion of the Remuneration Committee). Any such STIP payment would ordinarily be subject to a pro-rata reduction based on the period worked in the relevant year, and there would be no requirement for any portion of such STIP payment to be deferred into an award over shares under the Deferred STIP. In the event of an Executive Director's departure, any outstanding share awards will be treated in accordance with the plan rules as follows:

Deferred STIP ("DSTIP")

As a general rule, a DSTIP award will lapse upon a participant ceasing to hold employment or ceasing to be a Director within the Group (where relevant).

In the event of a participant's death, injury, disability, retirement, their employing company or the business for which they work being sold out of the Group or in other circumstances at the discretion of the Remuneration Committee, awards will not be forfeited but will instead normally vest in full on the original vesting date (or on the date of cessation if the Remuneration Committee so determines) to such extent (which may include the full extent of the award) as the Remuneration Committee determines appropriate.

In exceptional circumstances, the Remuneration Committee may allow the awards to vest on cessation of the participant's employment.

LTIP

As a general rule, an LTIP award will lapse upon a participant ceasing to hold employment or ceasing to be a Director within the Group (where relevant).

However, if the participant ceases to be an employee or a Director within the Group because of their death, injury, disability, retirement, their employing company or the business for which they work being sold out of the Group or in other circumstances at the discretion of the Remuneration Committee, then their award will vest on the date when it would have vested if they had not so ceased. The extent to which an award will vest in these situations will depend upon two factors:

- The extent to which the performance conditions (if any) have been satisfied at that time.
- The pro-rating of the award by reference to the period of time served in employment during the normal vesting period, although the Remuneration Committee can decide to reduce or eliminate the pro-rating of an award if it regards it as appropriate to do so in the particular circumstances.

Alternatively, if a participant ceases to be an employee or Director in the Group for one of the 'good leaver' reasons specified above (or in other circumstances at the discretion of the Remuneration Committee), the Remuneration Committee can decide that their award will vest on cessation, subject to:

- The performance conditions measured at that time.
- Pro-rating by reference to the time of cessation as described above.

Such treatment shall also apply in the case of death.

In the event of a change of control, in accordance with the relevant scheme rules:

- Unvested DSTIP awards will vest on the date of a change of control; and
- Unvested LTIP awards will vest on the date of a change of control, to the extent to which performance conditions have been satisfied and after a pro-rata reduction for time elapsed during the three-year vesting period although the Remuneration Committee can decide to reduce or eliminate the pro-rating of an award if it regards it as appropriate to do so in the particular circumstances.

Executive Directors' service contracts

The Company does not have agreements with any Director that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's share schemes and plans may cause options and awards granted to colleagues under such schemes and plans to vest on a takeover (see above). In accordance with long-established policy, all Executive Directors have rolling service agreements which may be terminated in accordance with the terms of these agreements. Directors' service agreements are kept for inspection by shareholders at the Company's registered office.

Name	Date of joining Bakkavor	Date of service contract	Notice period
Mike Edwards	4 September 2001	28 September 2022	12 months either party
Ben Waldron	1 June 2011	12 October 2020	12 months either party

Policy on external appointments

The Board believes that it may be beneficial to the Group for Executives to hold non-executive directorships outside the Group. Any such appointments are subject to approval by the Board and the Director may retain any fees received at the discretion of the Board. No Executive Director currently holds any external non-executive directorships.

Non-executive Directors' terms of engagement

Each of the Non-executive Directors are engaged under a market-standard Non-executive Director appointment letter, which states that the appointment will continue for a renewable three-year term provided that the appointment must not continue for more than nine years in total, unless exceptional circumstances apply. In any event, each appointment is terminable by either party on one month's written notice with no other right to compensation for loss of office. All Non-executive Directors are subject to annual re-election at each AGM. The dates of appointment of each of the Non-executive Directors holding office at the FY23 year end are summarised in the table below.

Non-executive Director	Date of joining Bakkavor	Date of contract or date of first appointment
Simon Burke (Chairman)	1 December 2016	20 October 2017
Sanjeevan Bala	1 August 2021	5 July 2021
Umran Beba	1 September 2020	1 September 2020
Jill Caseberry	1 March 2021	24 February 2021
Patrick Cook	12 July 2018	12 July 2018
Agust Gudmundsson	1 August 1986 (founder)	28 September 2022
Lydur Gudmundsson	1 August 1986 (founder)	20 October 2017
Denis Hennequin	20 October 2016	20 October 2017
Jane Lodge	3 April 2018	3 April 2018

The Chairman, in consultation with the Executive Directors, is responsible for proposing changes to the Non-executive Directors' fees. The Committee is responsible for proposing changes to the Chairman's fees.

In proposing such fees, account is also taken of the time commitments of the Group's Non-executive Directors. The decision on fee changes is taken by the Group Board as a whole. Individual Non-executive Directors do not take part in discussions in relation to their own remuneration.

Consideration of shareholders' views

The Board is committed to open dialogue with shareholders and intends to engage directly with them and their representative bodies when considering any significant changes to our remuneration arrangements. The Remuneration Committee will consider shareholder feedback received following each AGM, as well as any additional feedback and guidance received from time to time. This feedback will be considered by the Committee as it develops the Company's remuneration framework and practices going forward. Assisted by its independent adviser, the Remuneration Committee also actively monitors developments in the expectations of institutional investors and their representative bodies.

Consideration of employment conditions

The Committee is updated throughout the year on pay and conditions applying to Group employees, including any significant changes to employment conditions.

Whilst the Committee does not currently consult directly with employees regarding its policy for Directors, it has considered the provisions in the UK Corporate Governance Code 2018. As a result, it has formalised a number of existing initiatives to ensure that the 'employee voice' is heard in the boardroom, for example through attendance at Employee Forum meetings and through updates on pay and engagement survey scores.

The Policy for Executive Directors, which is set out over the previous pages, supports the business needs of the Company, ensuring it promotes long-term success whilst enabling it to attract, retain and motivate Senior Executives of a high calibre. The Committee is satisfied that the Policy supports the Company's strategy of growing long-term shareholder value and appropriately balances fixed and variable remuneration. With a high proportion of reward delivered in the form of equity, this ensures that Executives have a strong alignment with shareholders through the Company's share price.

Given the modest changes being proposed, shareholders were not consulted on the new Policy.

Annual report on remuneration

This section of the report has been prepared in accordance with Part 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and Rule 9.8.6 of the Listing Rules. The Annual Statement and Annual Report on Remuneration will be put to a single advisory shareholder vote at the AGM on 23 May 2024.

This part of the report comprises five sections:

A. Remuneration for 2023
B. Directors' share ownership and share interests
C. Pay comparison
D. Remuneration Committee membership, governance and voting
E. Implementation of Remuneration Policy in 2024

A. Remuneration for 2023

SINGLE TOTAL FIGURE OF DIRECTORS' REMUNERATION (AUDITED)

The total remuneration of the individual Directors who served during the financial year is shown below.

£000s		Base salary/fee	Benefits[4]	Pension[5]	Total fixed remuneration	STIP	LTIP[6]	Total variable remuneration	Total remuneration
Executive Directors									
Mike Edwards[1]	**2023**	**700**	**31**	**21**	**752**	**875**	**791**	**1,666**	**2,418**
	2022	529	26	76	631	165	–	165	796
Ben Waldron	**2023**	**450**	**23**	**14**	**487**	**562**	**449**	**1,011**	**1,498**
	2022	410	23	12	445	128	–	128	573
Agust Gudmundsson[1]	**2023**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2022	659	26	20	705	132	–	132	837
Non-executive Directors									
Simon Burke	**2023**	**211**	**–**	**–**	**211**	**–**	**–**	**–**	**211**
(Chairman)	2022	211	1	–	212	–	–	–	212
Sanjeevan Bala	**2023**	**74**	**1**	**–**	**75**	**–**	**–**	**–**	**75**
	2022	74	–	–	74	–	–	–	74
Umran Beba	**2023**	**74**	**6**	**–**	**80**	**–**	**–**	**–**	**80**
	2022	74	5	–	79	–	–	–	79
Jill Caseberry	**2023**	**74**	**1**	**–**	**75**	**–**	**–**	**–**	**75**
	2022	74	1	–	75	–	–	–	75
Patrick Cook[2]	**2023**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2022	–	–	–	–	–	–	–	–
Agust Gudmundsson[1]	**2023**	**74**	**3**	**–**	**77**	**-**	**–**	**–**	**77**
	2022	12	–	–	12	–	–	–	12
Lydur Gudmundsson[3]	**2023**	**74**	**–**	**–**	**74**	**–**	**–**	**–**	**74**
	2022	277	1	–	278	–	–	–	278
Denis Hennequin	**2023**	**74**	**–**	**–**	**74**	**–**	**–**	**–**	**74**
	2022	74	–	–	74	–	–	–	74
Jane Lodge	**2023**	**74**	**2**	**–**	**76**	**–**	**–**	**–**	**76**
	2022	74	2	–	76	–	–	–	76
Total	**2023**	**1,879**	**67**	**35**	**1,981**	**1,437**	**1,240**	**2,677**	**4,658**
	2022	2,468	85	108	2,661	425	–	425	3,086

Notes to the remuneration table:

1 Agust Gudmundsson retired as CEO on 31 October 2022 and became a Non-executive Director of the Group from 1 November 2022. Mike Edwards was promoted from COO, UK to CEO from 1 November 2022.

2 Patrick Cook does not receive a fee for his services.

3 Lydur Gudmundsson's Non-executive Director base fee is £73,903 p.a. In FY22, Lydur Gudmundsson provided consulting services to the Group and this agreement ceased with effect from 31 December 2022.

4 Relates to taxable benefits: For Executive Directors, benefits comprised car allowance, fuel, benefit allowance and family private medical cover. For Non-executive Directors, benefits values (including those grossed up for tax purposes) are for reasonable expenses related to business-related travel and accommodation only, with the exception of Lydur Gudmundsson who was also entitled to medical cover in the UK for the benefit of his family which ceased on 31 December 2022.

5. The amounts in the table above relate solely to salary supplements in lieu of pension. Mike Edward's pension contribution decreased from 20% to 3% in line with the workforce rate upon his promotion from COO, UK effective 1 November 2022. No Directors are accruing pension contributions under a money purchase pension scheme. In addition however, Mike Edwards is a member of the Group's UK defined benefit scheme but no longer accrues any pension benefits under the scheme. The value of his legacy benefit is shown on pg 140.

6 This comprises the value of two sets of LTIP awards (2020 and 2021). Mike Edwards and Ben Waldron received performance share awards in October 2020 under the LTIP prior to their joining the Board as Executive Directors. These awards vested in full in October 2023 based on achievement of a relative TSR condition measured over a three-year period from the date of grant. After joining the Board, they received a grant of performance shares in April 2021 and these were subject to a relative TSR measure and EPS targets. These awards will vest at 50% on 26 April 2024 and will be subject to a two-year holding period. Both sets of awards have been included in the LTIP column of the total single figure table for 2023. The total value of the October 2020 award included in the LTIP column for Mike Edwards is £504,426 (of which £85,716 relates to dividend equivalent payments and of which £117,791 is attributable to share price growth over the period from the date of grant to the vesting date) and for Ben Waldron is £228,393 (of which £38,810 relates to dividend equivalent payments and of which £53,333 is attributable to share price growth over the period from the date of grant to the vesting date). This has been calculated using a share price at the date of vesting of 91.0 pence. The total value of the April 2021 award included in the LTIP column for Mike Edwards is £286,196 (of which £48,633 relates to estimated dividend equivalents) and for Ben Waldron is £220,107 (of which £37,402 relates to estimated dividend equivalents). For the purpose of this table the values of the April 2021 awards have been calculated using an average share price over the three-month period from 1 October 2023 to 30 December 2023 of 87.04 pence (and as this is lower than the share price at grant there is no value for this award attributable to share price growth). No discretion was applied by the Committee in determining the vesting outcomes.

2023 STIP OUTCOME (AUDITED)

In 2023, c.1,300 colleagues were eligible for a STIP, subject to meeting the same performance objectives, established at the beginning of the financial year by reference to suitably challenging corporate goals over the 12-month period. In 2023, the STIP targets and performance-related outcomes were as follows:

Metrics	Weighting	Threshold[1] (20%/0%)	Maximum (100%)	Actual performance	% outcome
Group adjusted EBIT	75%	£83m	£93m	£94.3m	100%
UK employee turnover	25%	28.1%	26.7%	26.2%	100%
Total (% of max)					100%

1 Under the EBIT measure, 20% is payable for achieving threshold and under the employee turnover metric, threshold results in 0% payout. Under both measures, STIP accrues on a straight-line basis between threshold and maximum.

As set out in the Annual Statement, the Committee considered carefully whether the level of payment was appropriate or whether any adjustment or use of negative discretion was required but felt that a STIP outcome of 100% of the maximum was appropriate. On balance, the Committee is confident that the 100% payout fairly reflects the strong performance across both measures in what was a challenging 2023 and took into account the following factors in making its decision on 2023 STIPs:

- The Group delivered a solid financial performance against a challenging backdrop, with further significant inflation across the cost base and continued pressure on household budgets, which has impacted consumer behaviour.
- The balance sheet remains robust, with leverage at the bottom end of the target range and significant liquidity headroom on debt facilities.
- Total FY23 dividend of 7.28 pence per Ordinary share, an increase of 5% on FY22.
- Improvement in all strategic focus areas for ESG and an increase in our overall engagement score from our Employee Engagement Survey for 2023.

	Maximum STIP opportunity (% of salary)	STIP payout (% of maximum)	STIP earned (£000s)
Mike Edwards	125%	100%	875
Ben Waldron	125%	100%	562

Two-thirds of the STIP earned will be paid in cash and the remaining one-third will be deferred in shares under the DSTIP for three years. There are no performance conditions attached to the vesting of deferred shares and these awards vest subject to continued employment.

2020 LTIP (AUDITED)

Prior to their joining the Group Board, Mike Edwards was granted awards over 460,121 performance shares and 230,060 restricted shares and Ben Waldron was granted awards over 208,333 performance shares and 104,166 restricted shares under the LTIP on 14 October 2020 which vested on 14 October 2023. The performance share awards were based 100% on relative TSR targets measured over a three-year period ending on 13 October 2023 and vested in full and the restricted share awards were subject to a service condition only. These awards were not subject to a further two-year holding period.

PERFORMANCE SHARE AWARDS – VESTING

	Threshold (25% vesting)	Maximum (100% vesting)	Actual	Vesting (% of maximum)
Relative TSR[1] (100%)	Median rank	Upper quartile rank or higher	80.4% TSR, ranked in upper quartile	100%

1 TSR is measured over the three-year period commencing from 14 October 2020 against the following companies: Associated British Foods, A.G Barr, Britvic, Coca-Cola HBC, Compass Group, Cranswick, Diageo, Domino's Pizza Group, DP Eurasia NP, Fuller Smith & Turner, Greencore Group, Greggs, Hilton Food Group, JD Wetherspoon, J Sainsbury, Marston's, Mitchells & Butlers, Ocado Group, Premier Foods, Restaurant Group, SSP Group, Tate & Lyle, Tesco, Unilever and Whitbread.

Performance share awards granted to below Board employees were subject to a cap on vesting of £1.80. As the share price was less than £1.80 upon vesting, the cap was not enforced. The awards, consistent with the term of such awards granted to all below Board participants at the time, were not subject to a windfall gain adjustment provision.

TSR performance was such that the performance share award vested at 100% of the maximum and the Committee approved the vesting at this level. Consideration was given to the business performance over this period and with the positive progress on Group sales, Group EBIT, Group ROIC, net debt, leverage and ESG KPIs, the 100% vesting was felt appropriate.

2021 LTIP (AUDITED)

On 26 April 2021, Mike Edwards (in his role as UK COO) was granted awards over 545,872 shares and Ben Waldron (in his role as CFO) was granted awards over 419,818 shares which will vest on 26 April 2024. The performance shares were based on adjusted earnings per share (EPS) and total shareholder return (TSR) performance conditions, each with an equal weighting. The performance period for both measures ended in December 2023 and the awards will ordinarily become exercisable on the third anniversary of grant subject to continued service. These awards are subject to a two-year holding period.

	Threshold (25% vesting)	Maximum (100% vesting)	Actual	Vesting (% of maximum)
Relative TSR[1] (50%)	Median rank	Upper quartile rank or higher	Above upper quartile ranking	100%
EPS (50%)	12.7p	14.7p or higher	8.8p	0%

1 TSR is measured over the three-year period commencing from the start of FY21 against the following companies: Associated British Foods, A.G Barr, Britvic, Coca-Cola HBC, Compass Group, Cranswick, Diageo, Domino's Pizza Group, Fuller Smith & Turner, Greencore Group, Greggs, Hilton Food Group, JD Wetherspoon, J Sainsbury, Marston's, Mitchells & Butlers, Ocado Group, Premier Foods, SSP Group, Tate & Lyle, Tesco, Unilever and Whitbread.

The EPS performance over the period was such that there was no vesting in relation to this part of the award. This reflected higher inflation, higher interest rates and lower UK volumes than had been anticipated when the targets were agreed. For TSR, the Company finished in the upper quartile of the comparator group and therefore for this element, 100% will vest. As such, for Mike Edwards the number of shares vesting will be 272,936 and for Ben Waldron it will be 209,909. Performance share awards were subject to a cap on vesting of £3.60; however, as the share price was below the cap, the cap was not exceeded. Awards are subject to a post-vesting holding period and shareholding guidelines as per the Remuneration Policy.

As a consequence of the pandemic the 2020 LTIP awards were granted later than the usual April grant date and therefore there was no value assigned in respect of the 2020 LTIP in the 2022 single total figure of remuneration. The 2023 single total figure of remuneration therefore includes both the 2020 and 2021 LTIPs.

PAYMENTS TO FORMER DIRECTORS AND LOSS OF OFFICE PAYMENTS (AUDITED)

Peter Gates retired from the Group Board on 26 December 2020. He was granted awards over 1,118,051 performance shares (market value £718,012) under the LTIP on 15 September 2020 based 100% on relative TSR targets measured over a three-year period ending 14 September 2023. The TSR outcome has been tested and Bakkavor ranked in the upper quartile of the peer group and therefore a 100% performance vesting level was achieved. The awards were pro-rated to reflect Peter's service during the three-year vesting period and, accordingly, 126,697 awards vested (inclusive of accrued dividend equivalents). The vesting outcome was considered in relation to whether there should be any reduction to the vesting level to take into account any windfall gains. Having given serious consideration to this in the context of business performance over the three-year period, it was determined there would be no reduction. The Committee took into account the factors set out above in determining the previous CFO's vested awards, the size of the vested award after the pro rata reduction to reflect just over three months' employment during the 36-month vesting period and the overall experience and treatment of employees, customers and suppliers during the three-year period. Separately, in line with the LTIP rules, a two-year holding period applies to this vested award.

There were no payments to any Directors for loss of office in the year (2023).

PENSIONS DISCLOSURE (AUDITED)

During 2023 Mike Edwards received a non-pensionable salary supplement equal to 3% of pensionable earnings, in line with the workforce rate. Mike is, in addition, a deferred member of the Bakkavor Pension Scheme ("the Scheme") but no longer accrues a pension benefit under the Scheme. The value of the legacy benefit is shown below:

Executive Director	Defined benefit pension accrued at 30 December 2023	Defined benefit pension accrued at 31 December 2022
Mike Edwards	£43,183	£39,492

Mike's accrued pension ceased to be linked to salary from 31 March 2011 and now increases in line with the standard provisions that apply to all deferred members in the Scheme. No additional amount is due in the event of early retirement. The normal retirement age under the Scheme is 65.

B. Directors' share ownership and share interests

LTIP AND DEFERRED STIP AWARDS GRANTED IN 2023 (AUDITED)

On 12 April 2023 the following awards, structured as nil-cost options, were made under the LTIP to Executive Directors:

	Date of grant	Basis of award (% of salary)	Face value of awards at grant[1]	Number of shares under award	Date of vesting
Mike Edwards	12 April 2023	150%	£1,049,999	1,034,482	12 April 2026
Ben Waldron	12 April 2023	150%	£674,999	665,024	12 April 2026

1 Based on the three-day average share price of £1.015 to 11 April 2023. 25% vests for delivering threshold performance.

The awards will ordinarily become exercisable on the third anniversary of grant subject to continued service and to the extent to which adjusted earnings per share ("EPS") and total shareholder return ("TSR") performance conditions are satisfied that each apply with equal weighting. The Committee was comfortable that the EPS range was adjusted down to take account of the increase in corporation tax alongside higher interest rates. The performance period for both measures ends on 27 December 2025.

Relative TSR[1]	Earnings per share (for FY25)	Portion of award vesting
Below median	Less than 10.0p	0%
Median	10.0p	25%
Between median and upper quartile	Between 10.0p and 11.5p	Pro-rata on straight-line basis between 25% and 100%
Upper quartile	11.5p	100%

1 TSR is measured over the three-year period commencing from the start of FY23 against the following companies: Associated British Foods, A.G Barr, Britvic, Coca-Cola HBC, Compass Group, Cranswick, Devro, Diageo, Domino's Pizza Group, DP Eurasia NP, Fuller Smith & Turner, Greencore Group, Greggs, Hilton Food Group, JD Wetherspoon, J Sainsbury, Marston's, Mitchells & Butlers, Ocado Group, Premier Foods, Restaurant Group, SSP Group, Tate & Lyle, Tesco, Unilever and Whitbread.

Awards will be subject to a two-year post-vesting holding period following vesting as well as malus and clawback provisions.

On 12 April 2023, awards were granted under the Deferred STIP calculated as one third of the FY22 STIP as follows:

	Date of grant	Form of award	Face value of awards at grant[1]	Number of shares under award	Date of vesting
Mike Edwards	12 April 2023	Nil cost option	£55,063	54,249	12 April 2026
Ben Waldron	12 April 2023	Nil cost option	£42,674	42,042	12 April 2026

1 Based on the three-day average share price of £1.015 to 11 April 2023.

OUTSTANDING LTIP AND DEFERRED STIP AWARDS (AUDITED)

Details of all outstanding performance share awards ("PSAs"), restricted share awards ("RSAs") and Deferred STIP Awards ("DSTIPAs") held by Executive Directors:

	Award type[1]	Ex. price	Grant date	Interest at 1 Jan 2023	Awards granted in year	Awards vested in year	Awards exercised in year	Awards lapsed in year	Dividend equivalents	Interest at 30 Dec 2023[2]	Date of vesting
Mike Edwards	LTIP 2017	£0	1 July 2017	600,000	–	–	–	–	–	**600,000**	1 April 2020
	LTIP 2017	£0	1 July 2017	400,000	–	–	–	–	–	**400,000**	1 April 2022
	LTIP 2018 RSA	£0	9 April 2018	81,385	–	–	–	–	5,148	**86,533**	9 April 2021
	LTIP 2019 RSA	£0	9 April 2019	118,094	–	–	–	–	12,427	**130,521**	9 April 2022
	LTIP 2020 PSA	£0	14 Oct 2020	460,121	–	460,121	–	–	94,193	**554,314**	14 Oct 2023
	LTIP 2020 RSA	£0	14 Oct 2020	230,060	–	230,060	–	–	47,096	**277,156**	14 Oct 2023
	LTIP 2021 PSA	£0	26 Apr 2021	545,872	–	–	–	–	–	**545,872**	26 Apr 2024
	LTIP 2022 PSA	£0	13 Apr 2022	680,889	–	–	–	–	–	**680,889**	13 Apr 2025
	DSTIP 2022	£0	13 Apr 2022	138,055	–	–	–	–	–	**138,055**	13 Apr 2025
	LTIP 2023 PSA	£0	12 Apr 2023	–	1,034,482	–	–	–	–	**1,034,482**	12 Apr 2026
	DSTIP 2023	£0	12 Apr 2023	–	54,249	–	–	–	–	**54,249**	12 Apr 2026
Ben Waldron	LTIP 2017	£0.764	1 July 2017	134,163	–	–	–	–	–	**134,163**	1 April 2020
	LTIP 2020 PSA	£0	14 Oct 2020	208,333	–	208,333	–	–	42,648	**250,981**	14 Oct 2023
	LTIP 2020 RSA	£0	14 Oct 2020	104,166	–	104,166	–	–	21,324	**125,490**	14 Oct 2023
	LTIP 2021 PSA	£0	26 Apr 2021	419,818	–	–	–	–	–	**419,818**	26 Apr 2014
	LTIP 2022 PSA	£0	13 Apr 2022	559,228	–	–	–	–	–	**559,228**	13 Apr 2025
	DSTIP 2022	£0	13 Apr 2022	106,175	–	–	–	–	–	**106,175**	13 Apr 2025
	LTIP 2023 PSA	£0	12 Apr 2023	–	665,024	–	–	–	–	**665,024**	12 Apr 2026
	DSTIP 2023	£0	12 Apr 2023	–	42,042	–	–	–	–	**42,042**	12 Apr 2026

1 Ben Waldron and Mike Edwards received restricted share awards in their roles as Senior Executives prior to joining the Group Board.

2 Dividend equivalents added for all vested but unexercised LTIP awards (excluding 2017 pre-IPO LTIP) in 'Interest at 30 December 2023' column.

STATEMENT OF DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS (AUDITED)

The share interests of each Director as at 30 December 2023 (together with interests held by connected persons) are set out in the table below. To align Executives with the interests of shareholders, the Remuneration Committee has implemented shareholding guidelines for Executive Directors and key senior colleagues. The guidelines require that Executive Directors build up and maintain an interest in the Ordinary shares of the Company that is 200% of their annual base salary and retain half of any vested deferred STIP and post-IPO LTIP awards (net of any taxes due) until this guideline is met.

Shareholdings for Directors who have held office during the year ended 30 December 2023 are set out as a percentage of salary or fees in the table below. There were no options exercised during the year by Directors. During the period from 30 December 2023 to the publication of this report, there have been no changes in the Directors' share interests and none of the Directors hold any loans against their shares or otherwise use their shares as collateral.

	Beneficially owned shares 30 December 2023	Beneficially owned shares 31 December 2022	Vested but unexercised share awards	Unvested share awards – LTIP	Unvested share awards – DABP	**Total interests held at 30 December 2023**	Shareholding as a % of salary[2]
Executive Directors							
Mike Edwards	**–**	–	2,048,524	2,261,243	192,304	**4,502,071**	76.1%[1]
Ben Waldron	**59,902**	59,902	510,634	1,644,070	148,217	**2,362,823**	60.8%[1]
Non-executive Directors							
Simon Burke (Chairman)	**65,000**	50,000	–	–	–	**65,000**	n/a
Sanjeevan Bala	**–**	–	–	–	–	**–**	–
Umran Beba	**–**	–	–	–	–	**–**	–
Jill Caseberry	**–**	–	–	–	–	**–**	–
Patrick Cook	**–**	–	–	–	–	**–**	–
Agust Gudmundsson	**142,103,505**	142,103,505	–	–	–	**142,103,505**	n/a
Lydur Gudmundsson	**142,303,505**	142,303,505	–	–	–	**142,303,505**	n/a
Denis Hennequin	**–**	–	–	–	–	**–**	–
Jane Lodge	**50,000**	50,000	–	–	–	**50,000**	n/a

1 Calculation based on share price of £0.810 as at 30 December 2023.

2 Unvested shares or share options which are subject to a performance condition do not count towards the in-employment guideline. Unvested deferred STIP shares and vested LTIP awards (excluding pre-IPO awards) which remain unexercised are included on a net of tax basis and count towards the in-employment guideline.

C. Pay comparison

PERCENTAGE CHANGE IN DIRECTORS' REMUNERATION VERSUS EMPLOYEE PAY

The table below shows the percentage change in salary, benefits and STIP earned between the 2023 financial year and the prior year for the Group Board compared to the average earnings of all of the Group's other UK colleagues. The change in remuneration is also shown for the previous three years. Whilst the regulations require comparison against employees of the Company (being Bakkavor Group plc), the Remuneration Committee chose the Group's UK salaried colleagues for pay comparison with the CEO as the most meaningful comparator group as the Company itself does not have any employees.

	2023			2022			2021			2020		
	Salary/ fees	**Benefits**	**STIP**	Salary/ fees	Benefits	STIP	Salary/ fees	Benefits	STIP	Salary/ fees	Benefits	STIP
Mike Edwards	**32.3%**	**19.2%**	**430%**	10.0%	-16.1%	-63.4%	n/a	n/a	n/a	n/a	n/a	n/a
Ben Waldron	**9.8%**	**0%**	**340%**	10.8%	91.7%	-63.1%	n/a	n/a	n/a	n/a	n/a	n/a
Simon Burke (Chairman)[1]	**0%**	**-100%**	**n/a**	2.75%	n/a	n/a	2.75%	-100%	n/a	0%	n/a	n/a
Sanjeevan Bala[2]	**0%**	**100%**	**n/a**	146.3%	0%	n/a	n/a	n/a	n/a	–	–	–
Umran Beba[1]	**0%**	**20%**	**n/a**	2.75%	400%	n/a	2.75%	n/a	n/a	0%	n/a	n/a
Jill Caseberry[2]	**0%**	**0%**	**n/a**	23.2%	n/a	n/a	n/a	n/a	n/a	–	–	–
Patrick Cook	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Agust Gudmundsson[1]	**0%**	**100%**	**n/a**	-12.7%	18.2%	-71.4%	0%	1000%	n/a	0%	-75%	-100%
Lydur Gudmundsson[1]	**0%**	**-100%**	**n/a**	-72.3%	0%	n/a	2.75%	-50%	n/a	0%	-50%	n/a
Denis Hennequin[1]	**0%**	**n/a**	**n/a**	2.75%	n/a	n/a	2.75%	n/a	n/a	0%	n/a	n/a
Jane Lodge[1]	**0%**	**0%**	**n/a**	2.75%	100%	n/a	2.75%	-66.7%	n/a	0%	100%	n/a
Colleague average	**3.9%**	**n/a**	**300%**	2.9%	0%	-66.7%	2.75%	0%	200%	0%	n/a	61.3

1 As part of the swift actions taken by the Group Board to preserve cash at the onset of the pandemic, the Group Board agreed on voluntary reductions in salary/fees for three months from April to June 2020. The Chairman and Non-executive Directors took a 50% reduction in fees, whilst the Group's founders (CEO at the time, Agust Gudmundsson and Non-executive Director, Lydur Gudmundsson) did not take a salary or fee during this period. These temporary salary and fee reductions have been excluded to enable easier like-for-like comparisons between 2020 and 2021.

2 NED fees in 2022 comparison are the standard NED fees however the year-on-year numbers vary due to pro-rata calculations using part-year figures from prior year.

CEO PAY RATIO

In line with the reporting regulations, set out below is the ratio of CEO pay compared to the pay of UK full-time equivalent colleagues of the Group for the financial year ended 30 December 2023. We expect the pay ratio to vary from year to year, driven largely by variability in incentive outcomes for the CEO, which will significantly outweigh any other general employee pay changes at Bakkavor. The CEO single total figure remuneration for 2023 of £2,418k is used in the table below. It should be noted this number is elevated due to the 2023 single total figure including values for both the 2020 and 2021 LTIPs. Taking this into account, the Remuneration Committee is satisfied that the pay ratio is reasonable and consistent with the Company's wider policies on colleague pay, reward and progression.

	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023	Option B	102:1	86:1	73:1
2022	Option B	49:1	40:1	40:1
2021	Option B	69:1	59:1	46:1
2020	Option B	41:1	34:1	28:1
2019	Option B	56:1	39:1	36:1

The key reasons for the significant increase in the pay ratio from full-year ended 2022 is the higher payment for the STIP in 2023 (100% of the maximum) compared to 2022 (25% of the maximum) as well as the vesting of the delayed 2020 LTIP and 2021 LTIP vesting versus no LTIP vesting in 2022. For this reason, the Group believes the median pay ratio for the relevant financial year is consistent with the pay, reward and progression policies for the Group's UK colleagues taken as a whole.

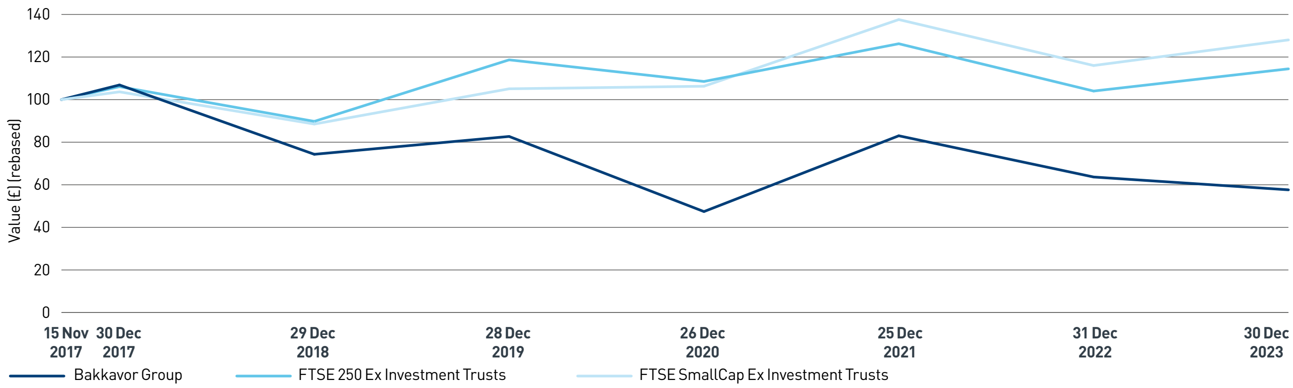
Bakkavor has calculated the pay ratio using Option B alongside its gender pay data, as it involved the simplest method of calculation, given our large number of colleagues. The gender pay gap data from the pay date of 5 April 2023 was used to identify colleagues at the 25th, 50th and 75th percentiles who are all full time colleagues. Data was analysed for a number of colleagues around each quartile figure to ensure that there were no anomalies and to ensure an appropriate representation of P25, P50 and P75. Remuneration for each of these individuals was then re-calculated for FY23, as at 30 December 2023, in line with the methodology for calculating the CEO's remuneration. The Remuneration Committee is satisfied that the resulting figures are reasonable and are appropriately representative for the purposes of the CEO pay ratio calculations. Set out in the table below is the base salary and total pay and benefits for each of the percentiles.

	25th percentile	Median	75th percentile
Salary	£22,914	£28,136	£32,178
Total pay and benefits	£23,602	£28,136	£33,180

TOTAL SHAREHOLDER RETURN (TSR) AND CEO SINGLE FIGURE HISTORY

The chart below shows the Company's TSR performance compared with that of the FTSE 250 Index (excluding investment trusts) and the FTSE SmallCap over the period from the date of the Company's Admission to the London Stock Exchange to 30 December 2023. The FTSE 250 and SmallCap indices are considered by the Group Board to be the most appropriate broad equity comparator indices for Bakkavor as it has been a member of each in the recent period.

TSR is defined as the return on investment obtained from holding a company's shares over a period. It includes dividends paid, the change in the capital value of the shares and any other payments made to or by shareholders within the period.



Source: Datastream (a LSEG product).

CEO SINGLE FIGURE HISTORY

	CEO	CEO single figure of total remuneration £'000	Annual STIP payout as a proportion of maximum	LTIP vesting as a proportion of maximum
2023[1]	Mike Edwards	2,418	100%	100/50%
2022[2]	Mike Edwards	161	25%	n/a
2022[2]	Agust Gudmundsson	837	25%	n/a
2021	Agust Gudmundsson	1,278	75%	n/a
2020	Agust Gudmundsson	694	0%	n/a
2019	Agust Gudmundsson	987	12.4%	n/a
2018	Agust Gudmundsson	864	0%	n/a

1 The 2023 figure includes both the delayed 2020 and 2021 LTIPs for Mike Edwards which vested at 100% and 50% respectively.

2 The 2022 figures for Mike Edwards and Agust Gudmundsson are based on their respective periods in post as Chief Executive during the 2022 financial year. Agust Gudmundsson did not participate in the LTIP.

RELATIVE IMPORTANCE OF THE SPEND ON PAY

The following table shows the Company's actual spend on pay for all Group colleagues relative to dividends:

	2023	2022	% change
Staff costs[1]	£591.9m	£594.7m	-0.5%
Dividends	£40.8m	£38.8m	5.2%

1 Note 8 of the Financial Statements.

D. Remuneration Committee membership, governance and voting

REMUNERATION COMMITTEE MEMBERSHIP

The Remuneration Committee in 2023 comprised Jill Caseberry as Chair of the Committee, Umran Beba and Sanjeevan Bala, all independent Non-executive Directors. The Committee met four times during the year and all Committee members were present. The biographies of the Remuneration Committee members are set out on pg 88.

Members of management, including the CEO, the CFO, the CPO, the Group Head of Reward and the independent adviser to the Remuneration Committee, are invited to attend meetings where appropriate. The Group Company Secretary and General Counsel is the secretary to the Remuneration Committee. Attendees are not involved in any decisions and are not present for any discussions regarding their own remuneration. The Company Chairman may attend meetings but is not present when his own remuneration arrangements are being decided.

INDEPENDENT ADVISERS

The Remuneration Committee takes account of information from both internal and independent sources, including FIT Remuneration Consultants LLP ("FIT") who act as the Remuneration Committee's independent adviser. FIT was appointed by the Remuneration Committee as a result of a tender process and advised the Remuneration Committee on all aspects of Senior Executive remuneration, including remuneration trends and corporate governance best practice.

FIT is a founder member of the Remuneration Consultants' Group and complies with its Code of Conduct, which sets out guidelines to ensure that its advice is independent and free of undue influence. The Remuneration Committee reviews the performance and independence of its advisers on an annual basis. The Remuneration Committee was satisfied that FIT's advice was independent and objective. Bakkavor incurred fees of £59,900 excluding VAT during 2023 relating to Remuneration Committee advice. FIT billed on a time and materials basis and did not provide any other services other than share plan implementation advice to Bakkavor during 2023.

SHAREHOLDER VOTING

The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the Company seeks to understand the reasons for any such vote and will report any actions in response to it. The following table sets out actual voting at the AGM on 31 May 2023 in respect of the Directors' remuneration report for the year ended 30 December 2022 and at the AGM on 20 May 2021 in respect of the previous Directors' Remuneration Policy:

	Remuneration report	
At AGM 31 May 2023	Total number of votes	% of votes cast
For and Discretionary[1]	564,103,863	99.85%
Against	862,259	0.15%
Total votes cast (excluding withheld votes)	**564,966,122**	**100.0%**
Total votes withheld	4,145	0.0%
Total votes cast (including withheld votes)	**564,970,267**	**100.0%**

1 There were no discretionary votes.

	Remuneration Policy	
At AGM 20 May 2021	Total number of votes	% of votes cast
For and Discretionary[1]	560,488,633	99.72%
Against	1,552,056	0.28%
Total votes cast (excluding withheld votes)	**562,040,689**	**100.0%**
Total votes withheld	625	0.0%
Total votes cast (including withheld votes)	**562,041,314**	**100.0%**

1 13,951 were based on discretionary votes.

E. Implementation of Remuneration Policy in 2024

	Mike Edwards	Ben Waldron
Annual base salary	• 2024: £728,000 (an increase of 4%). • From 1 November 2022: £700,000. (upon promotion to CEO).	• 2024: £468,000 (an increase of 4%). • From 1 December 2022: £450,000 (upon promotion to CFO and Asia CEO and to reflect additional responsibilities).
	• The average 2024 increase for the UK salaried workforce is c.5.3% with typical increases ranging from 4% to 6%.	
Benefits and pension	• Pension contribution is workforce aligned at 3% of salary. • Benefits are provided in line with the approved Remuneration Policy.	
STIP	2024 STIP maximum is 125% of salary. • For 2024, the STIP for the Executive Directors will comprise three measures, namely Group adjusted. EBIT (75%), colleague engagement measured through employee turnover (12.5%) and UK food waste (12.5%). • Specific targets have not been disclosed in advance as this would give a clear indication of the Group's business objectives, which are commercially sensitive. Full details of the targets and performance against them will be disclosed in the 2024 Annual Report and Accounts. • The employee turnover metric for 2024 will be based on a slightly different methodology which better enables external comparison. The 2024 targets take into account this new methodology. Financial measures will be subject to an underlying performance override, enabling them to be scaled back to reflect the Group's underlying performance. Malus and clawback provisions apply. • In line with the Remuneration Policy, one-third of any STIP earned will be deferred for three years, conditional upon continued employment.	

<table>
<tr><th></th><th>Mike Edwards</th><th>Ben Waldron</th></tr>
<tr><td>Long-Term Incentive Plan awards</td><td colspan="2">

The Remuneration Committee intends to grant awards of nil-cost options under the LTIP in April 2024 to the CEO and CFO in line with the Remuneration Policy.
Awards will have a face value of up to 150% of salary, with the exact number of shares to be granted to be determined with reference to the prevailing share price around the date of grant.
The awards will be subject to EPS (40%), relative TSR (measured against a bespoke group of food and drink companies) (45%) and carbon emissions (15%).
The adjusted EPS target requires a minimum performance of 10.0p to trigger threshold vesting (25% of that element) with performance of 11.5p to achieve maximum. For performance outcomes between threshold and maximum, the vesting percentage will be determined on the basis of a straight-line sliding scale. In setting these targets, the Committee took into account the Group's strategic plan and market expectations based on analyst forecasts and is confident that the targets are stretching for the three-year performance period.
The relative TSR performance condition is unchanged from the FY23 award with performance assessed over the period FY24 to FY26, relative to the following bespoke group of sector peers: A.G. Barr, Associated British Foods, Britvic, Coca-Cola HBC, Compass Group, Cranswick, Devro, Diageo, Domino's Pizza Group, DP Eurasia NV, Fuller Smith & Turner, Greencore Group, Greggs, Hilton Food Group, JD Wetherspoon, J Sainsbury, Marston's, Mitchells & Butlers, Ocado Group, Premier Foods, Restaurant Group, SSP Group, Tate & Lyle, Tesco, Unilever (UK) and Whitbread. Performance will need to be median to trigger threshold vesting (25% of that element) and at least upper quartile to trigger full vesting of that element. For performance outcomes between threshold and maximum, the vesting percentage will be determined on the basis of a straight-line sliding scale.
The carbon emissions element of our LTIP requires a reduction of 11,100 tonnes to trigger threshold vesting (25% of that element) with performance of a reduction of 12,210 tonnes to achieve maximum. For performance outcomes between threshold and maximum, the vesting percentage will be determined on the basis of a straight-line sliding scale. In setting these targets, the Committee took into account the Group's strategic plan for reductions in Scope 1 and 2 emissions by the end of 2026 which is aligned with the annual decrease required to meet our 2030 target which has been prepared in line with recommendations from the Science Based Targets initiative ("SBTi") and is confident that the targets are stretching for the three-year performance period.
In line with our usual approach, a windfall gain assessment will be made at the time of grant. In addition, before an award vests the Remuneration Committee must be satisfied that the underlying performance of the Group is satisfactory. The Remuneration Committee believes that having a performance override is an important feature of the plan as it mitigates the risk of unwarranted vesting outcomes.
Awards will be subject to a two-year holding period following vesting as well as malus and clawback.

</td></tr>
</table>

NON-EXECUTIVE DIRECTORS' FEES FOR 2024

Fees for the Non-executive Directors and Chairman have been increased for FY24 by 4% effective 1 January 2024 and are as follows:

	Fee
Chairman	£219,597
Base Non-executive Director fee	£76,859

Notes:
Patrick Cook did not receive any fees for his role as Non-executive Director.

No additional fee is payable to any Non-executive Directors for additional responsibilities such as serving on a Committee of the Group Board. Each Non-executive Director is also entitled to reimbursement of reasonable expenses, including international travel expenses.

On behalf of the Group Board

Jill Caseberry
Chair, Remuneration Committee
4 March 2024

Our Directors' report

The Directors present their report, together with the audited Group Financial Statements, for the year ended 30 December 2023.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Bakkavor Group plc produces Fresh Prepared Food in its three markets: the UK; the US; and China. The Company employs c.18,000 colleagues worldwide and is headquartered in London, UK.

DIRECTORS' REPORT CONTENT

For the purposes of the Companies Act 2006, the Strategic Report, the corporate governance report and the Directors' remuneration report are all incorporated by reference into, and should be read as part of, this report.

REGISTERED OFFICE

Bakkavor Group plc is incorporated as a public limited company and is registered in England with the number 10986940. Bakkavor Group plc's registered office is Fitzroy Place, 5th Floor, 8 Mortimer Street, London, England, W1T 3JJ.

Our registrars are Equiniti Limited, located at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

CORPORATE GOVERNANCE STATEMENT

In compliance with the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rules ("DTRs") Rule 7, the corporate governance statement, Board Committees' reports, and Directors' remuneration report are included in this Directors' report.

Our corporate governance statement sets out how the Group complies with the 2018 UK Corporate Governance Code ("the Code"). It also explains the composition and operation of the Group Board and its Committees.

READ MORE:
Corporate governance compliance statement pg 86.
Group Board pg 88.

All required disclosures have been made and the Group has complied with the Code throughout the accounting period.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Report) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the Company's statement on engagement with, and having due regard to, the interests of colleagues and key stakeholders is contained within the Section 172 statement in the Strategic Report.

READ MORE pg 64.

STRATEGIC REPORT

Section 414A of the Companies Act 2006 ("the Act") requires the Directors to present a Strategic Report in the Annual Report and Accounts. The Directors are satisfied with the Group's net asset position as at 30 December 2023.

MANAGEMENT REPORT

For the purposes of DTR Rules 4.1.5R (2) and 4.1.8, the Directors' report and the Strategic Report comprise the management report.

DISCLOSURES

This Directors' corporate governance report fulfils the requirements of the Directors' report for the purposes of the Act. The Strategic Report encompasses our ESG strategy, Trusted Partner.

READ MORE pg 2.

In line with the Regulations which implement the European Union Accounting Directive (SI 2015/980), a complete list of the Group's subsidiaries has been included on pg 217 to comply with section 409 of the Act.

We have chosen, in accordance with the Act, to include certain information in our Strategic Report or Financial Statements that would otherwise be required in the Directors' report. The table below outlines where further information on these topics can be found:

	Page
Important events since the financial year end	210
Likely future developments in the business	20
Research and development	151
Use of financial instruments	16
Colleague engagement	64
Greenhouse gas emissions	61
Risk management and risks	72
Details of subsidiaries	217

LISTING RULE 9.8.4 DISCLOSURES

In accordance with Listing Rule 9.8.4 of the FCA's Listing Rules, the table below sets out the location of the following sections/information within the Annual Report and Accounts:

Listing Rule 9.8.4	Required disclosure	Page reference
(1)	Interest capitalised and tax relief	Note 9 to the Financial Statements
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of long-term incentive schemes	Note 31 to the Financial Statements and pg 131 of Directors' remuneration report
(5)	Waiver of emoluments by a Director	Pg 126 of Directors' remuneration report
(6)	Waiver of future emoluments by a Director	Pg 126 of Directors' remuneration report
(7)	Non pre-emptive issues of equity for cash	Not applicable
(8)	Non pre-emptive issues of equity for cash by major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance involving a Director	Pg 150 of Directors' report
(11)	Provision of services by a controlling shareholder	Pg 150 of Directors' report
(12)	Shareholder waivers of dividends	Not applicable
(13)	Shareholder waivers of future dividends	Not applicable
(14)	Agreements with controlling shareholders	Pg 150 of Directors' report

RESULTS

READ MORE:
Financial review pg 68.
Consolidated income statement pg 166.

DIVIDEND

An interim dividend of 2.91p per Ordinary share was paid on 13 October 2023 to shareholders whose names were in the register of members as at 15 September 2023. The Group Board will propose a final dividend of 4.37 pence per Ordinary share at the Company's AGM on 23 May 2024. This will result in a total dividend for the financial year 2023 of 7.28 pence per Ordinary share. Subject to shareholder approval, the final dividend declared at the AGM will be paid on 29 May 2024 to shareholders on the register of members as at close of business on 26 April 2024.

The Group's profit after tax for the financial year amounts to £53.9m.

BOARD OF DIRECTORS

The profiles of the Directors of the Company who were in office during the year and up to the date of signing the Financial Statements are set out in this report.

READ MORE pg 88.

An agreed list of matters for the Directors' consideration is set out in the Schedule of Matters Reserved to the Group Board, which is reviewed and updated annually and is available on the Bakkavor website at bakkavor.com/en/investors/governance/.

APPOINTMENT AND RETIREMENT OF DIRECTORS

The rules governing the appointment and replacement of Directors can be found in the Articles, the Code, the Act and related legislation. Under the Terms of Reference of the Nomination Committee, the appointment of Directors must be recommended by the Nomination Committee for approval by the Group Board. The process for appointment and removal of Directors is captured in the Terms of Reference of the Nomination Committee. Pursuant to the provisions of the Code, at each AGM, all Directors will retire and stand for election or re-election to the Group Board.

READ MORE pg 88.

Name	Role	Effective date of first appointment
Sanjeevan Bala	Independent Non-executive Director	1 August 2021
Simon Burke	Chairman	20 October 2017
Bob Berlin	Non-independent Non-executive Director	16 January 2024
Umran Beba	Independent Non-executive Director	1 September 2020
Jill Caseberry	Independent Non-executive Director	1 March 2021
Patrick Cook[1]	Non-independent Non-executive Director	12 July 2018
Mike Edwards	Chief Executive Officer	27 December 2020
Agust Gudmundsson	Non-independent Non-executive Director	28 September 2017
Lydur Gudmundsson	Non-independent Non-executive Director	20 October 2017
Denis Hennequin	Independent Non-executive Director	20 October 2017
Jane Lodge	Independent Non-executive Officer	3 April 2018
Ben Waldron	Chief Financial Officer and Asia CEO	27 December 2020

1 Patrick Cook stepped down from the Group Board on 16 January 2024.

Subject to applicable law, the Articles and any directions given by special resolution, the business of the Company will be managed by the Group Board, which may exercise all powers of the Company.

DIRECTORS' INSURANCE AND INDEMNITIES

Bakkavor has made qualifying third-party indemnity provisions (as defined in the Act) for the benefit of its Directors. These provisions were in force throughout the year and remain at the date of approval of this Annual Report and Accounts. In accordance with the Articles, and to the extent permitted by law, Bakkavor may indemnify its Directors out of its own funds to cover liabilities arising as a result of their office.

Bakkavor holds Directors' and Officers' liability insurance cover for any claim brought against Directors or Officers for wrongful acts in connection with their positions, but the cover does not extend to claims arising from dishonesty or fraud.

SERVICE CONTRACTS

The Company's policy regarding Directors' service contracts and appointment terms takes account of market practice and their notice periods are not excessive. No Director has a service contract with a notice period in excess of one year.

DIRECTORS' INTERESTS IN COMPANY SHARES

Directors' direct and indirect shareholding interests which have been notified to the Company as of 30 December 2023 and as at the date of the publication of this report are set out in the table below. There were no changes to the shareholding interests between 30 December 2023 and the date of publication:

	30 December 2023		Date of publication	
Name	Number of shares	% of voting rights	Number of shares	% of voting rights
Simon Burke	65,000	0.01%	65,000	0.01%
Agust Gudmundsson	142,103,505	24.52%	142,103,505	24.52%
Lydur Gudmundsson	142,303,505	24.56%	142,303,505	24.56%
Jane Lodge	50,000	0.01%	50,000	0.01%
Ben Waldron	59,902	0.01%	59,902	0.01%

ARTICLES OF ASSOCIATION

The Company's Articles of Association set out the objects and powers of the Company. The Company's Articles of Association may be amended by a special resolution passed by the shareholders at an AGM or EGM of the Company. A copy of the Articles of Association can be obtained from the Company's website, bakkavor.com/en/investors/governance.

SHARE CAPITAL AND CAPITAL STRUCTURE

The Company's issued share capital as at 30 December 2023 comprised a single class of shares divided into Ordinary shares of 2 pence each. At the date of publication, the Company's issued share capital comprised 579,425,585 Ordinary shares. Details of the Company's issued share capital are also shown in Note 28 to the Consolidated Financial Statements.

Details of colleague share schemes are set out in Note 31 to the Consolidated Financial Statements.

RESTRICTIONS ATTACHING TO SHARES

In line with the Articles of Association of the Company, the Company has a single class of share which carries no right to fixed income. Each share is non-redeemable, carries equal voting rights and ranks equally for dividends and capital distributions, whether on a winding up or otherwise.

There are no specific restrictions on the size of a holding nor on the transfer of Ordinary shares, which are both governed by the general provisions of the Articles and prevailing legislation. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or that may result in restrictions on voting rights.

There are no persons who hold securities carrying special rights regarding the control of the Company.

POWERS FOR THE COMPANY ISSUING OR BUYING BACK SHARES

Under the Articles, the Group Board has general and unconditional authority for each prescribed period to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company in accordance with section 551 of the Act.

The Company was given authority at the 2023 AGM to make market purchases of up to 10% of its issued share capital as permitted under the Articles. This standard authority is renewable annually; the Directors will seek to renew this authority at the AGM on 23 May 2024.

During the period ending 31 December 2022, the Company began purchasing shares through an Employee Benefit Trust called The Bakkavor Group plc Employee Benefit Trust ("the Trust"). These shares are held to satisfy share awards under the Group's share scheme plans. Own shares purchased are recorded at cost and deducted from equity. The number of Ordinary shares of £0.02 each held by the Trust at 30 December 2023 was 4,567,073 (30 December 2022: 2,940,514) and the aggregate amount of the consideration paid by the Company was £5.5m and as at the date of publication of this report is £5.8m. This represents 0.79% of total called up share capital at 30 December 2023 (31 December 2022: 0.51%). Total cash purchases made through the Trust during the year amounted to £2.4m (2022: £3.1m). No own shares held by the Company were cancelled during the periods presented.

A special resolution will be proposed to renew the Directors' authority to repurchase the Company's shares within certain limits and as permitted by the Articles at the AGM on 23 May 2024.

SIGNIFICANT AGREEMENTS AND RELATIONSHIPS CHANGE OF CONTROL

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts, property lease arrangements and colleague share plans. During the year under review, there were no contracts of significance impacting on the business of the Group as a whole involving a Director (except as explained below).

The agreement that governs the Company's term loan and Revolving Credit Facilities ("Facilities Agreement") provides that, on a change of control, any lender may on notice cancel its commitments under the Facilities Agreement. In the event of a takeover, the exercise by the lenders under the Facilities Agreement of the right to cancel could have a significant impact on the business of the Group, as the outstanding amounts thereunder would become immediately due and payable.

The Directors are not aware of any agreements between the Company and its Directors or colleagues that provide for compensation for loss of office or employment that occurs because of a takeover bid.

There are no colleague share scheme rights with regard to control of the Company.

SHAREHOLDER RELATIONSHIP AGREEMENTS

On 12 January 2024, BP-PE5 L.L.C. (an affiliate of the Baupost Group, "Baupost") sold its entire shareholding, representing 20.1% of the share capital in the Company, to LongRange Capital Fund I, L.P. and its affiliates ("LongRange Capital"). Pursuant to this, the Company's relationship agreement with Baupost terminated. The Company entered into a relationship agreement with LongRange Capital on 16 January 2024 ("the relationship agreement") to regulate the ongoing relationship between the Company and LongRange Capital. The key terms of the relationship agreement are available on the Company's website at www.bakkavor.com/en/investors/shareholder-information.

CONTROLLING SHAREHOLDERS

The aggregate shareholding in the Company of Carrion Enterprises Ltd (the corporate holding structure of Agust Gudmundsson), Umbriel Ventures Ltd (the corporate holding structure of Lydur Gudmundsson) and their concert party group (the "controlling shareholders") is 50.19%. The Company is party to a relationship agreement with Carrion Enterprises Ltd, Umbriel Ventures Ltd, the trustee(s) of The A.G. Trust (which owns 100% of Carrion Enterprises Ltd) and the trustee(s) of The L.G. Trust (which owns 100% of Umbriel Ventures Ltd).

Lixaner Co Ltd (an entity which is a concert party of Carrion Enterprises Ltd and Umbriel Ventures Ltd following its acquisition of shares in the Company on 23 May 2019) executed a Deed of Adherence to the relationship agreement on 15 April 2020 and is duly bound by its terms.

This agreement regulates the relationship between the Company and the controlling shareholders as required by the Listing Rules, including Listing Rule 9.2.2AR(2)(a) and Listing Rule 6.1.4DR. In accordance with the requirements of Listing Rule 9.8.4R(14), the Group Board confirms that: (i) the Company has complied with the independence provisions set out in the relationship agreement during the period under review; and (ii) so far as the Company is aware, the controlling shareholders complied with the independence provisions set out in the relationship agreement during the period under review.

There were no contracts for the provision of services to the Group by a controlling shareholder, other than under their service contract or letter of appointment.

READ MORE pg 124.

SUBSTANTIAL SHAREHOLDING

The Group has been notified in accordance with the Financial Conduct Authority's ("FCA") Disclosure Guidance and Transparency Rules ("DTRs"), or was otherwise aware, that the following held, or were beneficially interested in, 3% or more of Bakkavor's issued Ordinary shares.

		30 December 2023		Date of publication	
Name	Nature of holding	Number of Ordinary shares	% of voting rights	Number of Ordinary shares	% of voting rights
Carrion Enterprises Ltd (corporate holding structure of Agust Gudmundsson)	Indirect	142,103,505	24.52	142,103,505	24.52
Umbriel Ventures Ltd (corporate holding structure of Lydur Gudmundsson)	Indirect	142,303,505	24.56	142,303,505	24.56
BP-PE5 L.L.C. (corporate holding structure of the Baupost Group)	Indirect	119,136,741	20.56	–	–
LongRange Capital Fund I, L.P.[1]	Indirect	–	–	116,468,928	20.10
FIL Limited[2]	Indirect	58,134,640	10.03	58,134,640	10.03
Aberforth Partners LLP	Indirect	42,853,002	7.40	42,853,002	7.40

1 Shares purchased on 12 January 2024.

2 FIL Limited is the Ultimate controlling entity for shares held by FIL Investment Advisors (UK) Limited and FIL Pensions Management.

ENGAGEMENT WITH SHAREHOLDERS

In accordance with the Code and the UK Stewardship Code, the Group Board promotes engagement and interaction between the Group and its major shareholders.

Opportunities are created for investors and shareholders to engage directly with the Chairman, Senior Independent Director, Audit and Risk and Remuneration Committee Chairs, CEO and CFO. An appropriate range of investor relation conferences and events were attended in 2023 following the publication of full-year and half-year financial results.

ANNUAL GENERAL MEETING

Bakkavor's AGM provides the Group Board with the opportunity to communicate with private and institutional investors, with time set aside at the meeting for shareholders to ask questions.

At the AGM, the Chairman provides a brief summary of the Company's activities during the previous year. All resolutions at the last AGM were duly passed. As recommended by the Code, all resolutions were voted on separately and the final voting results, which included all votes cast for, against and withheld, were released to the London Stock Exchange as soon as practicable after the meeting.

This year's AGM on 23 May 2024 will be in person. Full details of the 23 May 2024 AGM are set out in the Notice of AGM, including: general arrangements; the resolutions to be proposed; shareholders' rights with respect to attendance; participation in the meeting; and the process for submission of proxy votes in advance of the meeting.

The Notice of AGM and additional information for shareholders can be found on the Company's website at bakkavor.com/en/investors.

RESEARCH AND DEVELOPMENT

Developing innovative new products remains core to our business. The Group uses insights gained through analysis of consumer research and data, as well as knowledge of food trends sourced from around the world, to build an understanding of what consumers desire. Teams of chefs and product development experts continuously create and test recipes, and work collaboratively with the Group's commercial and marketing teams to ensure products taste great, are commercially viable and reinforce the Group's market-leading position.

COLLEAGUES WITH DISABILITIES

Applications by candidates with disabilities are given full and fair consideration with regard to their aptitudes and abilities. Where existing colleagues develop a disability, every effort is made to ensure that their employment with Bakkavor continues, and any reasonable adjustments are made to accommodate them. All adjustments are considered on an individual basis, supported by medical opinion, and include, but are not limited to: physical changes to the workplace; phased return to work; providing specific equipment to support their daily work routine; allocating some duties to a co-worker; and allowing paid time off work for rehabilitation, assessment or treatment. Appropriate training is also provided.

It is the policy of the Group that the training, career development and promotion of colleagues with disabilities should, as far as possible, be the same as that of our other colleagues.

COLLEAGUE ENGAGEMENT

Open and constructive communication allows us to hear views from all levels of the business, keeping our over c.18,000 colleagues informed and updated on economic and financial factors. Regular updates are posted on the intranet and engagement events are hosted with members of the Senior Executive Team. Colleagues are provided with information on matters of concern to them in their work through regular briefing meetings and internal publications.

Colleagues have regular performance reviews, with their goals aligned to supporting business performance and their individual career development. Certain colleagues are eligible to receive a bonus, which is typically linked to certain financial and non-financial metrics.

We perform a Group-wide Employee Engagement Survey annually and our latest survey, completed in September 2023, had a response rate of 88%. The 2023 survey provided valuable insights that were analysed at local, site, business, function and Group level and have fed into localised action plans and informed our colleague priorities.

Additionally, our UK Group Employee Forum ("GEF") and Site Employee Forum ("SEF") create an open and regular channel of communication between colleagues and management. SEF representatives are elected by peers and play a vital role in sharing best practices across sites, supporting local causes and charities, providing support and seeking advice. The GEF comprises SEF representatives at Group level.

This year, Sanjeevan Bala, the Company's designated workforce engagement Non-executive Director, held a number of workforce engagement sessions on the involvement of the SEF in staff pay negotiations, site conditions and extending the variety of products available for colleagues at our staff shops. We received updates on Bakkavor's wellbeing activities, with a particular focus and commitment on mental health. Sanjeevan also presented to the GEF to explain Executive Reward at Bakkavor and enhanced transparency around pay and benefits. Colleagues were shown a presentation on the alignment of executive remuneration with the wider Company Pay Policy and discussed how the culture of Bakkavor is taken into account when setting pay and benefits. The sessions captured a desire from colleagues to incorporate ESG metrics in future Executive Rewards which was fed back to the Remuneration and ESG Committees and led to the introduction of UK food waste as an additional measure to the STIP, alongside employee turnover.

The Directors also engage with our colleagues regarding their interests and the principal decisions taken by the Company during the financial year can be found in the section 172(1) statement.

READ MORE:
Board's key activities pg 95.
ESG: Trusted Partner pg 38.

GREENHOUSE GAS EMISSIONS, ENERGY CONSUMPTION AND ENERGY EFFICIENCY ACTION

We report our emissions, energy consumption and energy efficiency action planning in accordance with the Task Force on Climate-related Disclosures ("TCFD") within our Strategic Report section. All data shown is for the calendar year and at a Group level, unless specified.

READ MORE pg 50.

STREAMLINED ENERGY AND CARBON ("SECR") REPORTING

Bakkavor reports SECR data in the Strategic Report as permitted under s414(C) of the Companies Act 2006 including (i) emissions (pg 61-63), (ii) energy consumption (pg 61) and (iii) energy efficiency actions (pg 60).

CHARITABLE DONATIONS

Bakkavor believes in giving back to the communities in which we operate. Our Charity and Political Donations Policy sets out ways to channel charitable giving: through monetary and product donations, supporting our colleagues in their fundraising efforts and advocating skills and volunteering events. We never use charitable donations as a means to gain improper influence and all monies given to charity in Bakkavor's name are subject to due process.

As part of our corporate charity partnerships, in 2023, Bakkavor Group donated £236,000 to charities. This included c.£80,000 to GroceryAid and c.£50,000 to the Natasha Allergy Research Foundation.

READ MORE pg 44.

POLITICAL DONATIONS

Bakkavor does not give financial donations nor support to political individuals, representatives, parties or causes in any country in which we operate. No political donations were made during the financial year.

FINANCIAL INSTRUMENTS

Please refer to Note 27 to the Group Financial Statements.

FINANCIAL RISK MANAGEMENT

Please refer to Note 27 to the Group Financial Statements.

GOING CONCERN

The Directors have reviewed the historical trading performance of the Group and the forecasts through to March 2025.

The Directors, in their detailed consideration of going concern, have reviewed the Group's future revenue projections and cash requirements, which they believe are based on prudent interpretations of market data and past experience.

The Directors have also considered the Group's level of available liquidity under its financing facilities. The Directors have carried out a robust assessment of the significant risks currently facing the Group. This has included scenario planning on the implications of further inflation and the potential impact of lower sales volumes from reduced consumer demand in response to increasing retail prices.

Having taken these factors into account under the scenario, which is considered to be severe but plausible, the Directors consider that adequate headroom is available based on the forecasted cash requirements of the business. At the date of this report, the Group has complied in all respects with the terms of its borrowing agreements, including its financial covenants, and forecasts to continue to do so in the future.

Consequently, the Directors consider that the Company and the Group have adequate resources to meet their liabilities as they fall due for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

READ MORE:
Risk management and risk pg 72.
Note 2 of the Financial Statements.

VIABILITY STATEMENT

In line with Provision 31 of the Code, the Group Board has carried out a thorough review of the prospects of the Group and its ability to meet its liabilities through to at least the end of December 2026 and considers that the Group will be able to continue in operation over the three-year period to the end of December 2026.

READ MORE pg 81.

DIRECTORS' STATEMENT AS TO THE DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the Auditors in connection with preparing their report, of which the Auditors are unaware. Each Director has taken all the steps that he or she is obliged to take as a Director in order to make himself or herself aware of any relevant audit information, and to establish that the Company's Auditors are aware of that information. This confirmation is given pursuant to s418 of the Act and should be interpreted in accordance with and subject to these provisions.

SUBSEQUENT EVENTS

On 12 January 2024, Baupost, who previously held a significant shareholding (20.1%) in the Group, sold its entire stake to LongRange Capital and Bob Berlin was appointed as the representative director for LongRange Capital on 16 January 2024.

The Directors' report was approved by the Group Board on 4 March 2024.

By order of the Group Board

ABannerman

ANNABEL TAGOE-BANNERMAN

Group General Counsel and
Company Secretary Bakkavor Group plc
4 March 2024

Statement of Directors' responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with UK-adopted international accounting standards and the Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable UK-adopted international accounting standards have been followed for the Group Financial Statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company Financial Statements, subject to any material departures disclosed and explained in the Financial Statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements and the Directors' remuneration report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

DIRECTORS' CONFIRMATIONS

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Annual Report and Financial Statements, confirm that, to the best of their knowledge:

- The Group Financial Statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group.
- The Company Financial Statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company.
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

- So far as the Director is aware, there is no relevant audit information of which the Group's and Company's Auditors are unaware.
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's Auditors are aware of that information.

Mike Edwards BJ Wa

MIKE EDWARDS
Chief Executive Officer
4 March 2024

BEN WALDRON
Chief Financial Officer
4 March 2024

Financial Statements

Report on the audit of the Financial Statements

Opinion

In our opinion:

- Bakkavor Group plc's Group Financial Statements and Company Financial Statements (the "Financial Statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 30 December 2023 and of the Group's profit and the Group's cash flows for the 52 week period then ended;
- the Group Financial Statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements, included within the Annual Report & Accounts 2023 (the "Annual Report"), which comprise: the consolidated statement of financial position and the Company statement of financial position as at 30 December 2023; the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the Company statement of changes in equity for the period then ended; and the notes to the Financial Statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in the Audit and Risk Committee report, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

OVERVIEW

Audit scope

- Full scope audit procedures performed over the complete financial information of six components and specified procedures over a further five components.
- Central audit procedures performed by the Group audit team which included the audit of goodwill, the audit of current and deferred income taxes, the audit of share-based payment schemes, the audit of the UK defined benefit pension scheme and the audit of the consolidation.
- Audit coverage from full scope procedures and specified procedures is 69% of Group revenue.
- Full scope audit procedures performed over the Company financial information.

Key audit matters

- Recoverability of goodwill in relation to the US Group cash-generating units ("CGU") (Group).
- Recoverability of shares in Group undertakings and loans to Group undertakings (Company).

Materiality

- Overall Group materiality: £6,746,400 (2022: £6,800,000) based on 1% of total revenues capped at 10% of profit before tax on underlying activities.
- Overall Company materiality: £4,049,720 (2022: £4,000,000) based on 1% of total assets.
- Performance materiality: £5,060,025 (2022: £5,100,000) (Group) and £3,037,290 (2022: £3,000,000) (Company).

THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in the Auditors' professional judgement, were of most significance in the audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the Auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Completeness and accuracy of customer deduction accruals (Group) and Presentation and disclosure of exceptional items (Group), which were key audit matters last year, are no longer included because of the reduction in magnitude of the customer deduction accruals and the immaterial value of exceptional items in the year. The recoverability of goodwill key audit matter has also been amended to include the US CGU only as the UK CGU is not subject to the same level of uncertainty with inflation as in the prior year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Recoverability of goodwill in relation to the US Cash Generating Unit (Group)	
Refer to the accounting policies in Note 2, the key sources of estimation uncertainty in Note 3 and Note 13 of the Notes to the Consolidated Financial Statements.	At the planning stage of the audit, we assessed the design and implementation of controls over the impairment review process. We concluded that controls and review procedures surrounding the impairment process and related calculations are designed and implemented effectively.
Goodwill must be tested for impairment on at least an annual basis. The determination of recoverable amount, being the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"), requires estimations on the part of management in both identifying and then valuing the relevant Group's Cash Generating Units ("CGUs").	As part of our audit of management's impairment assessment and underlying discounted cash flow model, we performed the following procedures.
On 30 December 2023, the Group held goodwill of £48.7m (2022: £51.3m) in relation to the US CGU. We focused on the goodwill allocated to the US CGU as this was determined to be a significant risk in the current year.	• We obtained the impairment models prepared by management and tested the technical and arithmetic accuracy to ensure that they had been prepared in line with the guidance provided in IAS 36. We noted no errors in the models provided and concluded the methodology applied was appropriate.
Management judgement and estimation is required to establish the recoverable amount using VIU models. This includes judgement in the selection of assumptions used to forecast future cash flows such as earnings before interest, tax, depreciation and amortisation ("EBITDA") growth, climate change impacts and capital expenditure, and in the selection of appropriate discount rates and long-term growth rates ("LTGRs").	• We reviewed the climate related assumptions within the models. Management have continued to use the cost estimate utilised in the previous year's model provided by management experts, KPMG. These costs are in respect of management's decarbonisation strategy and are consistent with management's disclosed commitment to reach Net Zero emissions by 2040. We have performed the following:
The key assumptions within the models are all subjective and susceptible to management bias and execution risk and could lead to an impairment charge if incorrect.	a. Considered whether management's decision to continue to use the prior year estimate is appropriate;
Refer to the Audit and Risk Committee report for discussion of this key audit matter.	b. Compared management's carbon pricing costs to an independent external source, the International Energy Agency; and c. Performed sensitivity analysis on the impact of climate costs on the model. Based on the above mentioned procedures performed, we noted no material discrepancies. • We used internal valuations experts to determine whether management's discount rate for the CGU was within an acceptable range and concluded that it was appropriate. Management's discount rate, which is based on a consistent methodology, fell within the lower end of our internal valuations ranges provided. In the prior year, management's value fell mid-range for the UK and at the higher end for the US. We have considered whether this indicates any bias in management's estimate and conclude that given it is based on a consistent methodology it remains an appropriate assumption. • We used internal valuation experts to determine if the LTGR used in the impairment model was consistent with external sources of evidence. We noted an immaterial difference due to the utilisation of distinct sets of source data and thus concluded that it remained an appropriate assumption.

Key audit matter	How our audit addressed the key audit matter
	• We identified key cash flow forecast assumptions to which the US model was sensitive and focused our efforts on these assumptions. We challenged the basis of the short-term forecasts used in the model, focussing on revenue growth, EBITDA margin assumptions, and capital expenditure. Procedures performed included, but were not limited to: a. Agreeing forecasts to Board approved budgets and three year plan; b. Reviewing management's historical accuracy of forecasting; c. Obtaining a revenue bridge from FY23 to FY24 forecast and agreeing bridge items to supporting evidence and assessing longer term (FY25) revenue growth with reference to historical growth and customer commercial strategies; d. Obtaining an EBITDA bridge from FY23 actuals through to FY25 forecasts, and identifying key assumptions for margin growth including volume and factory performance, as well as forecast inflation, price recovery and overheads; e. Obtaining detailed factory performance plans, holding discussions with site General Managers and Finance teams and reviewing the FY23 run rate in the second half of the year and FY24 actual performance to date; f. Reviewing capital expenditure forecasts to Board approved plans and considering historic expenditure rates; and g. Reviewing actual performance of the US CGU in 2023 and 2024 to date. • We reperformed management's sensitivity analysis by reducing operational cash flows to simulate downside scenarios and failure to achieve forecast growth, and separately sensitised the discount rate and LTGR to understand the impact that possible changes could have. We confirmed these are mathematically accurate. We challenged management on the disclosures in order to appropriately reflect the risk surrounding estimation and concluded that the current disclosures are acceptable. • We performed independent sensitivities on the US CGU in the form of stress tests to assess the deviation from budget that the CGU could withstand before an impairment would be necessary. These were focused on adjusting those assumptions which involve greater estimation such as EBITDA growth and margin improvement. We also compared the downsides in management's going concern model for consistency. • We concluded that no impairment charge is required based on the testing and reasonable downside scenarios modelled. We concur with the disclosures included in the Group Financial Statements.
Recoverability of shares in Group undertakings and loans to Group undertakings (company) Refer to the accounting policies in Note 2, Note 4 and Note 8 of the Company Financial Statements. Bakkavor Group plc holds a direct investment of £309.5m (2022: £309.5m) in Bakkavor Holdings Limited, and through this entity an indirect investment in the Group. The valuation of the shares in Group undertakings is significant to the Company only balance sheet. The Company also holds a loan to Group undertakings of £95.5m (2022: £95.6m). Material impairment to these balances could result in implications for future dividends.	• At the planning stage of the audit, we assessed the design and implementation of controls over the impairment review process for both shares in Group undertakings and loans to Group undertakings. We concluded that controls and review procedures surrounding the impairment process and related calculations are designed and implemented effectively. To address the risk identified: • We obtained a schedule of shares in Group undertakings and ensured this reconciled to the Company Financial Statements.

Key audit matter	How our audit addressed the key audit matter
	• We challenged management's assertion that no impairment triggers were identified that would necessitate a full impairment review to be performed. We performed a review of net assets of the subsidiary entity against the carrying value, considered the external market and economic factors and, with respect to the US and UK, also our review of the discounted cash flow models prepared for the purpose of testing goodwill for impairment. (Please see our key audit matter in respect of the recoverability of goodwill in relation to the US cash-generating unit). Based on these procedures, we concluded that there were no triggers that would indicate that the Directors were required to perform a full impairment test of the shares in the Group undertakings' carrying value. • We have performed a reconciliation of the loans to Group undertakings amount and ensured this agrees with the counterparties. • We reviewed the application of management's impairment methodology in assessing the recoverability of intercompany receivables and the level of related expected credit loss provisions. The outstanding balances are considered to have a low credit risk and therefore the associated loss allowance is limited to 12 months' expected losses. We have reviewed the terms for the loans to Group undertakings and assessed the nature of the counterparty's liquid assets and have concluded that there is no indication of material impairment to the receivable balances. We also assessed the adequacy of the disclosure provided in Note 2, Note 4 and Note 8 of the Company Financial Statements in relation to the relevant accounting standards. We found no exceptions as a result of our testing and consider the recoverability of shares in Group undertakings and loans to Group undertakings to be appropriate.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group is structured according to manufacturing sites, each of which is a component and which maintains separate accounting records and controls. The Group Financial Statements are a consolidation of reporting units, comprising the manufacturing sites and centralised functions.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at each component. Two reporting components were determined to be financially significant due to their relative contribution to revenue or absolute profit before tax on underlying activities. Full scope audit procedures were performed over these components. No reporting components were determined to be significant based on their risk profile.

We identified a further four UK components which, in our view, required a full audit of their complete financial information in order to ensure that sufficient appropriate audit evidence was obtained. We also identified certain large or material balances in other components where specified audit procedures were performed. These included:

- Property, plant and equipment, cash and cash equivalents, inventories, borrowings, and revenue within the US sub-consolidation;
- Inventories (specifically existence testing) within the Inbound Logistics component;
- Provisions within one property component;
- Cash and cash equivalents and payroll accrual balances within the Chinese sub-consolidation; and
- Cash and cash equivalents, derivative financial instruments, borrowings and related interest expenses within the finance component.

Specific audit procedures were performed to ensure that we had sufficient audit coverage over the relevant Financial Statement line items.

The consolidation, Financial Statement disclosures and a number of centralised areas were audited by the Group audit team at the head office. These included the audit of the recoverability of goodwill, investments, the audit of current and deferred income taxes, the audit of share-based payment schemes and the audit of the defined benefit pension scheme.

We also performed analytical procedures on all of the remaining out of scope components to identify whether any further audit evidence was needed. This resulted in no additional substantive testing.

The Company was also subject to a full scope audit by the Group audit team.

This audit work resulted in coverage of 69% of Group revenues.

THE IMPACT OF CLIMATE RISK ON OUR AUDIT

As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Group Financial Statements and support the disclosures made within the Strategic Report.

We challenged the completeness of management's climate risk assessment by:

- Reading external reporting made by management to the Carbon Disclosure Project;
- Reviewing internal climate plans and board minutes; and
- Reading the Company's website for details of climate related commitments and impacts.

Management have made a commitment to reach Net Zero emissions across Group operations by 2040. Management are in the process of developing a detailed pathway to deliver this commitment and have modelled their current best view of the impact. This will be refined in subsequent periods as the pathway becomes more defined.

The key area of the Group Financial Statements where management evaluated that climate risk has a potentially significant impact is in determining the value-in-use of its CGU for the assessment of the recoverability of goodwill in relation to the UK and US, where decarbonisation costs relating to climate credits are a key assumption.

Our audit response in respect of the US CGU is included in the key audit matter above. We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures ("TCFD") section) within the Annual Report with the Group Financial Statements and our knowledge obtained from our audit. This included obtaining management's expert reporting used in the TCFD scenario analysis and considering if the assumptions are consistent with those used in the goodwill recoverability assessment and challenging the completeness of the disclosures given in the narrative reporting. We have no matters to report as a result of these procedures.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual Financial Statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Financial Statements – Group	Financial Statements – Company
Overall materiality	£6,746,400 (2022: £6,800,000).	£4,049,720 (2022: £4,000,000).
How we determined it	1% of total revenues capped at 10% of profit before tax on underlying activities.	1% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, several KPIs used by management to inform its key stakeholders as well as the targets used for Executive remuneration. Taking these into account we have considered both revenue and profit before tax on underlying activities when determining materiality for this period.	We believe that total assets are an appropriate benchmark for a holding company.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £0.3m and £6.5m.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £5,060,025 (2022: £5,100,000) for the Group Financial Statements and £3,037,290 (2022: £3,000,000) for the Company Financial Statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £337,335 (Group audit) (2022: £340,000) and £202,486 (Company audit) (2022: £200,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's paper that supports the Board's assessment and conclusions with respect to the disclosures provided around going concern and viability;
- discussing with management the assumptions applied in the going concern review so we could understand and challenge the rationale for those assumptions, using our knowledge of the business, the sector and wider commentary available from key customers. We verified key assumptions to supporting documentation;
- reviewing monthly trading results to January 2024 and February 2024 weekly actuals, and comparing to management's original budget and revised forecasts, and considering the impact of these actual results on the future forecast period; and
- reviewing management's severe but plausible downside sensitivity scenario. We assessed the availability of liquid resources under the base case and downside scenarios modelled by management, and the associated covenant tests applied. We reviewed management's identified mitigating actions, albeit we note that no significant mitigations are required for management's base case.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In auditing the Financial Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the Financial Statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the Financial Statements and our Auditors' report thereon. The directors are responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

STRATEGIC REPORT AND DIRECTORS' REPORT

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 30 December 2023 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

DIRECTORS' REMUNERATION

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement included within the Governance section is materially consistent with the Financial Statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and Company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the Financial Statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the Financial Statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the Auditors.

Responsibilities for the Financial Statements and the audit

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of Directors' responsibilities in respect of the Financial Statements, the directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to pensions legislation, employment regulation, health and safety legislation and other legislation specific to the industry in which the Group operates (including food safety legislation), and we considered the extent to which non-compliance might have a material effect on the Financial Statements. We also considered those laws and regulations that have a direct impact on the Financial Statements such as the Listing Rules, tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the Financial Statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit and the Group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Assessment of matters reported on the Group's whistleblowing helpline, and the results of management's investigation of such matters;
- Review of minutes of meetings of those charged with governance;
- Review of internal audit reports;
- Review of key correspondence with regulatory authorities;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to recoverability assessment for goodwill (see related key audit matters); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations which impact revenue or EBITDA, which could manipulate the financial performance of the business.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Financial Statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

USE OF THIS REPORT

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not obtained all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- The Company Financial Statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 23 May 2019 to audit the Financial Statements for the year ended 28 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is five years, covering the years ended 28 December 2019 to 30 December 2023.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these Financial Statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This Auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Sandeep Dhillon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford

4 March 2024

CONSOLIDATED INCOME STATEMENT
52 WEEKS ENDED 30 DECEMBER 2023

£m	Note	52 weeks ended 30 December 2023 Underlying activities	Exceptional items[1]	Total	53 weeks ended 31 December 2022 Underlying activities	Exceptional items[1]	Total
Continuing operations							
Revenue	4,5	**2,203.8**	**–**	**2,203.8**	2,139.2	–	2,139.2
Cost of sales		**(1,614.4)**	**–**	**(1,614.4)**	(1,576.5)	–	(1,576.5)
Gross profit		**589.4**	**–**	**589.4**	562.7	–	562.7
Distribution costs		**(85.1)**	**–**	**(85.1)**	(89.4)	–	(89.4)
Other administrative costs		**(409.9)**	**1.3**	**(408.6)**	(385.7)	(50.1)	(435.8)
(Loss)/profit on disposal of property, plant and equipment		**(0.1)**	**1.5**	**1.4**	0.1	–	0.1
Share of profit of associates after tax		**–**	**–**	**–**	0.2	–	0.2
Operating profit		**94.3**	**2.8**	**97.1**	87.9	(50.1)	37.8
Finance costs	9	**(27.4)**	**–**	**(27.4)**	(21.0)	–	(21.0)
Finance income	9	**0.6**	**–**	**0.6**	0.2	–	0.2
Other gains	10	**–**	**–**	**–**	1.1	–	1.1
Profit before tax	6	**67.5**	**2.8**	**70.3**	68.2	(50.1)	18.1
Tax charge	11	**(16.4)**	**–**	**(16.4)**	(14.7)	9.1	(5.6)
Profit for the period		**51.1**	**2.8**	**53.9**	53.5	(41.0)	12.5
Earnings per share							
Basic	12			**9.4p**			2.2p
Diluted	12			**9.2p**			2.1p

1 The Group presents its income statement with three columns. The Directors consider that the underlying activities are more representative of the ongoing operations and key metrics of the Group. Details of exceptional items can be found in Note 7 and include material items that are non-recurring, significant in nature and are important to users in understanding the business, including restructuring costs and impairment of assets. In addition, the Group uses further Alternative Performance Measures which can be found in Note 36.

The Notes to the Consolidated Financial Statements form an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
52 WEEKS ENDED 30 DECEMBER 2023

£m	Note	52 weeks ended 30 December 2023	53 weeks ended 31 December 2022
Profit for the period		**53.9**	12.5
Other comprehensive income/(expense)			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit pension schemes	32	**(2.9)**	(26.3)
Tax relating to components of other comprehensive income	11	**0.7**	6.6
		(2.2)	(19.7)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(11.7)**	17.3
(Loss)/gain on cash flow hedges		**(4.4)**	13.3
Hedging gains reclassified to profit or loss		**(6.8)**	(1.4)
Tax relating to components of other comprehensive income	11	**2.8**	(3.1)
		(20.1)	26.1
Total other comprehensive (expense)/income		**(22.3)**	6.4
Total comprehensive income		**31.6**	18.9

The Notes to the Consolidated Financial Statements form an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 DECEMBER 2023

£m	Note	30 December 2023	31 December 2022
Non-current assets			
Goodwill	13	**652.5**	655.1
Other intangible assets	14	**10.5**	8.8
Property, plant and equipment	15	**507.9**	548.1
Interests in associates and other investments	17	**0.1**	3.7
Deferred tax asset	23	**14.7**	12.9
Retirement benefit asset	32	**12.0**	12.8
Derivative financial instruments	22	**0.9**	9.9
		1,198.6	1,251.3
Current assets			
Inventories	18	**71.3**	86.2
Trade and other receivables	19	**171.7**	161.0
Cash and cash equivalents	20	**36.6**	40.2
Derivative financial instruments	22	**2.1**	2.7
		281.7	290.1
Total assets		**1,480.3**	1,541.4
Current liabilities			
Trade and other payables	25	**(447.6)**	(430.0)
Current tax liabilities		**(3.4)**	(1.1)
Borrowings	21	**(25.4)**	(13.1)
Lease liabilities	24	**(11.6)**	(11.3)
Provisions	26	**(10.4)**	(22.0)
Derivative financial instruments	22	**(0.5)**	(0.3)
		(498.9)	(477.8)
Non-current liabilities			
Borrowings	21	**(240.0)**	(309.2)
Lease liabilities	24	**(78.9)**	(85.9)
Provisions	26	**(15.7)**	(15.0)
Derivative financial instruments	22	**(0.8)**	–
Deferred tax liabilities	23	**(38.4)**	(35.7)
		(373.8)	(445.8)
Total liabilities		**(872.7)**	(923.6)
Net assets		**607.6**	617.8
Equity			
Called up share capital	28	**11.6**	11.6
Own shares held	28	**(4.4)**	(3.1)
Merger reserve	28	**(130.9)**	(130.9)
Hedging reserve	28	**1.1**	9.5
Translation reserve	28	**32.8**	44.5
Retained earnings		**697.4**	686.2
Total equity		**607.6**	617.8

The Financial Statements of Bakkavor Group plc and the accompanying Notes, which form an integral part of the Consolidated Financial Statements, were approved by the Board of Directors on 4 March 2024. They were signed on behalf of the Board of Directors by:

Mike Edwards
Chief Executive Officer

Ben Waldron
Chief Financial Officer and Asia Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
52 WEEKS ENDED 30 DECEMBER 2023

£m	Note	Called up share capital	Own shares held	Merger reserve	Hedging reserve	Translation reserve	Retained earnings	**Total equity**
Balance at 26 December 2021		11.6	–	(130.9)	1.7	27.2	731.1	**640.7**
Profit for the period		–	–	–	–	–	12.5	**12.5**
Other comprehensive income/(expense) for the period		–	–	–	8.8	17.3	(19.7)	**6.4**
Total comprehensive income/(expense) for the period		–	–	–	8.8	17.3	(7.2)	**18.9**
Reclassification to inventory		–	–	–	(1.0)	–	–	**(1.0)**
Purchase of own shares	28	–	(3.1)	–	–	–	–	**(3.1)**
Dividends	28	–	–	–	–	–	(38.8)	**(38.8)**
Credit for share-based payments	31	–	–	–	–	–	1.9	**1.9**
Cash-settlement of share-based payments	31	–	–	–	–	–	(0.6)	**(0.6)**
Deferred tax	11	–	–	–	–	–	(0.2)	**(0.2)**
Balance at 31 December 2022		**11.6**	**(3.1)**	**(130.9)**	**9.5**	**44.5**	**686.2**	**617.8**
Profit for the period		–	–	–	–	–	53.9	**53.9**
Other comprehensive expense for the period		–	–	–	(8.4)	(11.7)	(2.2)	**(22.3)**
Total comprehensive (expense)/income for the period		–	–	–	(8.4)	(11.7)	51.7	**31.6**
Purchase of own shares	28	–	(2.4)	–	–	–	–	**(2.4)**
Dividends	28	–	–	–	–	–	(40.8)	**(40.8)**
Credit for share-based payments	31	–	–	–	–	–	2.0	**2.0**
Proceeds from exercise of share options	31	–	–	–	–	–	0.2	**0.2**
Equity-settlement of share-based payments	28	–	1.1	–	–	–	(1.1)	**–**
Deferred tax	11	–	–	–	–	–	(0.8)	**(0.8)**
Balance at 30 December 2023		**11.6**	**(4.4)**	**(130.9)**	**1.1**	**32. 8**	**697.4**	**607.6**

The Notes to the Consolidated Financial Statements form an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
52 WEEKS ENDED 30 DECEMBER 2023

£m	Note	52 weeks ended 30 December 2023	53 weeks ended 31 December 2022
Net cash generated from operating activities	29	**147.7**	127.1
Investing activities:			
Interest received		**0.6**	0.2
Dividends received from associates	17	**1.6**	–
Purchases of property, plant and equipment		**(40.4)**	(61.1)
Proceeds on disposal of property, plant and equipment		**1.6**	0.1
Purchase of intangibles		**(3.5)**	(2.9)
Disposal of associate	17	**3.2**	–
Net cash used in investing activities		**(36.9)**	(63.7)
Financing activities:			
Dividends paid	28	**(40.8)**	(38.8)
Own shares purchased	28	**(2.4)**	(3.1)
Proceeds from exercise of share options		**0.2**	–
Increase in borrowings		**11.1**	9.7
Repayment of borrowings		**(69.1)**	(9.2)
Principal elements of lease payments	24	**(12.3)**	(14.0)
Net cash used in financing activities		**(113.3)**	(55.4)
Net (decrease)/increase in cash and cash equivalents		**(2.5)**	8.0
Cash and cash equivalents at beginning of period		**40.2**	31.1
Effect of foreign exchange rate changes		**(1.1)**	1.1
Cash and cash equivalents at end of period		**36.6**	40.2

The Notes to the Consolidated Financial Statements form an integral part of the Consolidated Financial Statements.

1. General information

Bakkavor Group plc is a public company, limited by shares, incorporated and domiciled in England, United Kingdom (Company number: 10986940, registered office: Fitzroy Place, 5th Floor, 8 Mortimer Street, London, England, W1T 3JJ). The Company's Ordinary shares are traded on the London Stock Exchange.

The principal activities of the Company and its subsidiaries (the "Group") comprise the manufacture of fresh prepared food and fresh produce. These activities are undertaken in the UK and US where products are primarily sold through high-street supermarkets and China where products are primarily sold through foodservice operators.

2. Significant accounting policies

BASIS OF ACCOUNTING

The Consolidated Financial Statements of the Bakkavor Group plc group have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 and the disclosure guidance and transparency rules sourcebook of the United Kingdom's Financial Conduct Authority.

The Consolidated Financial Statements comprise the Financial Statements of the parent undertaking and its subsidiary undertakings (the "Group"), together with the Group's share of the results of associated undertakings, comprising a 52 or 53-week period ending on the Saturday of or immediately before 31 December. Where the fiscal year 2023 is quoted in these Financial Statements this relates to the 52-week period ended 30 December 2023. The fiscal year 2022 relates to the 53-week period ended 31 December 2022.

These Financial Statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the foreign currency policy set out below.

The Group considers the impact of climate-related factors in the preparation of the Financial Statements and discloses any material impact in the relevant Notes.

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of financial instruments and retirement benefit plan assets (which are stated at fair value).

Amendments to IAS 12 'Income Taxes' – Deferred tax related to assets and liabilities arising from a single transaction

On 7 May 2021, the IASB issued amendments to IAS 12 'Income Taxes' relating to deferred tax on assets and liabilities arising from a single transaction. The amendments require companies to recognise deferred tax on transactions that on initial recognition give rise to equal amounts of taxable and deductible temporary differences. This amendment has been adopted by the Group from 1 January 2023 and there are no such temporary differences to be recognised.

Amendments to IAS 12 'Income Taxes' – Pillar Two Income Taxes

The Organisation for Economic Cooperation & Development ("OECD") has published proposals for a global corporate minimum tax rate of 15% ("Pillar Two"). On 20 June 2023, legislation in respect of Pillar Two was substantively enacted in the UK, Finance (No.2) Act 2023, for financial years beginning on or after 31 December 2023. Taxation balances are adjusted for a change in tax law if the change has been substantively enacted by the balance sheet date. However, the IASB issued narrow-scope amendments to IAS 12 'Income Taxes' Pillar Two which provide a temporary exemption, which can be applied immediately, from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements Pillar Two model rules. These amendments were approved for adoption by the UK Endorsement Board and adopted on 19 July 2023. The Group has applied this exception.

The following new standards, interpretations and amendments effective in the current financial year have not had a material impact on the consolidated Group financial statements:

- Annual Improvements to IFRS Standards 2018-2020 Cycle.
- Narrow scope amendments to IFRS 3, IAS 8, IAS 16 and IAS 37.
- Insurance contracts IFRS 17.

At the date of authorisation of these Financial Statements, the following Standards and Interpretations relevant to the Group have not been applied in these Financial Statements as they were in issue but not yet effective:

- Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates Amendments to IAS 1 'Presentation of Financial Statements' on classification of liabilities.
- Amendments to IAS 1 'Presentation of Financial Statements' on non-current liabilities with covenants.
- Amendments to IFRS 16 'Leases' Lease Liability in a Sale and Leaseback.

The Directors anticipate that the adoption of these Standards and Interpretations will have no material impact on the Financial Statements of the Group.

All principal accounting policies adopted have been applied consistently and are set out below.

2. Significant accounting policies continued

GOING CONCERN

The Directors have reviewed the historical trading performance of the Group and the forecasts through to March 2025.

The Directors, in their detailed consideration of going concern, have reviewed the Group's future revenue projections and cash requirements, which they believe are based on prudent interpretations of market data and past experience.

The Directors have also considered the Group's level of available liquidity under its financing facilities. The Directors have carried out a robust assessment of the significant risks currently facing the Group. This has included scenario planning on the implications of further inflation and the potential impact of lower sales volumes from reduced consumer demand in response to increasing retail prices.

Having taken these factors into account under the scenario, which is considered to be severe but plausible, the Directors consider that adequate headroom is available based on the forecasted cash requirements of the business. At the date of this report, the Group has complied in all respects with the terms of its borrowing agreements, including its financial covenants, and forecasts to continue to do so in the future.

Consequently, the Directors consider that the Group has adequate resources to meet its liabilities as they fall due for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

SUBSIDIARIES

Subsidiary undertakings are included in the Consolidated Financial Statements from the date on which control is achieved and cease to be consolidated from the date on which control is transferred out of the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether or not it controls an investee when facts and circumstances indicate that there are changes to one or more of the elements of control.

When the Group has less than a majority of the voting rights of an investee, it considers all relevant facts and circumstances in assessing whether or not it has power over the investee to direct the relevant activities of the investee unilaterally.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders are measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Group.

BUSINESS COMBINATIONS

Business acquisitions from third parties are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on business combinations is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after the reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

When the consideration in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. The subsequent accounting for changes in fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 or IAS 37, as appropriate.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the income statement.

GOODWILL

Goodwill is initially recognised and measured as set out above in 'Business combinations'.

Goodwill is assumed to have an indefinite life as the acquired business is expected to trade for the foreseeable future and therefore goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units ("CGUs") or groups of CGUs expected to benefit from the synergies of the combination. The CGUs identified by the Group are the three operating regions: the UK, US and China. This is the lowest level at which goodwill is monitored. CGUs or groups of CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. Please refer to Note 13 for details of the goodwill impairment assessment.

On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill on the acquisition of an associate is described in 'Investments in associates' below.

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these Financial Statements using the equity method of accounting. Investments in associates are initially recognised in the statement of financial position at cost and adjusted thereafter by the Group's share of the profit or loss and other comprehensive income of the associate, less any impairment in the value of individual investments and less any dividends or distributions received from the associate.

On acquisition of the investment, goodwill is the excess of cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities, which is included within the carrying amount of the investment. The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 'Impairment of Assets'.

Where a Group company transacts with an associate of the Group, profits and losses are only recognised in the Financial Statements to the extent of interests in the associate that are not related to the Group.

REVENUE RECOGNITION

The Group sells fresh prepared foods and fresh produce, and revenue is recognised as the performance obligation to deliver goods to customers is satisfied and is recorded based on the amount of consideration expected to be received in exchange for satisfying the performance obligation. Revenue on the sale of goods is recognised when control of the goods has passed to the buyer upon delivery to the customer and represents the value of sales to customers net of customer deductions and discounts, VAT and other sales-related taxes. The Group recognises revenue net of customer deductions and discounts in the period in which the arrangement applies only when it is highly probable a significant reversal in the cumulative amount of revenue will not occur. The Group does not expect to have any contracts where the period between transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction price for the time value of money. For goods returned, the Group will recognise an obligation and reduce revenue accordingly.

2. Significant accounting policies continued

CUSTOMER DEDUCTIONS

Consistent with standard industry practice, the Group has arrangements with its customers providing volume-related rebates, marketing and promotional funding contributions, discounts or lump sum incentives. These costs are recognised as a reduction to revenue, as they are considered to be an adjustment to the selling price for the Group's products. Sometimes the payment of this support is subject to the Group's customers performing specified actions or satisfying certain performance conditions associated with the purchase of products from the Group. These include achieving agreed purchase volume targets and providing promotional marketing materials/activities. Whilst there is no standard definition, these amounts payable to customers are generally termed as 'customer deductions'.

Volume-based rebates, which are calculated on the Group's estimate of rebates, are expected to be paid to customers using the 'most likely amount' in line with IFRS 15 requirements, whereas fixed rebates are accounted for as a reduction in revenue over the life of the contract. When the Group has satisfied its performance obligations, the customer will make payment in line with agreed payment terms.

The Group recognises these costs as a deduction from revenue based upon the terms of the relevant arrangement in place. Amounts payable relating to customer deduction arrangements are recognised within accruals except in cases where the Group has a legal right of set-off and intends to offset against amounts due from that customer.

LEASES

IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 30 December 2018.

Under IFRS 16, all leases (except as noted below) are accounted for as follows:

- Recognise the right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments. Future lease payments are discounted at the Group's weighted average incremental borrowing rate;
- Use the lease term specified in the contract. Where there are termination options in the contract it is assumed that these will not be exercised and when there are extension options the Group assumes that these will be exercised; and
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities, whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets and any impairment is provided for by writing down the asset value.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis over the lease term as permitted by IFRS 16 paragraph 6. This expense is presented within other expenses in the consolidated income statement.

In the statement of cash flows, the Group as a lessee will classify:

- Cash payments for the principal portion of the lease liability within financing activities;
- Cash payments for the interest portion of the lease liability within interest paid, in line with the policy for other types of interest; and
- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities.

FOREIGN CURRENCY

The individual Financial Statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Consolidated Financial Statements, the results and financial position of each Group company are expressed in Pounds Sterling, being the functional currency of the Company and the presentation currency for the Consolidated Financial Statements.

In preparing the Financial Statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the annual average rate, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the Group's translation reserve.

On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to the income statement. However, a partial disposal of a foreign operation where the Group does not lose control results in the proportionate share of accumulated exchange differences being re-attributed to non-controlling interests and is not recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

RESEARCH AND DEVELOPMENT

Research and development costs comprise all directly attributable costs necessary to create and produce new and updated products. Expenditure on research and development, where development costs do not meet the recognition criteria of IAS 38, is recognised as an expense in the period in which it is incurred.

EXCEPTIONAL ITEMS

Exceptional items are those that, in management's judgement, should be disclosed by virtue of their nature or amount. Exceptional items include material items that are non-recurring, significant in nature and are important to users in understanding the business, including restructuring costs and impairment of assets.

RETIREMENT BENEFIT OBLIGATIONS

Defined contribution pension plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity, which then invests the contributions to buy annuities for the pension liabilities as they become due based on the value of the fund, and hence the Group has no legal or constructive obligations to pay further contributions. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as employee service is received. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Defined benefit pension plans

A defined benefit plan is a pension plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on factors such as age, years of service and compensation.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each statement of financial position date. Remeasurement, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), are recognised outside of the income statement and presented in the statement of comprehensive income.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

Past service costs are recognised in the income statement on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises restructuring-related costs or termination benefits.

The Group recognises the first two components of defined benefit costs in the income statement.

The retirement benefit recognised in the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme.

2. Significant accounting policies continued

SHARE-BASED PAYMENTS

An expense is recognised for goods or services acquired in a share-based transaction when the goods are obtained or the service received. The credit is booked as either a liability or in equity, depending on the type of share-based payment.

Equity-settled share-based payment transactions are transactions where Group shares are issued as consideration for goods or services. They are measured in the income statement at the fair value of the equity instrument granted at the date of grant with the corresponding amount booked to equity. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The fair value calculation should reflect market-based performance conditions. The total expense will be reduced by estimates of options that will not vest (due to leavers or not meeting non-market-based performance criteria). Estimates of non-vesting are to be recalculated at each measurement date. For grants of equity instruments with market conditions, the entity shall recognise the goods and services from a counterparty who satisfies other vesting conditions, regardless of whether that market condition is satisfied.

During 2022, the Company began purchasing its own Ordinary shares from the market through an Employee Benefit Trust called the Bakkavor Group plc Employee Benefit Trust. These shares are held to satisfy share awards under the Group's share scheme plans. Own shares are recorded at cost and are deducted from equity.

TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Tax returns are prepared to adhere to tax rules and regulations and with all transactions being fully disclosed to the tax authorities. However, the complex nature of tax sometimes means that the legislation is open to interpretation. In such cases, judgement is required to quantify the tax liability to be reflected in the Financial Statements. If there is a reasonable possibility that tax authorities may take a different view from the position taken in the filed returns then this will be reflected in the Financial Statements in the form of a tax provision. In such cases, this provision will represent the full amount of any potential liability until the matter is agreed with the tax authorities.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill, or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Where current and deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is stated in the statement of financial position at cost less any subsequent accumulated depreciation and impairment losses.

The useful economic lives are determined based on a review of a combination of factors, including the asset ownership rights and the nature of the overall product life cycle.

Depreciation is charged so as to write off the cost or valuation of assets, other than land or assets under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings – maximum period of 50 years

Plant and machinery – 1 to 20 years

Fixtures and equipment – 3 to 5 years

Depreciation is charged to Other administrative costs in the income statement.

Assets purchased through a lease agreement are recognised in property, plant and equipment and depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Right-of-use assets are depreciated over the term of the relevant lease.

Some fixtures and equipment, that comprise improvements or additions to an existing building, may be depreciated over the same period as the related building, which could be longer than five years.

Reviews of the estimated remaining useful lives and residual values of individual productive assets are performed annually, taking account of commercial and technological obsolescence as well as normal wear and tear. All items of property, plant and equipment are reviewed for impairment when there are indications that the carrying value may not be recoverable.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

CAPITALISED BORROWING COSTS

Borrowing costs incurred in financing the construction of qualifying assets such as property, plant and equipment are capitalised up to the date at which the relevant asset is substantially complete. Borrowing costs are calculated using the Group's weighted average cost of borrowing during the period of capitalisation. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

OTHER INTANGIBLE ASSETS

Intangible assets have finite useful lives which are determined based on a review of a combination of factors, including the asset ownership rights and the nature of the overall product life cycle. The assets are amortised on a straight-line basis over their determined useful life.

The amortisation charge for customer relationships and customer contracts is recognised as an expense over ten years, and is charged to Other administrative costs in the income statement.

During 2022, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software-as-a-Service ("SaaS") arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The impact of this revision was not material.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period.

Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received, unless the configuration and customisation activities significantly modify or customise the cloud software, in which case the costs are expensed over the SaaS contract term.

When they meet the definition of recognition criteria for an intangible asset, costs incurred relating to the development of software code that enhances or modifies existing on-premise systems are recognised as intangible assets.

The amortisation charge for software, source code, licences and development is recognised as an expense over the term of the software contract up to a maximum of ten years, and is charged to Other administrative costs in the consolidated income statement.

IMPAIRMENT

Intangible assets and property, plant and equipment are tested for impairment when an event that might affect asset values has occurred. Examples of such triggering events include: significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses, or a significant reduction in cash flows.

An impairment loss is recognised, in the income statement, to the extent that the carrying amount cannot be recovered either by selling the asset or by the discounted future earnings from operating the assets in accordance with IAS 36 'Impairment of Assets'.

2. Significant accounting policies continued

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

FINANCIAL ASSETS

Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- Those to be measured at amortised cost.

For assets measured at fair value, gains and losses are recorded either in profit or loss or in OCI.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement depends on the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Impairment losses are presented as a separate line item in the income statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the income statement.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Any fair value movement is recognised in the income statement and presented net within other gains and (losses) in the period in which it arises.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. The Group classifies its trade receivable balances dependent on its objectives with respect to the collection of contractual cash flows. The Group operates non-recourse debtor factoring arrangements with four of its significant customers. Receivables generated from goods sold to these customers are subsequently measured at fair value through the income statement, as the objective of management is to sell the receivables (Held to sell business model). All other trade receivables are held with the objective of collecting the contractual cash flows, and so these are measured subsequently at amortised cost using the effective interest method (Held to collect business model).

Other receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial assets and are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected loss rates are based on the payment profiles of sales before 30 December 2023 or 31 December 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

Impairment losses on trade receivables and contract assets are presented in other administrative costs within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

FINANCIAL LIABILITIES

Financial liabilities held by the Group are classified as other financial liabilities at amortised cost and derivatives at FVPL.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Effective interest method

Finance costs are recognised on an effective interest basis for debt instruments other than those financial liabilities designated as at FVPL. The effective interest method is a method of both calculating the amortised cost of a debt instrument and allocating finance costs over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Fair value measurement

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset, and substantially all the risks and rewards of ownership of the asset, to another entity. Financial liabilities are derecognised when and only when the Group's obligations are discharged, cancelled or expire.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Notes 22 and 27. The Group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Group's policies, approved by the Board of Directors, which provide written principles on the use of financial derivatives.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group designates interest rate swap derivatives as hedging instruments in respect of interest rate risk in cash flow hedges. The Group has designated all new forward foreign exchange contracts as cash flow hedges and hedge accounting is applied to these instruments.

The hedging relationship is documented at inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how hedge effectiveness will be measured throughout their duration. These hedges have been designated as cash flow hedges and are expected, at inception and on an ongoing basis, to be highly effective in offsetting changes in the cash flows of hedged items.

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of 'hedging reserve', limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

2. Significant accounting policies continued

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in the hedging reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Present obligations arising from onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Where a lease contract is onerous, the onerous provision is calculated as the costs of meeting the obligations under the contract excluding lease rentals that are included as part of the lease liability.

CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the amount of the obligation cannot be measured reliably. A contingent liability is disclosed in the Notes to the Financial Statements and is not recognised when the possibility of an outflow is more than remote. When an outflow becomes probable, it is recognised as a provision.

3. Critical accounting judgements and key sources of estimation uncertainty

The following are areas of particular significance to the Group's Financial Statements and include the application of judgement, which is fundamental to the compilation of a set of Financial Statements:

CRITICAL JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Presentation of exceptional items

The Group's financial performance is analysed in two ways: underlying performance (which does not include exceptional items) and exceptional items that are material and not expected to reoccur. Judgement is required as to whether items should be presented as exceptional or underlying. Exceptional items include material items that are significant in nature or non-recurring and are important to users in understanding the business. Where disclosed, items have been considered by management to meet this definition. For further details please see Note 7.

KEY SOURCES OF ESTIMATION UNCERTAINTY

Pension obligations

The Group maintains a defined benefit pension plan for which it has recorded a pension asset. The obligations included within the overall pension asset are based on an actuarial valuation that requires a number of assumptions including discount rate, inflation rate, mortality rates and actual return on plan assets that may necessitate material adjustments to this asset/liability in the future. The assumptions used by the Group are the best estimates based on historical trends and the composition of the workforce. Details of the principal actuarial assumptions used in calculating the recognised asset/liability for the defined benefit plan, and the sensitivity of reported amounts to changes in those assumptions, are given in Note 32.

IMPAIRMENT OF GOODWILL

The recoverable amount of the US CGU is determined based on the higher of fair value less costs to sell and value-in-use calculations. The carrying amount of the US CGU is £48.7m (2022: £51.3m); the assumptions used to calculate the recoverable amount are considered to be a key source of estimation uncertainty. The key assumptions that can impact the value-in-use calculation are changes to the growth rates applied to derive a three-year forecast, or a movement in the long-term growth rate and discount rate applied to the future cash flows. The Group has considered the impact of the assumptions used in the US CGU calculation and has conducted sensitivity analysis on the impairment tests of the CGUs carrying value. See Note 13 for further details.

4. Segmental information

The chief operating decision-maker ("CODM") has been defined as the Senior Executive Team headed by the Chief Executive Officer. They review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the segments based on these reports.

As at the statement of financial position date, the Group is organised into three regions, the UK, US and China, and manufactures fresh prepared foods and produce in each region.

The Group manages the performance of its businesses through the use of 'adjusted operating profit', as defined in Note 36.

Measures of total assets are provided to the Senior Executive Team; however, cash and cash equivalents, short-term deposits and some other central assets are not allocated to individual segments. Measures of segment liabilities are not provided to the Senior Executive Team.

The following table provides an analysis of the Group's segmental information for the period to 30 December 2023:

£m	Note	UK	US	China	Un-allocated	Total
Revenue		**1,852.7**	**229.4**	**121.7**	**–**	**2,203.8**
Adjusted EBITDA	36	**149.2**	**15.0**	**3.9**	**–**	**168.1**
Depreciation		**(51.4)**	**(10.6)**	**(6.7)**	**–**	**(68.7)**
Amortisation		**(2.0)**	**(1.0)**	**–**	**–**	**(3.0)**
Share scheme charges		**(2.0)**	**–**	**–**	**–**	**(2.0)**
Profit/(loss) on disposal of property, plant and equipment		**0.1**	**–**	**(0.2)**	**–**	**(0.1)**
Adjusted operating profit/(loss)	36	**93.9**	**3.4**	**(3.0)**	**–**	**94.3**
Exceptional items	7	**2.8**	**(2.9)**	**2.9**	**–**	**2.8**
Operating profit/(loss)		**96.7**	**0.5**	**(0.1)**	**–**	**97.1**
Finance costs						**(27.4)**
Finance income						**0.6**
Other gains and (losses)						**–**
Profit before tax						**70.3**
Tax						**(16.4)**
Profit for the period						**53.9**
Other segment information						
Capital additions		**31.3**	**14.2**	**1.7**	**–**	**47.2**
Interest in associates		**–**	**–**	**–**	**–**	**–**
Total assets		**1,190.7**	**185.0**	**65.9**	**38.7**	**1,480.3**
Non-current assets		**995.6**	**159.2**	**42.9**	**0.9**	**1,198.6**

4. Segmental information continued

The following table provides an analysis of the Group's segmental information for the period to 31 December 2022:

£m	Note	UK	US	China	Un-allocated	Total
Revenue		1,783.1	255.3	100.8	–	2,139.2
Adjusted EBITDA	36	147.7	12.4	(0.1)	–	160.0
Depreciation		(52.8)	(8.7)	(6.8)	–	(68.3)
Amortisation		(0.3)	(0.4)	–	–	(0.7)
Share scheme charges		(1.9)	–	–	–	(1.9)
Profit on disposal of property, plant and equipment		–	–	0.1	–	0.1
Share of results of associates		–	–	0.2	–	0.2
Adjusted operating profit/(loss)	36	92.7	3.3	(6.6)	–	89.4
Exceptional items	7	(36.6)	(3.8)	(9.7)	–	(50.1)
Configuration and customisation costs for SaaS projects		(1.5)	–	–	–	(1.5)
Operating profit/(loss)		54.6	(0.5)	(16.3)	–	37.8
Finance costs						(21.0)
Finance income						0.2
Other gains and (losses), net						1.1
Profit before tax						18.1
Tax						(5.6)
Profit for the period						12.5
Other segment information						
Capital additions		46.0	39.0	1.9	–	86.9
Interest in associates		–	–	3.6	–	3.6
Total assets		1,215.1	200.2	73.3	52.8	1,541.4
Non-current assets		1,018.1	167.8	55.5	9.9	1,251.3

All of the Group's revenue is derived from the sale of goods in 2022 and 2023. There were no inter-segment revenues. The un-allocated assets of £38.7m (2022: £52.8m) relate to cash and cash equivalents and derivative financial instruments which cannot be readily allocated because of the Group cash-pooling arrangements that are in place to provide funds to businesses across the Group.

MAJOR CUSTOMERS

In 2023, the Group's four largest customers accounted for 73.9% (2022: 73.2%) of the Group's total revenue from continuing operations. These customers accounted for 88.0% (2022: 87.9%) of total UK revenue from continuing operations. The Group does not enter into long-term contracts with its retail customers.

Each of these four customers accounts for a significant amount of the Group's revenue and are all in the UK segment. The percentage of Group revenue from these customers is as follows:

	2023	2022
Customer A	**32.4%**	32.6%
Customer B	**21.5%**	20.5%
Customer C	**13.1%**	12.2%
Customer D	**6.9%**	7.9%

5. Revenue

The Group derives all revenue from the sale of goods in the following geographic locations:

£m	**2023**	2022
Continuing operations		
UK	**1,852.7**	1,783.1
US	**229.4**	255.3
China	**121.7**	100.8
	2,203.8	2,139.2

Upon completion of delivery (the performance obligation), the terms of the order allow 30 to 75 days (2022: 30 to 75 days) for payment, dependent on the relevant customers' payment terms. The Group has in place trade receivable factoring arrangements. These are non-recourse arrangements which were applicable to 69.4% (2022: 67.4%) of the Group's total sales. These arrangements allow the Group to choose to factor the receivable for approved invoices and receive payment ahead of the agreed terms on a non-recourse basis.

6. Profit before tax

Profit before tax for the period has been arrived at after charging/(crediting):

£m	Note	2023	2022
Depreciation of property, plant and equipment:			
– Owned		**56.4**	55.7
– Leased		**12.3**	12.6
Research and development costs		**9.1**	9.0
Cost of inventory recognised as an expense		**1,029.1**	1,022.3
Amortisation of intangible assets		**3.0**	0.7
Exceptional items	7	**(2.8)**	50.1
Loss/(profit) on disposal of property, plant and equipment		**0.1**	(0.1)
Share scheme charges	31	**2.0**	1.9
Foreign exchange gains	10	**–**	(1.2)
Staff costs	8	**591.9**	594.7

The analysis of the Auditors' remuneration is as follows:

£m	2023	2022
The audit of the Company's Consolidated Financial Statements	**0.4**	0.4
The audit of the Company's subsidiaries pursuant to legislation	**0.8**	0.7
Total audit fees	**1.2**	1.1

Non-audit fees of £45,000 (2022: £41,000) were paid to the Group's Auditors for permitted audit-related assurance and other services.

7. Exceptional items

The Group's financial performance is analysed in two ways: review of underlying performance (which does not include exceptional items) and separate review of exceptional items that are material and not expected to reoccur. The Directors consider that the underlying performance, which is reported as our 'Adjusted' measures, is more representative of the ongoing operations and key metrics of the Group.

Exceptional items are those that, in management's judgement, should be disclosed by virtue of their nature or amount. Exceptional items include material items that are non-recurring, significant in nature and are important to users in understanding the business, including restructuring costs and impairment of assets:

£m	2023	2022
Corporate restructuring costs	**–**	(5.3)
UK site closures release/(accrual) of restructuring provision:		
– Closure costs	**2.2**	(11.8)
– Impairment charge	**0.6**	(19.5)
Investment in associate impairment	**–**	(9.7)
US asset impairment charge	**(3.5)**	–
US customer contractual dispute impairment	**0.6**	(3.8)
Profit on disposal of property, plant and equipment	**1.5**	–
Profit on disposal of associates	**1.4**	–
Total exceptional items	**2.8**	(50.1)
Tax on exceptional items	**–**	9.1
Total exceptional items after tax	**2.8**	(41.0)

2023

The Group has recognised £2.8m of exceptional income for the year. This includes the following:

- £1.5m profit on disposal of property, plant and equipment following the sale and leaseback of one of the properties the Group operates from within the China segment.
- £1.4m profit on disposal of associates, following the sale of its 45% share in two associate companies, La Rose Noire Limited and Patisserie et Chocolat Limited, on 8 May 2023.
- £3.5m impairment charge for fixed assets that will now no longer have any value to the US business.
- The release of 2022 provision of £0.6m of impairment charges on assets for the UK business and £0.6m for the US business that are no longer required.
- £2.2m for the release of UK 2022 closure cost provisions following the sites closing earlier in 2023 than originally planned.

7. Exceptional items continued

2022

For the period ended 31 December 2022, the Group incurred an exceptional charge of £50.1m comprising the following:

- £17.1m relates to restructuring costs for the closure of two of our UK sites by the end of Q1 2023, and the costs of a corporate restructuring, which includes redundancy payments, onerous and other closure costs.
- An impairment charge of £19.3m in respect of the relevant fixed assets at the two sites due to close and £0.2m for the impairment of intangible assets for one of the businesses and these charges had no cash impact.
- The value of the Group's investment in associated undertakings based in Hong Kong was written down by £9.7m due to the ongoing impact of Covid on the trading performance of that business.
- An ongoing contractual dispute with a US customer has resulted in a £3.8m impairment of inventory and receivables related to this customer.

8. Staff costs

The average monthly number of employees (including Executive Directors) during the period was:

	2023 Number	2022 Number
Production	**14,906**	15,283
Management and administration	**2,345**	2,378
Sales and distribution	**885**	919
	18,136	18,580

Their aggregate remuneration comprised:

£m	Note	2023	2022
Wages and salaries		**515.7**	518.0
Social security and other costs		**63.1**	63.5
Other pension costs	32	**13.1**	13.2
		591.9	594.7

Details of the emoluments paid to Directors are included from pg 127 in the Directors' remuneration report and in Note 33.

9. Finance costs and income

FINANCE COSTS

£m	Note	2023	2022
Interest on borrowings[1]		**(16.4)**	(13.5)
Interest on non-recourse receivables financing		**(7.1)**	(3.6)
Interest on lease liabilities		**(3.0)**	(3.1)
Unwinding of discount on provisions	26	**(0.9)**	(0.8)
Total finance costs		**(27.4)**	(21.0)

1 Interest on borrowings for 2022 represented to separate the interest on non-recourse receivables and finance income.

FINANCE INCOME

£m	2023	2022
Interest received on bank deposits	**0.6**	0.2

There were no borrowing costs included in the cost of qualifying assets during 2022 or 2023. Borrowing costs included in the cost of qualifying assets during prior years arose within the general borrowing pool and were calculated by applying a capitalisation rate of 3.0% to expenditure on such assets.

Amounts included in the cost of qualifying assets have been capitalised under IAS 23 and are therefore subject to deferred tax. The deferred tax credit to income was £nil (2022: £nil).

10. Other gains and (losses)

£m	2023	2022
Foreign exchange gains	**–**	1.2
Change in the fair value of derivative financial instruments	**–**	(0.1)
	–	1.1

11. Tax

£m	Note	2023	2022
Current tax:			
Current period		**14.3**	9.7
Prior period adjustment		**(1.2)**	1.7
Total current tax charge (pre-exceptional items)		**13.1**	11.4
Deferred tax:			
Deferred tax relating to the origination and reversal of temporary differences in the period		**0.9**	3.7
Deferred tax relating to changes in tax rates		**0.2**	1.6
Prior period adjustment		**2.2**	(2.0)
Total deferred tax charge (pre-exceptional items)	23	**3.3**	3.3
Tax on exceptional items:			
Current tax		**0.6**	(3.4)
Deferred tax		**(0.6)**	(5.7)
Total tax credit on exceptional items		**–**	(9.1)
Total tax charge for the period		**16.4**	5.6

The Group tax charge for the period was £16.4m (2022: £5.6m) which represents an effective tax rate of 23.4% (2022: 30.9%) on profit before tax of £70.3m (2022: £18.1m). Tax is calculated using prevailing statutory rates in the territories in which we operate however most of the Group's profits are earned in the UK. As a consequence of the UK corporation tax rate increasing to 25% from 1 April 2023, the 23.5% rate for financial year 2023 comprises three months at 19% and nine months at 25%. The effective tax rate is 0.1% lower (2022: 11.9% higher) than the blended UK statutory tax rate as detailed in the table below.

Excluding exceptional items and other adjusting items the adjusted tax rate on underlying activities was 24.4% (2022: 21.5%) (see Note 36).

The charge for the period can be reconciled to the profit per the consolidated income statement as follows:

	2023 £m	2023 %	2022 £m	2022 %
Profit before tax:	**70.3**	**100.0**	18.1	100.0
Tax charge at the UK corporation tax rate of 23.5% (2022: 19%)	**16.5**	**23.5**	3.4	19.0
Net non-deductible expenses/(non-taxable income)	**(1.5)**	**(2.1)**	(1.2)	(6.9)
Non-deductible impairment of investment	**–**	**–**	1.8	10.2
Prior period adjustment	**1.0**	**1.4**	(0.3)	(1.7)
Tax effect of losses carried forward not recognised	**1.0**	**1.4**	1.0	5.5
Unprovided deferred tax assets now recognised	**(0.4)**	**(0.5)**	–	–
Overseas taxes at different rates	**0.3**	**0.4**	0.4	2.2
Deferred tax rate differential	**0.2**	**0.3**	0.5	2.6
Exceptional non-taxable income	**(0.7)**	**(1.0)**	–	–
Tax charge and effective tax rate for the period	**16.4**	**23.4**	5.6	30.9

In addition to amounts charged to the consolidated income statement, the following amounts in respect of tax were charged/(credited) to the consolidated statement of comprehensive income and equity:

£m	2023	2022
Tax relating to components of other comprehensive income/(expense):		
Deferred tax:		
Remeasurements on defined benefit pension scheme actuarial (loss)/gain	**(0.7)**	(5.0)
Deferred tax rate change on defined benefit pension scheme actuarial (loss)/gain	**–**	(1.6)
Cash flow hedges and cost of hedging	**(2.8)**	3.1
Deferred tax on share schemes	**0.8**	0.2
	(2.7)	(3.3)
Tax relating to components of other comprehensive income/(expense):	**(3.5)**	(3.5)
Tax relating to share-based payments recognised directly in equity:	**0.8**	0.2
	(2.7)	(3.3)

11. Tax continued

HMRC had previously raised an enquiry into the structure used to fund our overseas investment in the US business. Although a number of earlier years have been agreed, there is uncertainty for some years in connection with the applicability of the UK tax rules to the structure which could lead to additional UK tax payable. This is a complex area with a range of possible outcomes and judgement has been used in calculating the provision. For these reasons it cannot be known with certainty whether additional amounts of UK tax will be due, however, we consider it is unlikely that there will be material amounts due over and above the provisions currently held.

In addition, at the end of 2023, the Group holds a tax provision of £1.0m (2022: £1.0m) because it is considered likely that additional liabilities will become due to the tax authorities.

OTHER FACTORS AFFECTING FUTURE TAX CHARGES

The Organisation for Economic Cooperation & Development ("OECD") has published proposals for a global corporate minimum tax rate of 15%. The UK implementation of these rules ("Pillar Two") will be effective for accounting periods commencing on or after 31 December 2023 and will therefore impact the Group in the accounting period ending December 2024. During 2023 the Group undertook an initial impact assessment of the UK rules based on FY 2022 Country by Country Reporting (CbCR) data. This assessment concluded that, provided that the CbCR report is prepared in accordance with OECD guidelines, all jurisdictions in which the Group operates are expected to meet at least one of the transitional CbCR safe harbour tests (which potentially apply up to the year ended December 2026) which results in no top-up taxes being due. The rules are complex and the Group will continue to evaluate the impact of Pillar Two on the Group tax charge, taking into account data after 2022 and any changes in underlying facts and circumstances.

12. Earnings per share

The calculation of earnings per Ordinary share is based on earnings after tax and the weighted average number of Ordinary shares in issue during the period, excluding own shares held.

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary shares.

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings £m	2023	2022
Profit for the period	**53.9**	12.5

Number of shares '000	2023	2022
Weighted average number of Ordinary shares	**576,129**	577,576
Effect of potentially dilutive Ordinary shares	**12,576**	9,767
Weighted average number of Ordinary shares including dilution	**588,705**	587,343

	2023	2022
Basic earnings per share	**9.4p**	2.2p
Diluted earnings per share	**9.2p**	2.1p

The Group calculates adjusted basic earnings per Ordinary share and details of this can be found in Note 36.

13. Goodwill

£m	
Cost	
At 26 December 2021	703.1
Exchange differences	5.5
At 31 December 2022	708.6
Exchange differences	(4.0)
At 30 December 2023	**704.6**
Accumulated impairment losses	
At 26 December 2021	(53.0)
Exchange differences	(0.5)
At 31 December 2022	(53.5)
Exchange differences	1.4
At 30 December 2023	**(52.1)**
Carrying amount	
At 30 December 2023	**652.5**
At 31 December 2022	655.1

Goodwill acquired in a business combination is allocated, at acquisition, to the CGU or groups of CGUs that are expected to benefit from that business combination. The carrying value of goodwill has been allocated to CGU groupings as follows:

£m	30 December 2023	31 December 2022
UK	**603.8**	603.8
US	**48.7**	51.3
China	**–**	–
	652.5	655.1

The recoverable amounts of the CGUs or groups of CGUs are determined based on value-in-use calculations. There was no impairment recognised during the period (2022: £nil).

The Group is committed to achieving Net Zero carbon emissions across our Group operations by 2040. For the current year impairment review, management has also included an estimate of the future costs and capital expenditure required to meet this commitment in its value-in-use calculations and sensitivity analyses.

The key assumptions used in the impairment reviews for the CGUs that held goodwill at 30 December 2023 and 31 December 2022 were as follows:

- Budget growth rates: The revenue growth rates are based on management growth forecasts based on industry experience. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The Group has prepared cash flow forecasts derived from the most recent financial budget approved by management for the next three years (2022: three years), as determined by the business units, which take account of the current risks faced by the business including cost inflation and associated price recovery leading to a potential impact on consumer demand. EBITDA margin increases are a key assumption for the US CGU and assume a return to FY21 margin levels within the three-year forecast period. The Group defines operating cash flows for the value in use calculations as adjusted EBITDA, after deducting maintenance capital expenditure for the relevant CGUs.
- Long-term growth rates: For periods beyond the three-year budget, the cash flows are then extrapolated using a perpetuity growth rate of 2.0% (2022: 2.0%) for the UK and 2.1% for the US (2022: 2.0%). The terminal value includes an estimate of carbon costs from 2032.
- Discount rates: Management uses pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The present value of the future cash flows is calculated using a pre-tax discount rate of 9.3% (2022: 9.3%) for the UK and 9.2% for the US (2022: 9.8%).

The headroom for CGU based on the impairment review as at 30 December 2023 is as follows:

£m	UK	US
Headroom of impairment test based on management assumptions	385.6	149.8

13. Goodwill continued

The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. The assumptions used, and the impact of sensitivities on these assumptions, for the US CGU, which has lower levels of headroom, is set out below, none of which indicate an impairment is likely:

- The US operating cash flows are primarily driven by adjusted EBITDA. This could be negatively impacted by loss of revenue or from lower operating margins. If operating cash flows were 39% lower and no mitigating actions were taken, this would result in no headroom.
- The perpetuity growth rate included in the US CGU future cash flows is 2.1%. If the perpetuity growth rate was to decrease by 720 bps to (5.1)%, this would result in no headroom.
- The pre-tax discount rate for the US CGU is 9.2%, an increase to the pre-tax discount rate by 800 bps to 17.2% would result in no headroom.

14. Other intangible assets

£m	Note	Customer relationships	Software	Total
Cost				
At 26 December 2021		88.9	–	88.9
Reclassified from property, plant and equipment	15	–	13.5	13.5
Additions		–	2.9	2.9
Exchange differences		0.7	–	0.7
At 31 December 2022		89.6	16.4	106.0
Reclassified from property, plant and equipment	15	–	2.2	2.2
Additions		–	3.4	3.4
Exchange differences		(0.4)	–	(0.4)
At 30 December 2023		**89.2**	**22.0**	**111.2**
Accumulated amortisation and impairment				
At 26 December 2021		(87.2)	–	(87.2)
Reclassified from property, plant and equipment	15	–	(8.7)	(8.7)
Charge for the period		(0.6)	(0.1)	(0.7)
Impairment charge	7	(0.2)	–	(0.2)
Exchange differences		(0.4)	–	(0.4)
At 31 December 2022		(88.4)	(8.8)	(97.2)
Charge for the period		(0.9)	(2.1)	(3.0)
Reclassified from property, plant and equipment	15	–	(0.8)	(0.8)
Exchange differences		0.3	–	0.3
At 30 December 2023		**(89.0)**	**(11.7)**	**(100.7)**
Carrying amount				
At 30 December 2023		**0.2**	**10.3**	**10.5**
At 31 December 2022		1.2	7.6	8.8

15. Property, plant and equipment

£m	Note	Land and buildings	Plant and machinery	Fixtures and equipment	Total
Cost					
At 26 December 2021		356.6	663.0	123.3	1,142.9
Additions		30.8	37.8	18.3	86.9
Disposals		(3.2)	(3.3)	(16.1)	(22.6)
Reclassified to intangible assets	14	–	(0.8)	(12.7)	(13.5)
Exchange differences		6.6	6.5	0.9	14.0
At 31 December 2022		390.8	703.2	113.7	1,207.7
Additions		11.0	31.1	5.1	47.2
Disposals		(5.5)	(17.3)	(1.8)	(24.6)
Reclassified to intangible assets	14	–	(1.9)	(0.3)	(2.2)
Exchange differences		(7.3)	(6.2)	(1.1)	(14.6)
At 30 December 2023		**389.0**	**708.9**	**115.6**	**1,213.5**
Accumulated depreciation and impairment					
At 26 December 2021		(130.4)	(393.7)	(73.6)	(597.7)
Charge for the period		(21.0)	(34.6)	(12.7)	(68.3)
Impairment		(4.6)	(11.6)	(3.1)	(19.3)
Disposals		3.2	3.3	16.1	22.6
Reclassified to intangible assets	14	–	0.4	8.3	8.7
Exchange differences		(2.6)	(2.4)	(0.6)	(5.6)
At 31 December 2022		(155.4)	(438.6)	(65.6)	(659.6)
Charge for the period		(20.9)	(35.5)	(12.3)	(68.7)
Impairment		–	(2.9)	–	(2.9)
Disposals		0.6	16.7	1.8	19.1
Reclassified to intangible assets	14	–	0.6	0.2	0.8
Exchange differences		2.5	2.5	0.7	5.7
At 30 December 2023		**(173.2)**	**(457.2)**	**(75.2)**	**(705.6)**
Carrying amount					
At 30 December 2023		**215.8**	**251.7**	**40.4**	**507.9**
At 31 December 2022		235.4	264.6	48.1	548.1

Included within land and buildings is freehold land held at historic cost of £11.5m (2022: £11.5m). Freehold land is not depreciated.

The carrying value of the Group's plant and machinery includes an amount of £0.1m (2022: £0.5m) in respect of assets held under leases previously recognised as finance leases before the introduction of IFRS 16.

The carrying value of the Group's land and buildings and plant and machinery includes an amount of £79.5m (2022: £86.7m) in respect of assets held under IFRS 16 Leases. Further details of these leases are disclosed in Note 24.

The carrying value of the Group's plant and machinery includes an amount of £35.9m (2022: £28.1m) in respect of assets held as security under Asset Finance Facilities. Further details of these facilities are disclosed in Note 21. At 30 December 2023, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £4.2m (2022: £8.6m).

Assets are not depreciated until they are brought into use. At 30 December 2023 a total of £31.7m (2022: £41.8m) of other assets were in progress and had not been brought into use.

During 2022, the Group completed a review of software assets included within Property, plant and equipment and determined that assets with a net book value of £4.8m should be reclassified to Other intangible assets. In 2023 we have reclassified further assets to intangible assets from fixtures and equipment with a total net book value of £1.4m.

During 2022, the Group impaired £4.6m of land and buildings including right-of-use assets of £0.3m, £11.6m of plant and machinery including right-of-use assets of £0.3m and £3.1m of fixtures and equipment. These impairment charges arose from sites that closed by the end of March 2023. This resulted in redundant, non-moveable, specialist assets which were assessed as having £nil value in use and are not saleable due to their specialist nature. The impairments were determined by comparing the carrying values of the assets with their recoverable amount, being the higher of the asset's fair value less costs of disposal and its value in use.

The impairments charged in the year of £2.9m wholly relate to plant and equipment, and relate to a reversal of a £0.6m impairment recognised in the UK sector in 2022 and an impairment charge of £3.5m in the US sector relating to 2023. These were included within Other administrative costs as exceptional items (Note 7).

16. Subsidiaries

The Group consists of a Parent Company, Bakkavor Group plc, incorporated in the UK, and a number of subsidiaries held directly and indirectly by Bakkavor Group plc. Note 5 to the Company's separate Financial Statements provides details of the interests in subsidiaries.

17. Interests in associates and other investments

£m	30 December 2023	31 December 2022
Name of associate		
La Rose Noire Limited	–	2.8
Patisserie et Chocolat Limited	–	0.8
Total associates	–	3.6
Other investments	**0.1**	0.1
Total associates and other investments	**0.1**	3.7

Details of the associated undertakings of the Group at 30 December 2023 and 31 December 2022 were as follows:

			Proportion of Ordinary shares		
	Place of registration and operation	Principal activity	30 December 2023	31 December 2022	Method of accounting
Name of associate					
La Rose Noire Limited	Hong Kong	Producer of bakery and pastry products	–	45%	Equity
Patisserie et Chocolat Limited	Hong Kong	Producer of bakery and pastry products	–	45%	Equity

On 8 May 2023, the Group disposed of its 45% interest in the two associate companies, La Rose Noire Limited and Patisserie et Chocolat Limited. The net consideration received was £4.6m and the carrying amount of the investments before the sale was £3.2m, resulting in a £1.4m profit on disposal. The associates paid a dividend of £1.6m to the Group in the period prior to the disposal of these investments.

18. Inventories

£m	30 December 2023	31 December 2022
Raw materials and packaging	**60.1**	73.0
Work-in-progress	**2.6**	3.0
Finished goods	**8.6**	10.2
	71.3	86.2

There is no material difference between the book value and replacement cost of inventories.

19. Trade and other receivables

£m	30 December 2023	31 December 2022
Amounts receivable from trade customers	**142.6**	130.4
Expected credit loss	**(1.3)**	(3.6)
Net amounts receivable from trade customers	**141.3**	126.8
Other receivables	**17.0**	23.2
Prepayments	**13.4**	11.0
	171.7	161.0

During the period, the Group has continued to operate trade receivable factoring arrangements. These are non-recourse arrangements and therefore amounts are de-recognised from trade receivables. At 30 December 2023, £145.2m was drawn under factoring facilities (2022: £138.0m) representing cash collected before it was contractually due from the customer.

As at 30 December 2023, the Group's Amounts receivable from trade customers includes £72.8m (2022: £62.0m), which could be factored under the non-recourse trade receivable factoring arrangement.

The average credit period taken on sales of goods is 23 days (2022: 22 days). An expected credit loss allowance has been made for estimated irrecoverable amounts from the sale of goods of £1.3m (2022: £3.6m). Expected credit loss allowances against receivables are made on a specific basis based on objective evidence and previous default experience as well as with reference to assumptions about the risk of default and expected future loss rates. Receivables are therefore deemed past due but not impaired when the contractual obligation to pay has been exceeded, but as yet no objective evidence or previous default experience indicates this debt will be irrecoverable, while assumptions about the risk of default remain unchanged.

The Directors consider that the carrying amount of trade and other receivables from customers approximates to their fair value due to their short-term nature.

The Other receivables amount mainly relates to non-specific amounts, the largest of which is recoverable VAT.

The following table is an ageing analysis of net trade receivables from customers:

£m	30 December 2023	31 December 2022
Not past due	**133.8**	120.4
Past due by 1 – 30 days	**6.2**	5.2
Past due by 31 – 60 days	**0.9**	0.9
Past due by 61 – 90 days	**0.4**	0.3
Past due by more than 90 days	**–**	–
	141.3	126.8

There was no impact from trade receivables renegotiated in 2023 that would have otherwise been past due or impaired (2022: no impact).

The four major customers of the Group, representing 73.9% (2022: 73.2%) of the Group's revenue from continuing operations, hold favourable credit ratings. On this basis, the Group does not see any need to charge interest or seek collateral or credit enhancements to secure any of its trade receivables due to their short-term nature. The Group does not consider that it is exposed to any significant credit risk other than that provided against and therefore the carrying amount of trade receivables represents the expected recoverable amount and there is no further credit risk exposure.

The following table is an analysis of the movement of the expected credit loss for the Group's trade receivables:

£m	2023	2022
Balance at beginning of the period	**(3.6)**	(2.8)
Allowances recognised against receivables	**(1.7)**	(2.1)
Amounts written off as uncollectible during the period	**2.8**	0.2
Amounts recovered during the period	**0.7**	0.6
Allowance reversed	**0.5**	0.5
Balance at end of the period	**(1.3)**	(3.6)

20. Cash and cash equivalents

£m	30 December 2023	31 December 2022
Cash and cash equivalents	**36.6**	40.2

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

The carrying amount of these assets approximates their fair value.

21. Borrowings

The interest rates and currency profile of the Group's borrowings at 30 December 2023 were as follows:

	Currency	Facility amount £m	Amount drawn down at year end £m	Interest rate	Maturity date
Term Loan	GBP	225.0	225.0	SONIA[2] plus a margin of 2.10%	Mar 2026[1]
Revolving Credit Facility ("RCF")	GBP	230.0	–	SONIA[2] plus a margin of 2.10%	Mar 2026[1]
Asset Finance Facility	GBP	16.9	16.9	Fixed interest rate	Aug 2027
Asset Finance Facility	GBP	17.9	17.9	Fixed interest rate	Aug 2028
Asset Finance Facility	USD	2.8	2.8	SOFR[3] plus 2.12%	Feb 2024
Total		**492.6**	**262.6**[4]		

1 £12.4m of the term loan and £12.6m of the RCF mature in March 2024.

2 The interest rate for these facilities includes a Credit Spread Adjustment following the transition from LIBOR to SONIA in September 2021.

3 SOFR stands for Secured Overnight Financing Rate.

4 £262.6m represents the committed facilities of the Group. The Group's consolidated statement of financial position discloses £265.4m which includes local overdraft facilities, unamortised fees and interest accrued.

21. Borrowings continued

On 18 March 2020, the Group completed a refinancing of its core debt facilities through a new term loan and Revolving Credit Facility totalling £455.0m. The refinancing resulted in the addition of new lenders to the Group. The new facilities were due to mature in March 2024, with an option to extend the tenure by a further two years subject to lender approval. £430m of these facilities were extended in March 2021 and further extended in March 2022 to mature in March 2026.

The Group's total banking facilities amount to £455.0 m (2022: £455.0m) comprising:

1. £225.0m in term loans (2022: £225.0m term loan), with £12.4m maturing in March 2024 and £212.6m in March 2026; and
2. £230.0m Revolving Credit Facilities ("RCF") (2022: £230.0m RCF), which includes an overdraft and money market facility of £20.0m (2022: £20.0m) and further ancillary facilities of £13.3m (2022: £13.3m). For the RCF, £12.6m matures in March 2024 and £217.4m in March 2026. The bank facilities are unsecured and are subject to covenant agreements including the Group maintaining a minimum interest cover of 4.0x and not exceeding an adjusted leverage of 3.0x.

The Asset Finance Facility is made up of three separate facilities which are secured against specific items of plant and machinery as follows:

a. £25.0m facility, which could be drawn against up to August 2020, of which the Group initially drew down £24.9m with £16.9m outstanding at the end of 2023. No further draw down can be made against this facility. The facility has been drawn in tranches, with each tranche being repaid on a quarterly basis over a period of seven years, and the weighted average interest rate for the facility at 30 December 2023 was 2.41% (2022: 2.41%). The interest rate is fixed at the prevailing rate on commencement of the loan tranche.
b. £13.1m drawn down during 2021 and £9.9m during 2023 under separate asset financing facilities with £17.9m outstanding at the end of 2023. No further draw down can be made against these facilities. The facilities have been drawn in tranches, with each tranche being repaid on a monthly basis over a period of five or seven years, and the weighted average interest rate for the facility at 30 December 2023 is 4.61% (2022: 3.20%). The interest rate is fixed at the prevailing rate on commencement of the loan tranche.
c. Bakkavor Foods USA Inc entered into an asset financing facility during 2022 of up to $5.0m (£4.1m) of funding, based on approved funding requests. As at 30 December 2023, £2.8m funding had been approved and drawn (2022: £1.7m) and the interest rate for this was a variable rate of SOFR plus 2.12% (2022: 2.12%).

In September 2021 the Group transitioned from LIBOR to SONIA which impacted £455.0m of the total debt facilities.

In addition, the Group has access to £10.7m (2022: £8.9m) of local overdraft facilities in the US and China which are uncommitted and unsecured. One of the Group's UK subsidiary companies, Bakkavor Finance (2) Limited, has provided Corporate Guarantees totalling $8m for the US local overdraft facility and RMB 40m for the China local overdraft facility.

£m	30 December 2023	31 December 2022
Bank overdrafts	**3.4**	8.2
Bank loans	**262.0**	314.1
	265.4	322.3
Borrowings repayable as follows:		
On demand or within one year	**25.4**	13.1
In the second year	**5.7**	16.1
In the third to fifth years inclusive	**234.3**	292.4
Over five years	**–**	0.7
	265.4	322.3
Analysed as:		
Amount due for settlement within 12 months (shown within current liabilities)	**25.4**	13.1
Amount due for settlement after 12 months	**240.0**	309.2
	265.4	322.3

	2023 %	2022 %
The weighted average interest rates paid excluding interest swap benefits were as follows:		
Bank loans and overdrafts	**6.38**	3.50

Apart from the Asset Finance Facility, interest on the Group's term loan and other borrowings are at floating rates, thus exposing the Group to cash flow interest rate risk. This risk is mitigated using interest rate swaps as set out in Note 27.

The fair value of the Group's borrowings is as follows:

£m	30 December 2023	31 December 2022
Fair value of the Group's borrowings	**266.1**	324.5

Net debt is net of cash and cash equivalents, prepaid fees to be amortised over the term of outstanding borrowings, outstanding borrowings, interest accrued on borrowings and lease liabilities and is as follows:

£m	30 December 2023	31 December 2022
Analysis of net debt		
Cash and cash equivalents	**36.6**	40.2
Borrowings	**(25.5)**	(14.1)
Interest accrual	**(0.5)**	(0.4)
Unamortised fees	**0.6**	1.4
Lease liabilities	**(11.6)**	(11.3)
Debt due within one year	**(37.0)**	(24.4)
Borrowings	**(240.5)**	(310.4)
Unamortised fees	**0.5**	1.2
Lease liabilities	**(78.9)**	(85.9)
Debt due after one year	**(318.9)**	(395.1)
Group net debt	**(319.3)**	(379.3)

22. Derivative financial instruments

£m	30 December 2023	31 December 2022
Foreign currency contracts – designated in a hedging relationship	**0.1**	1.5
Interest rate contracts – designated in a hedging relationship	**0.8**	8.4
Included in non-current assets	**0.9**	9.9
Foreign currency contracts – designated in a hedging relationship	**0.3**	2.6
Interest rate contracts – designated in a hedging relationship	**1.8**	0.1
Included in current assets	**2.1**	2.7
Foreign currency contracts – designated in a hedging relationship	**(0.5)**	(0.2)
Interest rate contracts – designated in a hedging relationship	**–**	(0.1)
Included in current liabilities	**(0.5)**	(0.3)
Foreign currency contracts – designated in a hedging relationship	**(0.1)**	–
Interest rate contracts – designated in a hedging relationship	**(0.7)**	–
Included in non-current liabilities	**(0.8)**	–
Total	**1.7**	12.3

Derivative financial instruments are subject to enforceable master netting agreements. However, they are not set off on the balance sheet. Under the terms of these arrangements, only where certain credit events occur (such as default) will the net position owing/receivable to a single counterparty in the same currency be taken as owing and all the relevant arrangements terminated.

Further details of derivative financial instruments are provided in Note 27.

23. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

£m	Accelerated tax depreciation[1]	Fair value gains	Provisions	Retirement benefit obligations and share schemes	Overseas tax losses and accrued interest	US goodwill	Total
At 26 December 2021	(39.8)	0.2	0.7	(8.6)	26.1	(9.3)	(30.7)
(Charge)/credit to income	(6.3)	(0.2)	0.2	0.5	3.4	(0.9)	(3.3)
Credit to income on exceptional items	4.7	–	–	–	1.0	–	5.7
Exchange differences	(0.9)	–	–	–	3.1	–	2.2
(Charge)/credit to equity and other comprehensive income	–	(3.1)	–	6.4	–	–	3.3
At 31 December 2022	(42.3)	(3.1)	0.9	(1.7)	33.6	(10.2)	(22.8)
(Charge)/credit to income	(4.8)	–	–	(0.3)	2.4	(0.6)	(3.3)
Credit to income on exceptional items	0.6	–	–	–	–	–	0.6
Exchange differences	0.2	–	–	–	(1.8)	0.6	(1.0)
Credit/(charge) to equity and other comprehensive income	–	2.8	–	–	–	–	2.8
At 30 December 2023	**(46.3)**	**(0.3)**	**0.9**	**(2.0)**	**34.2**	**(10.2)**	**(23.7)**

1 IAS 23 Capitalised interest and Intangibles deferred tax balances are shown within the Accelerated tax depreciation values above.

23. Deferred tax continued

Certain deferred tax assets and liabilities have been offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

£m	30 December 2023	31 December 2022
Deferred tax assets	**14.7**	12.9
Deferred tax liabilities	**(38.4)**	(35.7)
	(23.7)	(22.8)

Within the deferred tax asset above, £3.7m is expected to reverse no more than 12 months after the reporting period and £11.0m more than 12 months after the reporting period.

Included in the above are deferred tax assets of £33.6m (2022: £32.8m) in connection with US tax losses and accrued interest amounts which will be deductible in future accounting periods. These deferred tax assets are offset by liabilities for which there is a legally enforceable right to do so. The US tax losses and accrued interest amounts can be carried forward indefinitely and used against future US taxable profits.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

In evaluating whether it is probable that sufficient taxable profits will be earned in future accounting periods, all available evidence has been considered by management including forecasts and business plans. These forecasts are consistent with those prepared and used internally for business planning and impairment testing purposes. Following this evaluation, management determined there would be sufficient taxable profits generated to continue to recognise these deferred tax assets in full.

Deferred tax assets in respect of some capital losses as well as trading losses have not been recognised as their future recovery is uncertain or not currently anticipated. The total gross deferred tax assets not recognised are as follows:

£m	30 December 2023	31 December 2022
Capital losses	**5.0**	5.0
Trading losses	**19.3**	21.2
	24.3	26.2

The capital losses arose in the UK and are available to carry forward indefinitely but can only be offset against future capital gains. The trading losses are non-UK losses and are available to offset against future taxable profits. These losses are timebound and £17.8m (2022: £20.3m) will expire after five years if unused.

There are no deferred tax liabilities associated with undistributed earnings of subsidiaries due to the availability of tax credits against such liabilities or the exemption from UK tax on such dividends.

Temporary differences arising in connection with interests in associates are insignificant.

24. Lease liabilities

The Group leases assets including land and buildings and plant and machinery that are held within property, plant and equipment. Information about leases for which the Group is a lessee is presented below.

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT RELATING TO LEASES

The Group has split the net book value of property, plant and equipment relating to leases between amounts previously recognised as finance leases under IAS 17 and amounts recognised as right-of-use assets under IFRS 16. This allows management to review performance excluding IFRS 16, as set out in Note 36, Alternative Performance Measures.

£m	30 December 2023	31 December 2022
Net book value of leased property, plant and equipment excluding right-of-use assets	**0.2**	0.5
Net book value of right-of-use assets	**79.5**	86.7
	79.7	87.2

NET BOOK VALUE OF RIGHT-OF-USE ASSETS

£m	Land and buildings	Plant and machinery	Total
At 26 December 2021	70.3	2.9	73.2
Additions	25.2	0.3	25.5
Depreciation charge	(10.9)	(1.2)	(12.1)
Impairment for the period	(0.3)	(0.3)	(0.6)
Exchange differences	0.7	–	0.7
At 31 December 2022	85.0	1.7	86.7
Additions	10.6	0.4	11.0
Disposals	(4.8)	–	(4.8)
Depreciation charge	(11.2)	(0.9)	(12.1)
Exchange differences	(1.3)	–	(1.3)
At 30 December 2023	**78.3**	**1.2**	**79.5**

LEASE LIABILITIES

	Present value of minimum lease payments	
£m	**30 December 2023**	31 December 2022
Amounts payable under leases:		
Within one year	**11.6**	11.3
In the second to fifth years inclusive	**32.1**	36.6
Over five years	**46.8**	49.3
Present value of lease obligations	**90.5**	97.2
Analysed as:		
Amount due for settlement within 12 months	**11.6**	11.3
Amount due for settlement after 12 months	**78.9**	85.9
	90.5	97.2

The Group has split the lease liabilities between liabilities previously recognised as finance leases under IAS 17 and liabilities recognised under IFRS 16. This allows management to review both the Group net debt, as set out in Note 21, Borrowings, and the Group operational net debt as set out in Note 36, Alternative Performance Measures.

£m	**30 December 2023**	31 December 2022
Lease liabilities relating to leases previously recognised under IAS 17	**0.2**	0.6
Lease liabilities relating to leases recognised under IFRS 16	**90.3**	96.6
	90.5	97.2

The weighted average lease term outstanding is 13.0 years (2022: 14.5 years). For 2023, the weighted average incremental borrowing rate was 3.2% (2022: 3.2%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's lease obligations are secured by the lessors' rights over the leased assets.

The Group utilises the exemption from capitalising short-term and low-value leases where the relevant criteria are met. The expenses relating to these lease types are disclosed below.

AMOUNTS RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

£m	**2023**	2022
Interest on lease liabilities	**3.0**	3.1
Expenses relating to low-value leases	**3.3**	3.3
Expenses relating to short-term leases	**1.6**	1.4
	7.9	7.8

AMOUNTS RECOGNISED IN THE STATEMENT OF CASH FLOWS

£m	**2023**	2022
Cash outflow for lease principal payments	**12.3**	14.0
Cash outflow for lease interest payments	**3.0**	3.1
Total cash outflow for leases	**15.3**	17.1

25. Trade and other payables

£m	30 December 2023	31 December 2022
Trade payables	**262.4**	287.5
Other taxation	**2.2**	2.1
Other payables	**26.7**	26.8
Accruals and deferred income	**156.3**	113.6
Trade and other payables due within one year	**447.6**	430.0

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 64 days (2022: 63 days). No interest is incurred against trade payables.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

During 2019, the Group set up an arrangement to provide financing for the Group's suppliers. This is a voluntary programme that potentially gives suppliers earlier access to cash. At 30 December 2023, trade payables amounting to £42.7m (2022: £45.1m) were subject to these arrangements. These balances are classified as trade payables, and the related payments as cash flows from operating activities, since the original obligation to the supplier remains and has not been replaced with a new obligation to the bank.

Other payables include the Group's liabilities in respect of payroll taxes.

26. Provisions

£m	Onerous contracts	Dilapidation provisions	Legal and other provisions	Restructuring provisions	Total
At 26 December 2021	1.8	16.6	3.9	0.5	22.8
Transferred between classifications	0.5	–	–	(0.5)	–
Utilisation of provision	(0.3)	–	(0.1)	(1.8)	(2.2)
Additional provision in the year	–	2.1	–	16.6	18.7
Release of provision	(0.5)	(0.1)	(2.6)	–	(3.2)
Unwinding of discount	0.2	0.6	–	–	0.8
Exchange differences	–	0.1	–	–	0.1
At 31 December 2022	1.7	19.3	1.2	14.8	37.0
Included in current liabilities	0.4	5.6	1.2	14.8	22.0
Included in non-current liabilities	1.3	13.7	–	–	15.0
At 1 January 2023	1.7	19.3	1.2	14.8	37.0
Utilisation of provision	–	–	–	(9.7)	(9.7)
Additional provision in the year	–	0.4	1.0	–	1.4
Release of provision	–	(0.3)	(1.0)	(2.2)	(3.5)
Unwinding of discount	0.2	0.7	–	–	0.9
Exchange differences	–	–	–	–	–
At 30 December 2023	**1.9**	**20.1**	**1.2**	**2.9**	**26.1**
Included in current liabilities	**0.4**	**5.9**	**1.2**	**2.9**	**10.4**
Included in non-current liabilities	**1.5**	**14.2**	**–**	**–**	**15.7**

Onerous contracts provisions relate to the Group's leased vacant properties. The onerous contract provision has been calculated as the discounted total expected costs for occupying the properties (including service charges but excluding lease rentals and rates) through to the break clause. The provisions will be utilised over the term of the individual leases to which they relate. These leases expire within 16 years. During the prior year, two of the Group's leased properties relating to the previously closed non-core UK fast-casual restaurant business were fully surrendered, and therefore no liability remains for these leases.

Dilapidation provisions relate to estimated obligations under various property leases to ensure that, at the end of the leases, the buildings are in the condition agreed with the landlords. The provisions will be utilised at the end of the individual lease terms to which they relate, which range from 1 to 27 years.

The legal and other provisions, which are expected to be settled within 12 months, are assessed by utilising Group experience, legal and professional advice and other commercial factors to reasonably estimate present obligations across the Group. These obligations are varied and depend on future events which are by their nature uncertain. The Group has taken this uncertainty into account and considers the provision to be reasonable in the circumstances.

During the prior year, a restructuring provision was recognised for the closure of two of our UK sites and the costs of a corporate restructuring. At 30 December 2023, £2.9m of these provisions remain and they are expected to be fully utilised during 2024.

27. Financial instruments

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of borrowings, as disclosed in Note 21, and cash equivalents and equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings.

The Group manages its capital by collating timely and reliable information to produce various internal reports such as capital expenditure and weekly net debt reports, which enable the Board of Directors to assess the Group's capital and manage that capital effectively and in line with the Group's objectives. The gearing of the Group is constantly monitored and managed to ensure that the ratio between debt and equity is at an acceptable level of less than 50%. This enables the Group to operate as a going concern and maximise stakeholders' returns.

GEARING RATIO

The gearing ratio at the period end was as follows:

£m	30 December 2023	31 December 2022
Debt (excluding IFRS 16 lease liabilities)	**265.6**	322.9
Cash and cash equivalents	**(36.6)**	(40.2)
Net debt	**229.0**	282.7
Equity	**607.6**	617.8
Net debt to net debt plus equity	**27.4%**	31.4%

Debt is defined as long- and short-term borrowings, as disclosed in Note 21, and lease liabilities payable in Note 24 (excluding IFRS 16 lease liabilities of £90.3m at 30 December 2023 (£96.6m at 31 December 2022)).

CATEGORIES OF FINANCIAL INSTRUMENTS

£m	30 December 2023	Restated 31 December 2022[1]
Financial assets		
Fair value through profit and loss:		
Trade receivables	**72.8**	62.0
Derivative financial instruments	**3.0**	12.6
Measured at amortised cost:		
Trade receivables	**68.5**	64.8
Other receivables	**5.4**	9.9
Cash and cash equivalents	**36.6**	40.2
	186.3	189.5

1 The other receivables in the prior period has been restated to strip out the VAT receivable of £13.3m.

£m	30 December 2023	Restated 31 December 2022[1]
Financial liabilities		
Fair value through profit and loss:		
Derivative financial instruments	**1.3**	0.3
Other financial liabilities at amortised cost:		
Trade payables	**262.4**	287.5
Other payables	**15.0**	12.6
Accruals	**155.3**	112.3
Borrowings	**265.4**	322.3
Lease liabilities	**90.5**	97.2
	789.9	832.2

1 The other payables in the prior period has been restated to strip out the payroll taxes of £14.2m.

The fair value of financial assets approximates to their carrying value due to the short-term nature of the receivables. Fair values for the derivative financial instruments have been determined as level 2 under IFRS 7 Financial Instruments: Disclosures. Quoted prices are not available for the derivative financial instruments and so valuation models are used to estimate fair value. The models calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves and currency rates.

27. Financial instruments continued

The fair value of other financial liabilities at amortised cost approximates to their carrying value. The trade and other payables approximate to their fair value due to the short-term nature of the payables. The lease liabilities fair value approximates to the carrying value based on discounted future cash flows.

There have been no changes to fair values as a result of a change in credit risk of the Group or the Group's customers.

FINANCIAL RISK MANAGEMENT

The Group is exposed to a number of financial risks such as access to and cost of funding, interest rate exposure, currency exposure and working capital management. The Group seeks to minimise and mitigate against these risks where possible, and does this by constantly monitoring and using a range of measures including derivative financial instruments. Use of financial instruments is governed by Group policies which are approved by the Board. The treasury function does not operate as a profit centre, makes no speculative transactions and only enters into or trades financial instruments to manage specific exposures.

MARKET RISK

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- Interest rate swaps to mitigate the risk of rising interest rates; and
- Forward foreign exchange contracts to hedge the exchange rate risk arising on purchases in foreign currencies.

Market risk exposures are supplemented by sensitivity analysis. There has been no change in the Group's exposure to market risks or the manner in which it manages and measures the risk.

FOREIGN CURRENCY RISK MANAGEMENT

Foreign currency risk management occurs at a transactional level on purchases in foreign currencies and at a translational level in relation to the translation of overseas operations. All transactional risks, cash flow forecasts and related hedges are reviewed by the Group Hedging Committee and Group Treasury, at least quarterly, to monitor foreign exchange rates and confirm the appropriateness of the Group's hedged cover.

The Group's main foreign exchange risk is to the Euro and US dollar.

During the 52-week period to 30 December 2023, the Euro weakened against Sterling by 2.0% (2022: 53-week period strengthened by 4.7%), with the closing rate at €1.1518 compared with €1.1293 at the prior period end. The average rate for the 52-week period to 30 December 2023 was €1.1503 (2022: 53-week period at €1.1727), a 1.9% strengthening (2022: 0.9% weakening) of the Euro versus the prior period.

In the same period, the US dollar weakened against Sterling by 5.5% (2022: strengthened by 9.9%), with the closing rate at $1.2739 compared with $1.2077 at the prior period end. The average rate for the 52-week period to 30 December 2023 was $1.2441 (2022: $1.2375), a 0.5% weakening (2022: 10.0% strengthening) of the US dollar versus the prior period.

The net foreign exchange impact on profit from transactions was £nil (2022: gain of £1.2m).

FOREIGN CURRENCY SENSITIVITY ANALYSIS

A sensitivity analysis has been performed on the financial assets and liabilities to a sensitivity of 10% increase/decrease in the exchange rates. A 10% increase/decrease has been used as it represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit/equity where Sterling strengthens 10% against the relevant currency.

	Profit or (loss) 10% strengthening in currency		Profit or (loss) 10% weakening in currency	
£m	**2023**	2022	**2023**	2022
Euro	**2.6**	3.1	**(3.1)**	(3.8)
USD	**2.9**	3.9	**(3.6)**	(4.8)
HKD	**(0.2)**	(0.3)	**0.2**	0.4
RMB	**(0.8)**	(0.5)	**1.0**	0.7

FOREIGN EXCHANGE CONTRACTS

It is the policy of the Group to enter into foreign exchange contracts to cover specific foreign currency payments and receipts. The Group also enters into foreign exchange contracts to manage the risk and cash flow exposures associated with anticipated purchase transactions.

The Group has applied hedge accounting to its forward contracts that were put in place on or after 27 December 2020. The transactions and forward contracts are designated with a hedge ratio of 1:1. The fair value of forward contracts at the reporting date is determined by the difference between foreign currency spot rate and strike rate of the contract, discounted to present value. Sources of hedge ineffectiveness are a reduction or modification in the hedged item or a material change in the credit risk of contract counterparties.

There were no Sterling foreign currency contracts outstanding as at 30 December 2023, which were entered into on or before 26 December 2020, for which hedge accounting was not applied.

The following table details Sterling foreign currency contracts outstanding as at 30 December 2023, which were entered into on or after 27 December 2020, for which hedge accounting is applied:

	Foreign currency (m)		Average exchange rate		Contract value (£m)		Fair value movement (£m)	
Outstanding contracts	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Net Euros:								
3 months or less	**33.5**	37.5	**1.14**	1.08	**29.2**	32.0	**(0.1)**	1.3
3 to 6 months	**37.4**	38.5	**1.14**	1.06	**32.7**	33.2	**(0.1)**	1.1
6 to 12 months	**43.3**	37.8	**1.14**	1.05	**37.9**	32.8	**0.1**	1.1
Over 12 months	**5.0**	19.8	**1.15**	1.14	**4.4**	17.3	**–**	0.5
Net US dollars:								
3 months or less	**6.2**	4.4	**1.25**	1.23	**5.0**	3.5	**(0.1)**	0.1
3 to 6 months	**4.3**	3.3	**1.27**	1.21	**3.4**	2.8	**–**	–
6 to 12 months	**4.4**	6.0	**1.26**	1.21	**3.5**	5.0	**(0.1)**	(0.1)
Over 12 months	**0.4**	0.8	**1.28**	1.22	**0.3**	0.7	**–**	–
					116.4	127.3	**(0.3)**	4.0

The following tables detail various information regarding forward contracts, for which hedge accounting is applied, outstanding at the end of the reporting period and their related hedged items.

	Average contracted exchange rate		Contract value		Carrying amount of the hedging instrument assets/(liabilities)		Change in fair value used for calculating hedge ineffectiveness	
Hedging instruments	**2023**	2022	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Forward contracts – EURO	**1.14**	1.08	**104.2**	115.3	**(0.1)**	4.0	**(4.1)**	5.1
Forward contracts – USD	**1.26**	1.21	**12.2**	12.0	**(0.1)**	–	**(0.1)**	(0.1)

	Nominal amount of the hedge item (liabilities)		Change in value used for calculating hedge ineffectiveness		Balance in cash flow hedge reserve for continuing hedges		Balance in cash flow hedge reserve arising from hedging relationships for which hedge accounting is no longer applied	
Hedging items	**2023 Foreign currency m**	2022 Foreign currency m	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Foreign currency purchases – EURO	**119.2**	133.6	**0.1**	(4.0)	**(0.1)**	4.0	**–**	–
Foreign currency purchases – USD	**15.3**	14.5	**0.1**	–	**(0.1)**	–	**–**	–

The following table details the effectiveness of the hedging relationship and the amounts reclassified from hedging reserve:

	Current period hedging losses recognised in OCI		Amount of hedge ineffectiveness recognised in profit or loss		Line item in the income statement in which hedge ineffectiveness is included	Due to hedged future cash flows being no longer expected to occur		Line item in which adjustment is included
Hedged items	**2023 £m**	2022 £m	**2023 £m**	2022 £m		**2023 £m**	2022 £m	
Foreign currency purchases	**(4.2)**	5.0	**–**	–	Other gains and losses	**–**	–	Inventory

INTEREST RATE RISK MANAGEMENT

The Group is exposed to interest rate risk on borrowings. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of derivative financial instruments such as interest rate swaps and caps to minimise the risk associated with variable interest rates. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied. Use of interest rate derivatives is governed by Group policies which are approved by the Board.

27. Financial instruments continued

INTEREST RATE SENSITIVITY ANALYSIS

Interest rate sensitivity analysis has been performed on borrowings as set out in Note 21, net of existing interest rate swaps, to illustrate the impact on Group profits and equity if interest rates increased/decreased. This analysis assumes the liabilities outstanding at the period end were outstanding for the whole period. A 100 basis points increase or decrease has been used as this is management's assessment of reasonably possible changes in interest rates.

£m	(Loss)/profit 2023	(Loss)/profit 2022
Effects of 100 basis points increase in interest rate	**(0.8)**	(1.4)
Effects of 100 basis points decrease in interest rate	**0.8**	1.4

It is assumed that all other variables remain the same when preparing the interest rate sensitivity analysis. In addition, interest rate sensitivity analysis has been performed on amounts owed under the Group's trade receivables factoring arrangement. A 100 basis points increase or decrease has been used as this is management's assessment of reasonably possible changes in interest rates.

£m	(Loss)/profit 2023	(Loss)/profit 2022
Effects of 100 basis points increase in interest rate	**(1.4)**	(1.4)
Effects of 100 basis points decrease in interest rate	**1.4**	1.4

INTEREST RATE SWAP CONTRACTS

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed- and floating-rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year. The £150m of the floating debt is designated with quarterly interest payment dates and is offset by an interest rate swap with the same critical terms, with a designated hedge ratio of 1:1. Sources of hedge ineffectiveness are a reduction or modification in the hedged item or a material change in the credit risk of swap counterparties.

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying interest rates.

The Group transitioned from LIBOR to SONIA in 2021. All of the interest rate swaps amounting to £150.0m were subject to this transition.

The following tables detail various information regarding interest rate swap contracts outstanding at the end of the reporting period and their related hedged items.

	Average contracted fixed interest rate		Notional principal value		Carrying amount of the hedging instrument assets/(liabilities)		Change in fair value used for calculating hedge ineffectiveness	
Hedging instruments	**2023 %**	2022 %	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Interest rate swaps maturing 13 March 2024	**0.4**	0.4	**150.0**	150.0	**1.8**	7.4	**(5.6)**	4.9
Interest rate swaps commencing 13 March 2024	**3.7**	2.3	**130.0**	30.0	**0.1**	1.0	**(0.9)**	1.0

	Nominal amount of the hedged item (liabilities)		Change in value used for calculating hedge ineffectiveness		Balance in cash flow hedge reserve for continuing hedges		Balance in cash flow hedge reserve arising from hedging relationships for which hedge accounting is no longer applied	
Hedging items	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Variable rate borrowings	**(280.0)**	(180.0)	**(6.5)**	(5.9)	**1.9**	8.4	**–**	–

The following table details the effectiveness of the hedging relationship and the amounts reclassified from hedging reserve to income statement:

Hedged items	Current period hedging gains/ (losses) recognised in OCI 2023 £m	2022 £m	Amount of hedge ineffectiveness recognised in profit or loss 2023 £m	2022 £m	Line item in the income statement in which hedge ineffectiveness is included	Amount reclassified to income statement due to hedged future cash flows being no longer expected to occur 2023 £m	2022 £m	Line item in income statement in which reclassification adjustment is included
Variable rate borrowings	**(6.5)**	5.9	**–**	–	Other gains and losses	**–**	–	Finance costs

When interest amounts are paid or received on its interest rate swap contracts, the Group recognises the expenses or income in the income statement. During 2023 the net amount received and recognised against expenses in finance costs was £6.8m (2022: £1.4m). After payment or receipt the hedge is revalued and movements are recognised as a movement in the hedging reserve.

CREDIT RISK MANAGEMENT

Credit risk refers to the risk of financial loss to the Group if a counterparty defaults on its contractual obligations of the financial assets measured at amortised cost held in the statement of financial position.

The Group's main credit risk is attributable to its trade receivables. The Group's top four customers, all leading UK retailers, represent more than 74% (2022: 73%) of the Group's revenue from continuing operations. These customers have favourable credit ratings and consequently reduce the credit risk for the Group's overall trade receivables.

Processes are in place to manage receivables and overdue debt and to ensure that appropriate action is taken to resolve issues on a timely basis. Credit control operating procedures are in place to review all new customers. Existing customers are reviewed as management become aware of changes of circumstances for specific customers. The amounts presented in the statement of financial position are net of appropriate allowance for doubtful trade receivables, specific customer risk and assessment of the current economic environment. The carrying amount of financial assets recorded in the Financial Statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with good credit ratings assigned by international credit rating agencies. Group policy dictates that Group deposits are shared between banks that are counterparties in the Group's committed bank facilities to spread the risk. The Group's current bank facilities comprise a £225.0m term loan (2022: £225.0m) and a £230.0m RCF facility (2022: £230.0m), through a bank syndicate. Coöperatieve Rabobank U.A. is the syndicate agent of this facility and it manages the syndicate and participation with other counterparties.

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region of origin was:

£m	30 December 2023	31 December 2022
UK	**126.6**	120.9
US	**14.1**	15.4
China	**17.6**	13.7
	158.3	150.0

The expected credit losses on trade receivables are calculated locally by financial teams. These allowances are based on assumptions about the risk of default (when it is reasonably probable that no future economic benefit will arise from the financial asset) and expected loss rates. The Group uses judgement in making these assumptions with regards to customer credit ratings, credit risk characteristics and the days past due based on the Group's history and existing market conditions. Generally, the expected credit loss becomes 100% of the trade receivable once it is past due by 91 days; as at 30 December 2023 there were £0.9m (2022: £nil) of trade receivables past due by 91 days. This figure has been included in the expected credit loss of £1.3m (2022: £3.6m). The Group will generally write-off any trade receivables relating to customers that are in administration.

COMMODITY RISK MANAGEMENT

The Group acquires substantial quantities of raw materials for its operations. The Group is therefore exposed to commodity price and supply risks for these raw materials. The Group takes action to reduce overall material costs and exposure to price fluctuations by sourcing raw materials from suppliers all over the world, thereby decreasing geographic risk. It also frequently tenders to benchmark market prices. In general, requirements are managed using contracts for periods of between 3-12 months forward. The Group also manages any local currency exposure in line with agreed contracts. As at 30 December 2023, the Group had purchase commitments for the next 12 months to guarantee supply and price of raw materials of £200m (2022: £145.5m).

27. Financial instruments continued

LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the risk that the Group may not be able to fund the day-to-day running of the Group. The Group manages liquidity risk by monitoring actual and forecast cash flows to ensure that adequate liquidity is available to meet the maturity profiles of financial liabilities. The Group also monitors the drawdown of borrowings against the available banking facilities and reviews the level of reserves. Liquidity risk management ensures sufficient funding is available for the Group's day-to-day needs. The Group maintains reasonable headroom of unused committed bank facilities in a range of maturities at least 12 months beyond the period end. As at 30 December 2023, the Group has undrawn borrowing facilities, including cash, available totalling £263.0m (2022: £201.4m). Please see Note 21 for further information regarding the Group's borrowings. The Group also has access to a trade factoring arrangement which provides additional liquidity to the business.

MATURITY PROFILE OF FINANCIAL LIABILITIES

The following table illustrates the Group's undiscounted contractual maturity for its undiscounted financial liabilities when they fall due.

£m	30 December 2023	Restated 31 December 2022[2]
Non-derivatives due within one year:		
Trade payables	**262.4**	287.5
Other payables	**15.0**	12.6
Accruals	**155.3**	112.3
Borrowings[1]	**32.2**	23.2
Lease liabilities	**14.2**	14.2
Total non-derivatives due within one year	**479.1**	449.8
Non-derivatives due in the second to fifth years inclusive:		
Borrowings[1]	**265.3**	349.4
Lease liabilities	**41.4**	44.6
Total non-derivatives due in the second to fifth years	**306.7**	394.0
Non-derivatives due after five years:		
Borrowings[1]	**–**	0.7
Lease liabilities	**60.4**	63.2
Total non-derivatives due after five years	**60.4**	63.9

1 Borrowings' future interest costs have been calculated excluding any benefit from fixed rate interest rate swaps.

2 The other payables in the prior period has been restated to strip out the payroll taxes of £14.2m.

The weighted average interest rates for the Group's borrowings are found in Note 21 and in Note 24 for lease liabilities. The following table illustrates the Group's contractual maturity for derivative financial instrument liabilities when they fall due.

£m	30 December 2023	31 December 2022
Derivative financial liabilities		
Due within one year	**0.5**	0.3
Due in the second to fifth years inclusive	**0.8**	–
Total	**1.3**	0.3

ITEMS OF INCOME, EXPENSE, GAINS OR LOSSES

The following table provides an analysis of the Group's finance costs and income and changes in fair values by category of financial instrument:

£m	2023	2022
Finance costs and income		
On financial liabilities held at amortised cost	**(27.4)**	(21.0)
Finance income	**0.6**	0.2
Changes in fair values recognised in Other gains and (losses)		
On financial liabilities held at fair value through profit and loss	**–**	(0.1)

28. Called up share capital, dividends and reserves

CALLED UP SHARE CAPITAL

£m	30 December 2023	31 December 2022
Issued and fully paid:		
579,425,585 (2022: 579,425,585) Ordinary shares of £0.02 each	**11.6**	11.6

All Ordinary shares of £0.02 each are non-redeemable, and carry equal voting rights and rank for dividends and capital distributions, whether on a winding up or otherwise.

OWN SHARES HELD

During the prior and current period, the Company purchased shares through an Employee Benefit Trust called the Bakkavor Group plc Employee Benefit Trust (the "Trust"). Own shares purchased are recorded at cost and deducted from equity.

The own shares held represents the cost of shares in Bakkavor Group plc purchased in the market and held by the Trust to satisfy share awards under the Group's share scheme plans (refer to Note 31).

The number of Ordinary shares held by the Trust at 30 December 2023 was 4,567,073 (30 December 2022: 2,940,514). This represents 0.79% of total called up share capital at 30 December 2023 (31 December 2022: 0.51%).

Total cash purchases made through the EBT during the year amounted to £2.4m (2022: £3.1m).

£m	Number of shares	£000
Balance at 1 January 2023	2,940,514	3,074
Acquisition of shares by the Trust	2,688,310	2,447
Distribution of shares under share scheme plans	(1,061,751)	(1,149)
Balance at 30 December 2023	**4,567,073**	**4,372**

No own shares held of Bakkavor Group plc were cancelled during the periods presented.

DIVIDENDS

Reporting period ended	Dividend per share	Declared	Date paid	Number of dividend rights waived[1]	Amount paid
30 December 2023					
Interim dividend	**2.91p**	**September 2023**	**13 October 2023**	**3,264,816**	**£16,766,278**
31 December 2022					
Final dividend	4.16p	May 2023	5 June 2023	2,886,522	£23,984,025
Interim dividend	2.77p	September 2022	14 October 2022	2,492,273	£15,981,053
25 December 2021					
Final dividend	3.96p	May 2022	30 May 2022	2,439,135	£22,848,663

1 Dividend rights waived in relation to Ordinary shares held in the Bakkavor Group plc Employee Benefit Trust.

MERGER RESERVE

The merger reserve was created as a result of the acquisition of Bakkavor Holdings Limited and represents the difference between the carrying values of the net assets of Bakkavor Holdings Limited and the value of the share capital and share premium arising on the share-for-share exchange that resulted in Bakkavor Group plc acquiring Bakkavor Holdings Limited.

In 2007, a corporate reorganisation was completed to establish Bakkavor Holdings Limited as an intermediate holding company of the Group. This was accounted for using the principles of merger accounting.

In 2017, the merger reserve was debited by £185.8m as a result of the acquisition of Bakkavor Holdings Limited and the elimination of the historical capital reserve which related to the previous Group structure.

HEDGING RESERVE

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items (basis adjustment).

28. Called up share capital, dividends and reserves continued

TRANSLATION RESERVE

The translation reserve represents foreign exchange rate differences arising on the consolidation of the Group's foreign operations. The assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in the translation reserve.

29. Net cash generated from operating activities

£m	2023	2022
Operating profit	**97.1**	37.8
Adjustments for:		
Share of profit of associates after tax	**–**	(0.2)
Depreciation of property, plant and equipment	**68.7**	68.3
Amortisation of intangible assets	**3.0**	0.7
Profit on disposal of property, plant and equipment	**(1.4)**	(0.1)
Profit on disposal of associate	**(1.4)**	–
Impairment of assets	**2.9**	29.2
Share scheme charges	**2.0**	1.3
Net retirement benefits charge less contributions	**(2.1)**	(2.2)
Operating cash flows before movements in operating assets and liabilities	**168.8**	134.8
Decrease/(increase) in inventories	**16.3**	(15.8)
(Increase) in receivables	**(8.1)**	(17.3)
Increase in payables	**18.9**	32.8
(Decrease)/increase in exceptional provisions	**(11.9)**	18.4
(Decrease) in provisions	**(0.1)**	(1.4)
Cash generated by operations	**183.9**	151.5
Income taxes paid	**(11.0)**	(5.1)
Interest paid	**(25.2)**	(19.3)
Net cash generated from operating activities	**147.7**	127.1

ANALYSIS OF CHANGES IN NET DEBT

£m	1 January 2023	Cash flow	Lease additions	Exchange movements	Other non-cash movements[1]	30 December 2023
Borrowings	(322.3)	58.0	–	0.5	(1.6)	**(265.4)**
Lease liabilities	(97.2)	12.3	(6.2)	0.6	–	**(90.5)**
Total liabilities from financing activities	(419.5)	70.3	(6.2)	1.1	(1.6)	**(355.9)**
Cash and cash equivalents	40.2	(2.5)	–	(1.1)	–	**36.6**
Net debt	(379.3)	67.8	(6.2)	–	(1.6)	**(319.3)**

£m	26 December 2021	Cash flow	Lease additions	Exchange movements	Other non-cash movements[1]	31 December 2022
Borrowings	(320.6)	(0.5)	–	(0.2)	(1.0)	**(322.3)**
Lease liabilities	(84.6)	14.0	(25.6)	(1.0)	–	**(97.2)**
Total liabilities from financing activities	(405.2)	13.5	(25.6)	(1.2)	(1.0)	**(419.5)**
Cash and cash equivalents	31.1	8.0	–	1.1	–	**40.2**
Net debt	(374.1)	21.5	(25.6)	(0.1)	(1.0)	**(379.3)**

1 Includes accrued interest at 30 December 2023 of £0.5m (2022: £0.4m) and prepaid bank fees of £1.1m (2022: £2.6m). The net reduction in these balances in the period of £1.6m (2022: net reduction of £1.0m) is shown in the table above as 'Other non-cash movements' in Borrowings.

30. Contingent liabilities and commitments

The Group may from time to time, and in the normal course of business, be subject to claims from customers and counterparties. The Group regularly reviews all of these claims to determine any possible financial loss to the Group. In addition, there are a number of legal claims or potential claims against the Group; please see Note 26 for further details about legal provisions made.

The Group has the following amounts of letters of credit issued:

£m	2023	2022
Letters of credit	**4.9**	4.4

As at 30 December 2023, the Group had purchase commitments for the next 12 months to guarantee supply and price of raw materials of £200m (2022: £145.5m).

31. Share-based payments

The Company has a share option scheme for selected employees of the Group. Options granted under the scheme are exercisable at a discount to the estimated price of the Company's shares on the date of grant. Options expire if they remain unexercised after a period of 5 or 10 years from the date of grant dependent on the award year. Options may be forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year were as follows:

	Number of share options		Weighted average exercise price	
	2023	2022	**2023**	2022
Outstanding at the beginning of the period	**18,761,203**	17,713,853	**£0.05**	£0.12
Granted during the period	**6,143,820**	5,723,603	**–**	–
Granted in lieu of dividends during the period	**1,192,085**	23,834	**–**	–
Exercised during the period	**(1,003,194)**	(1,628,144)	**£0.18**	£0.74
Forfeited during the period	**(1,436,608)**	–	**–**	–
Expired and lapsed during the period	**(669,281)**	(3,071,943)	**–**	–
Outstanding at the end of the period	**22,988,025**	18,761,203	**£0.04**	£0.05
Exercisable at the end of the period	**8,648,087**	2,635,939	**£0.05**	£0.21

In addition 340,521 were outstanding at the 30 December 2023 (30 December 2022: 292,837) in respect of options granted to Directors in respect of their Deferred Annual Bonus entitlement.

The average share price on the date options were exercised during the period was £0.90 (2022: £1.12).

The options outstanding at 30 December 2023 had a weighted average exercise price of £0.04 (2022: £0.05), and a weighted average remaining contractual life of 5.4 years (2022: 5.1 years).

Range of exercise prices for the share options:

	Number of share options		Weighted average exercise price	
	30 December 2023	31 December 2022	**30 December 2023**	31 December 2022
£nil	**20,922,569**	16,461,600	**–**	–
£0.01 – £1.00	**2,065,456**	2,299,603	**£0.40**	£0.44
Outstanding at the end of the period	**22,988,025**	18,761,203	**£0.04**	£0.05
Exercisable at the end of the period	**8,648,087**	2,635,939	**£0.05**	£0.21

2023

5,107,894 options were granted on 12 April 2023, 61,576 were granted on 22 May 2023 and 236,316 were granted on 12 October 2023. These options granted had the following performance conditions for vesting:

- 282,276 vest provided the individual is an employee in April 2026.
- Provided that the first condition is met, 50% of the remaining options vest provided the Group's TSR national rank versus a bespoke peer group of 26 companies three years after the date of grant is at the median level. This increases up to 50% of the remaining options based on a sliding scale if the Group's TSR rank three years after the date of grant is at the upper quartile level.
- Provided that the first condition is met, 25% of the remaining options vest provided the Group's adjusted EPS for the 2025 financial year is 10.0 pence, with up to a further 50% of the remaining options vesting on a sliding scale if the Group's adjusted EPS is between 10.0 pence and 11.5 pence for that year.

479,445 options were granted on 12 April 2023 and 258,589 were granted on 12 October 2023. These options granted had the following performance conditions for vesting:

- 159,814 and 86,196 vest provided that the individual is an employee in April 2026 and October 2026 respectively.
- Provided that the first condition is met, 25% of the remaining options vest provided the Bakkavor US adjusted EBIT margin percentage for the 2025 financial year is 6.0%, with up to a further 100% of the remaining options vesting on a sliding scale if the Bakkavor US adjusted EBIT margin percentage is between 6.0% and 8.0% for that year.

2022

4,884,708 options were granted on 13 April 2022 and 81,289 were granted on 13 October 2022. These options granted had the following performance conditions for vesting:

- 128,036 vest provided the individual is an employee in April 2025.
- Provided that the first condition is met, 12.5% of the remaining options vest provided the Group's TSR national rank versus a bespoke peer group of 27 companies three years after the date of grant is at the median level. This increases up to 50% of the remaining options based on a sliding scale if the Group's TSR rank three years after the date of grant is at the upper quartile level.

31. Share-based payments continued

- Provided that the first condition is met, 12.5% of the remaining options vest provided the Group's adjusted EPS for the 2024 financial year is 12.0 pence, with up to a further 50% of the remaining options vesting on a sliding scale if the Group's adjusted EPS is between 12.0 pence and 13.8 pence for that year.

757,606 options were granted on 13 October 2022. These options granted had the following performance conditions for vesting:

- 252,534 vest provided that the individual is an employee in October 2025.
- Provided that the first condition is met, 25% of the remaining options vest provided the Bakkavor US adjusted EBIT margin percentage for the 2024 financial year is 6.0%, with up to a further 100% of the remaining options vesting on a sliding scale if the Bakkavor US adjusted EBIT margin percentage is between 6.0% and 8.0% for that year.

The aggregate of the estimated fair values of outstanding options is £20.1m (2022: £18.3m). The following table summarises the options granted by the Company:

Date of grant	Number of options originally granted	Contractual life remaining (years)	Share price at date of grant	Expected volatility	Expected life remaining (years)	Risk-free rate	Expected dividend yield	Fair value per option
12 April 2023	1,593,844	9.3	£1.01	45.8%	2.28	3.47%	0.00%	£1.01
12 April 2023	1,593,844	9.3	£1.01	45.8%	2.28	3.47%	0.00%	£1.01
12 April 2023	849,753	9.3	£1.01	45.8%	2.28	3.47%	0.00%	£1.01
12 April 2023	849,753	9.3	£1.01	45.8%	2.28	3.47%	0.00%	£1.01
12 April 2023	319,631	9.3	£1.01	45.8%	2.28	3.47%	0.00%	£1.01
12 April 2023	220,700	9.3	£1.01	47.7%	2.28	3.47%	0.00%	£1.01
12 April 2023	159,814	9.3	£1.01	47.7%	2.28	3.47%	0.00%	£1.01
22 May 2023	61,576	9.3	£1.01	47.7%	2.28	3.47%	0.00%	£1.01
12 October 2023	118,158	9.8	£0.938	43.3%	2.78	4.43%	0.00%	£0.938
12 October 2023	118,158	9.8	£0.938	43.3%	2.78	4.43%	0.00%	£0.938
12 October 2023	172,393	9.8	£0.938	43.3%	2.78	4.43%	0.00%	£0.938
12 October 2023	86,196	9.8	£0.938	43.3%	2.78	4.43%	0.00%	£0.938

The Group has used the Monte Carlo model to value its share awards. The exercise price used in the model for share options granted in 2023 is £nil (2022: £nil). The fair value of awards, which have a TSR performance condition, takes account of the likelihood of meeting these targets.

The expected volatility is a measure of the amount by which a share price is expected to fluctuate during the period. It is typically calculated based on statistical analysis of daily share prices over the length of the award period.

The Group recognised total expenses of £2.0 million (2022: £1.9m) related to equity-settled share-based payment transactions in the period. The Group had equity-settled share-based awards of £1.1m (2022: cash settled £0.6m) during the year.

32. Retirement benefit schemes

The Group operates a number of pension schemes in the UK and overseas. These schemes are either trust- or contract-based and have been set up in accordance with appropriate legislation. The assets of each of the pension schemes are held separately from the assets of the Company.

In the UK, the two main schemes are a defined contribution scheme, which is open to all UK employees joining the Group (full or part-time), and the Bakkavor Pension Scheme ("the Scheme"), which is a funded defined benefit scheme that provides benefits on a final salary basis and was closed to future accrual in March 2011.

UK pensions are regulated by the Pensions Regulator whose statutory objectives and regulatory powers are described on its website www.thepensionsregulator.gov.uk. Although the Company bears the financial cost of the plan, the trustee directors are responsible for the overall management and governance of the scheme, including compliance with all applicable legislation and regulations. The trustee directors are required by law to act in the interests of all relevant beneficiaries and to set certain policies; to manage the day-to-day administration of the benefits; and to set the plan's investment strategy following consultation with the Parent Company.

Pension costs charged in arriving at profit on ordinary activities before taxation were:

£m	2023	2022
UK defined contribution scheme net charge	**12.7**	12.6
UK defined benefit scheme net charge	**0.4**	0.6
Total charge	**13.1**	13.2

DEFINED CONTRIBUTION SCHEMES

The total cost charged to income of £12.7m (2022: £12.6m) represents contributions payable to these schemes by the Group at rates advised by the Group to all employees, subject to the minimum requirements set out in legislation. Included in accruals was £2.2m at the period-end for the defined contribution scheme's gross contributions (2022: £2.4m).

DEFINED BENEFIT SCHEMES

An actuarial valuation of Scheme assets and the present value of the defined benefit obligation for funding purposes was carried out as at 31 March 2022. The results from this valuation were updated for IAS 19 Employee Benefits purposes to 30 December 2023 by a qualified independent actuary with Willis Towers Watson. The projected unit cost method was used to value the liabilities.

The principal assumptions used in this IAS 19 valuation were:

	2023	2022
Future pension increases for in-payment benefits (majority of liabilities)	**3.00%**	3.10%
Discount rate applied to Scheme liabilities	**4.50%**	4.80%
Inflation assumption (CPI)	**2.65%**	2.80%

The 2023 mortality table is based on Scheme-specific postcode-fitted SAPS 3 tables with a 107% multiplier for male members and a 110% multiplier for female members. Future improvements are in line with the CMI core 2018 improvements model with an initial addition to improvements of 0.5% p.a. and a 1.25% p.a. long-term trend from 2013 onwards, giving life expectancies as follows:

	Males' expected future lifetime 2023	Males' expected future lifetime 2022[1]	Females' expected future lifetime 2023	Females' expected future lifetime 2022[1]
Member aged 45	**22.7**	23.2	**25.1**	25.4
Member aged 65	**21.4**	21.8	**23.6**	23.9

1 2022 restated.

The IAS 19 calculations, which are based on an approximate update of the results of the actuarial valuation of the Scheme which was carried out as at 31 March 2022, are particularly sensitive to some assumptions: for example, the discount rate, the level of assumed price inflation and the life expectancy assumption. As such, a broad indication of the sensitivity of the liabilities to each assumption is shown. The sensitivities display 'reasonably possible' changes in actuarial assumptions. The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below:

Assumption	Change in assumption	Approximate impact on Scheme liabilities
Discount rate	Increase/decrease by 1.0%	Decrease £22.6m/increase £28.3m
Rate of inflation	Increase/decrease by 0.5%	Increase £8.9m/decrease £8.6m
Life expectancy	Members assumed to be one year younger than their actual age	Increase £5.5m

32. Retirement benefit schemes continued

Amounts recognised in income in respect of these defined benefit schemes are as follows:

£m	2023	2022
Past service cost	**–**	–
Net interest on net defined benefit asset/liability	**(0.7)**	(0.7)
Administration costs incurred during the period	**1.1**	1.3
Total charge	**0.4**	0.6

All of the charges for each period presented have been included in total administrative expenses. The actuarial loss of £2.9m (2022: £26.3m loss) has been reported in other comprehensive income.

The actual return on Scheme assets was an increase of £10.1m (2022: £119.1m decrease).

The amount included in the statement of financial position arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

£m	Note	30 December 2023	31 December 2022
Fair value of Scheme assets		**190.0**	185.9
Present value of defined benefit obligations		**(178.0)**	(173.1)
Scheme surplus		**12.0**	12.8
Related deferred taxation liability	23	**(3.0)**	(3.2)
		9.0	9.6

The assumptions used are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The Scheme surplus in 2023 is recognised in accordance with IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction, as the Scheme's terms and conditions allow the Group to have an unconditional right to a refund of contributions when economic benefits are available.

The amounts recognised in the balance sheet and the movements in the fair value of Scheme assets and the present value of defined benefit obligation ("DBO") are as follows:

£m	Present value of DBO	Fair value of Scheme assets	Net amount
At 26 December 2021	**(276.3)**	**313.5**	**37.2**
Past service cost – plan amendments	–	–	–
Interest (expense cost on the DBO)/income on Scheme assets	(4.9)	5.6	0.7
Administrative costs paid	–	(1.3)	(1.3)
Total amount recognised in the consolidated income statement	**(4.9)**	**4.3**	**(0.6)**
Return on Scheme assets less than discount rate	–	(124.7)	(124.7)
Actuarial loss – experience	(13.6)	–	(13.6)
Actuarial gain – financial assumptions	112.0	–	112.0
Total amount recognised in other comprehensive income	**98.4**	**(124.7)**	**(26.3)**
Contributions from the sponsoring companies	–	2.5	2.5
Benefits paid from Scheme assets	9.7	(9.7)	–
At 31 December 2022	**(173.1)**	**185.9**	**12.8**
Past service cost – plan amendments	–	–	–
Interest (expense cost on the DBO)/income on Scheme assets	(8.1)	8.8	0.7
Administrative costs paid	–	(1.1)	(1.1)
Total amount recognised in the consolidated income statement	**(8.1)**	**7.7**	**(0.4)**
Return on Scheme assets greater/(less) than discount rate	–	1.3	1.3
Actuarial loss – experience	1.9	–	1.9
Actuarial gain – financial assumptions	(6.1)	–	(6.1)
Total amount recognised in other comprehensive income	**(4.2)**	**1.3**	**(2.9)**
Contributions from the sponsoring companies	–	2.5	2.5
Benefits paid from Scheme assets	7.4	(7.4)	–
At 30 December 2023	**(178.0)**	**190.0**	**12.0**

The analysis of the Scheme assets at the statement of financial position date was as follows:

	Fair value of assets	
£m	**30 December 2023**	31 December 2022
Structured UK equity	**5.7**	2.3
Overseas equity	**6.8**	9.9
High yield bonds	**6.5**	8.5
Corporate bonds	**45.4**	50.5
Government bonds	**97.9**	81.3
Cash	**8.9**	9.6
Other	**18.8**	23.8
	190.0	185.9

The fair values of the equity and bonds have been determined as level 2 instruments under IFRS 7 Financial Instruments. Index-linked government bonds, which have quoted prices in active markets, are classed as level 1.

Structured UK equity provides exposure to UK equities, but is a derivative-based solution and not a direct investment in equities. A proportion of the index-linked government bonds are held as collateral against the structured UK equity product.

The Scheme assets also include swaps to hedge liability inflation and interest rate risks. The swap value has been included in the value of the gilt securities used as collateral for the swaps. Corporate bonds and cash are also used as collateral for the swaps in place.

The Scheme invests in four multi-asset funds, which invest in a wide range of assets including alternative asset classes. In the summary above, the multi-asset funds have been split into the relevant constituent asset classes.

The Bakkavor Pension Scheme operates under trust law and is managed and administered by the Trustees on behalf of the members in accordance with the terms of the Trust Deed and Rules and relevant legislation. The Scheme is subject to Scheme-specific funding requirements, as outlined in UK legislation. The most recent Scheme-specific funding valuation was as at 31 March 2022.

The Group and the Trustees work closely on matters concerning the Bakkavor Pension Scheme. Regular meetings and correspondence on matters concerning the Scheme are shared in an open manner between both parties.

The Bakkavor Pension Scheme's current investment strategy adopts a policy of investing broadly 60% in growth-seeking assets and 40% in liability-matching assets, although the proportions can vary significantly in order to allow for advanced liability hedging techniques, opportunistic allocation of assets and the 'structured equity' component of the strategy increases the notional allocation to return-seeking assets to 95%. A large proportion of both interest and inflation risk is hedged. This strategy is intended to reduce the risk of significant changes to the funding level by hedging key risks, while retaining a proportion of return-seeking assets to minimise long-term costs by maximising return within an acceptable level of risk. The Scheme's assets are held separately from those of the Group.

The weighted average duration of the Bakkavor Pension Scheme is approximately 15 years.

Employer contributions, except for deficit reduction contributions, ceased in March 2011 when the Scheme closed to future accrual. Employee contributions also ceased at this date.

Following the closure of the Scheme to future accrual in March 2011, the Group and the Trustee agreed that members who were active members of the Scheme at the date of closure would remain entitled to access early retirement on preferential terms as long as they remained in employment within the Group. The value of members accessing these preferential terms is not included in the defined benefit obligation as this benefit is not funded for in advance. If members choose to access this benefit an employer contribution is made to the Scheme to reflect the increase in expected future pension costs. In 2023, no augmentation was made in respect of this benefit (2022: £nil).

The current deficit reduction contributions were agreed between the Group and the Trustee as part of the 2022 triennial valuation. The deficit contributions will be paid over a recovery period ending on 31 March 2025. The recovery contributions are paid monthly and the agreed rates are £2.5m per annum. Contributions could continue through to 31 August 2025 at the rate of £2.5m per annum if the scheme is in deficit on a technical provisions basis at 31 December 2024 and 31 January 2025. £2.5m was paid in the period to 30 December 2023 (2022: £2.5m). The actual amount of employer contributions expected to be paid to the Scheme during 2024 is £2.5m.

33. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries and associates are disclosed in the Company's separate Financial Statements.

TRADING TRANSACTIONS

During the period, Group companies did not enter into any transactions with related parties who are not members of the Group.

TRANSACTIONS WITH THE BAKKAVOR DEFINED BENEFIT PENSION SCHEME ("THE SCHEME")

In the period ended 31 December 2022, as a result of the volatility in the gilt markets, the Scheme was required to provide further collateral for its liability hedging of interest and inflation rate movements. The Group agreed to provide a £15m short-term line of credit to the Scheme in October 2022 to meet this collateral requirement. The line of credit attracted interest at a rate of 2.1% plus SONIA and was fully repaid by 23 December 2022.

For the year ended 30 December 2023, there were no such arrangements in place.

SHARE TRANSACTIONS

See Note 35 for details of share transactions by two of the Company's Directors, Agust Gudmundsson and Lydur Gudmundsson.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the Directors and Senior Management, who are the key management personnel of the Company, is set out below for each of the categories specified in IAS 24 Related Party Disclosures.

	2023			2022		
£m	**Directors**	**Senior Management**	**Total**	Directors	Senior Management	Total
Short-term employee benefits	**3.4**	**2.7**	**6.1**	3.1	1.1	4.2
Post-employment benefits[1]	**–**	**–**	**–**	–	–	–
Share-based payments[2]	**0.4**	**0.3**	**0.7**	0.4	0.3	0.7
	3.8	**3.0**	**6.8**	3.5	1.4	4.9

1 The Directors' post-employment benefits show contributions made to pension schemes. The pension entitlements disclosed in the Directors' remuneration report on pg 127 included cash contributions paid in lieu of pension contributions.

2 This is the income statement charge for the year which represents the fair value of the share-based payments to the Directors and Senior Management. Details of the share-based payments are set out in Note 31.

The highest paid Director received aggregate remuneration (including pension entitlements) of £1.6m (2022: £1.1m).

For the period ended 30 December 2023, two Directors (2022: two Directors) received contributions to their pension schemes from the Group.

For the period ended 30 December 2023, two Directors (2022: two Directors) received share options. Nil Director (2022: one Director) exercised share options during the period (2022: gain £59,000).

34. Events after the statement of financial position date

There are no events after the statement of financial position date that need to be disclosed.

35. Controlling party

These Financial Statements are the largest Consolidated Financial Statements in which the Company has been included.

Two of the Company's Directors, Agust Gudmundsson and Lydur Gudmundsson, hold shares in the Company through their beneficial ownership of Carrion Enterprises Limited (the corporate holding structure of Agust Gudmundsson) and Umbriel Ventures Limited (the corporate holding structure of Lydur Gudmundsson). On 20 May 2022, Lydur Gudmundsson purchased 200,000 ordinary shares in the Company. Following the transaction, Umbriel Ventures Limited holds 142,303,505 ordinary shares (representing 24.56% of the issued share capital of the Company) and Carrion Enterprises Limited holds 142,103,505 ordinary shares (representing 24.52% of the issued share capital of the Company).

Lixaner Co Limited, a company owned and controlled by Sigurdur Valtysson, who runs the family office for Agust and Lydur Gudmundsson, holds 6,457,750 ordinary shares (representing 1.11% of the issued share capital of the Company). Given the close relationship between the parties, Sigurdur Valtysson is to be considered as acting in concert with Agust and Lydur Gudmundsson for the purposes of the definition in the Takeover Code and the parties are controlling shareholders of the Company. The aggregate shareholding in the Company of Carrion Enterprises Limited and Umbriel Ventures Limited and their concert party group (Lixaner Co Limited) is 290,864,760 ordinary shares (representing 50.20% of the issued share capital of the Company).

36. Alternative performance measures

The Group uses various non-IFRS financial measures to evaluate growth trends, assess operational performance and monitor cash performance. The Directors consider that these measures enable investors to understand the ongoing operations of the business. They are used by management to monitor financial performance as it is considered to aid comparability of the financial performance of the Group from year to year.

LIKE-FOR-LIKE REVENUE

The Group defines like-for-like revenue as revenue from continuing operations adjusted for the revenue generated from businesses closed or sold in the current and prior year, revenue generated from businesses acquired in the current and prior period, the effect of foreign currency movements and revenues. In addition, revenues for week 53 are taken out in the relevant financial years to ensure that like-for-like revenue is shown on a 52 week basis each year.

The following table provides the information used to calculate like-for-like revenue for the Group.

£m	2023	2022	Change %
Statutory revenue	**2,203.8**	2,139.2	3.0%
Effect of currency movements	**10.4**	–	
Week 53 revenue	**–**	(36.0)	
Like-for-like revenue	**2,214.2**	2,103.2	5.3%

The following tables provide the information used to calculate like-for-like revenue for each segment.

UK

£m	2023	2022	Change %
Statutory revenue	**1,852.7**	1,783.1	3.9%
Week 53 revenue	**–**	(30.8)	
Like-for-like revenue	**1,852.7**	1,752.3	5.7%

US

£m	2023	2022	Change %
Statutory revenue	**229.4**	255.3	(10.1%)
Effect of currency movements	**1.2**	–	
Week 53 revenue	**–**	(3.6)	
Like-for-like revenue	**230.6**	251.7	(8.4%)

CHINA

£m	2023	2022	Change %
Statutory revenue	**121.7**	100.8	20.7%
Effect of currency movements	**9.2**	–	
Week 53 revenue	**–**	(1.6)	
Like-for-like revenue	**130.9**	99.2	32.0%

ADJUSTED EBITDA AND ADJUSTED OPERATING PROFIT

The Group manages the performance of its businesses through the use of 'adjusted EBITDA' and 'adjusted operating profit', as these measures exclude the impact of items that hinder comparison of profitability year-on-year. In calculating adjusted operating profit, we exclude restructuring costs, asset impairments, costs incurred to configure or customise 'Software-as-a-Service' ("SaaS") arrangements as defined in the accounting policies, and those additional charges or credits that are considered significant or one-off in nature. In addition, for adjusted EBITDA we exclude depreciation, amortisation, the share of results of associates after tax and share scheme charges, as these are non-cash amounts. Adjusted operating profit margin is used as an additional profit measure that assesses profitability relative to the revenues generated by the relevant segment; it is calculated by dividing the adjusted operating profit by the statutory revenue for the relevant segment.

The Group calculates adjusted EBITDA on a pre-IFRS 16 basis for the purposes of determining covenants under its financing agreements.

36. Alternative performance measures continued

The following table provides a reconciliation from the Group's operating profit to adjusted operating profit and adjusted EBITDA.

£m	Note	2023	2022
Operating profit		97.1	37.8
Exceptional items	7	(2.8)	50.1
Configuration and customisation costs for SaaS projects		–	1.5
Adjusted operating profit		94.3	89.4
Depreciation		68.7	68.3
Amortisation		3.0	0.7
Share scheme charges		2.0	1.9
Loss/(profit) on disposal of property, plant and equipment		0.1	(0.1)
Share of results of associates after tax		–	(0.2)
Adjusted EBITDA post IFRS 16		168.1	160.0
Less IFRS 16 impact		(14.0)	(13.8)
Adjusted EBITDA pre IFRS 16[1]		154.1	146.2
Covenant adjustments		0.4	0.6
Adjusted EBITDA (pre IFRS 16 and including covenant adjustments)		154.5	146.8

1 Excludes the impact of IFRS 16 as the Group's bank facility agreement definition of adjusted EBITDA excludes the impact of this standard.

Adjusted EBITDA and Adjusting operating profit by segment is reconciled to operating profit in Note 4.

OPERATIONAL NET DEBT AND LEVERAGE

Operational net debt excludes the impact of non-cash items on the Group's net debt. The Directors use this measure as it reflects actual net borrowings at the relevant reporting date and is most comparable with the Group's free cash flow and aligns with the definition of net debt in the Group's bank facility agreements which exclude the impact of IFRS 16. The following table sets out the reconciliation from the Group's net debt to the Group's operational net debt.

£m	Note	30 December 2023	31 December 2022
Group net debt	21	(319.3)	(379.3)
Unamortised fees		(1.1)	(2.6)
Interest accrual		0.5	0.4
Lease liabilities recognised under IFRS 16		90.3	96.6
Group operational net debt		(229.6)	(284.9)
Adjusted EBITDA (pre IFRS 16 and including covenant adjustments)		154.5	146.8
Leverage (Operational net debt/adjusted EBITDA pre IFRS 16 and including covenant adjustments)		1.5	1.9

FREE CASH FLOW

The Group defines free cash flow as the amount of cash generated by the Group after meeting all of its obligations for interest, tax and pensions, and after purchases of property, plant and equipment (excluding development projects), but before payments of refinancing fees and other exceptional or significant non-recurring cash flows. Free cash flow has benefitted from non-recourse factoring of receivables as set out in Note 19 and the extension of payment terms for certain suppliers as described in Note 25. The Directors view free cash flow as a key liquidity measure, and the purpose of presenting free cash flow is to indicate the underlying cash available to pay dividends, repay debt or make further investments in the Group.

The definition of free cash flow was amended during the year to be after IFRS 16 capital lease payments to simplify our cash reporting. The following table provides a reconciliation from net cash generated from operating activities to free cash flow.

£m	2023	2022
Net cash generated from operating activities	**147.7**	127.1
Interest received	**0.6**	0.2
Dividends received from associates	**1.6**	–
Proceeds on disposal of associates	**3.2**	–
Purchases of property, plant and equipment	**(40.4)**	(61.1)
Proceeds on disposal of property, plant and equipment	**1.6**	0.1
Purchase of intangibles	**(3.5)**	(2.9)
Cash impact of exceptional items	**4.4**	2.5
Refinancing fees	**–**	0.9
Free cash flow (as previously reported)	**115.2**	66.8
IFRS 16 capital lease payments	**(12.0)**	(13.4)
Free cash flow	**103.2**	53.4

ADJUSTED EARNINGS PER SHARE

The Group calculates adjusted basic earnings per Ordinary share by dividing adjusted earnings by the weighted average number of Ordinary shares in issue during the year. Adjusted earnings is calculated as profit for the period adjusted to exclude exceptional items, configuration and customisation costs for SaaS projects and the change in value of derivative financial instruments. The following table reconciles profit for the period to adjusted earnings.

For adjusted diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary shares.

£m	Note	2023	2022
Profit for the period		**53.9**	12.5
Exceptional items	7	**(2.8)**	50.1
Configuration and customisation costs for SaaS projects		**–**	1.5
Change in fair value of derivative financial instruments		**–**	0.1
Tax on the above items		**–**	(9.4)
Adjusted earnings		**51.1**	54.8
Add back: Tax on adjusted profit before tax		**16.4**	15.0
Adjusted profit before tax		**67.5**	69.8
Effective tax rate on underlying activities (Tax on adjusted profit before tax/adjusted profit before tax)		**24.4%**	21.5%

Number of shares '000	2023	2022
Weighted average number of Ordinary shares	**576,129**	577,576
Effect of dilutive Ordinary shares	**12,576**	9,767
Weighted average number of diluted Ordinary shares	**588,705**	587,343

	2023	2022
Adjusted basic earnings per share	**8.8p**	9.5p
Adjusted diluted earnings per share	**8.7p**	9.3p

RETURN ON INVESTED CAPITAL ("ROIC")

The Group defines ROIC as adjusted operating profit after tax divided by the average invested capital for the year. Adjusted operating profit after tax is defined as operating profit excluding the impact of exceptional items and configuration and customisation costs for SaaS projects at the Group's effective tax rate. Invested capital is defined as total assets less total liabilities excluding net debt at the period end, pension assets and liabilities (net of deferred tax) and fair values for derivatives not designated in a hedging relationship. The Group utilises ROIC to measure how effectively it uses invested capital. Average invested capital is the simple average of invested capital at the beginning and end of the period.

The Directors believe that ROIC is a useful indicator of the amount returned as a percentage of shareholders' invested capital and that ROIC can help analysts, investors and stakeholders to evaluate the Group's profitability and the efficiency with which its invested capital is employed.

The following table sets out the calculations of adjusted operating profit after tax and invested capital used in the calculation of ROIC.

36. Alternative performance measures continued

£m	Note	2023	2022
Operating profit		**97.1**	37.8
Exceptional items	7	**(2.8)**	50.1
Configuration and customisation costs for SaaS projects		**–**	1.5
Adjusted operating profit		**94.3**	89.4
Taxation at the underlying effective rate		**(23.0)**	(19.2)
Adjusted operating profit after tax		**71.3**	70.2
Invested capital			
Total assets		**1,480.3**	1,541.4
Total liabilities		**(872.7)**	(923.6)
Net debt at period end		**319.3**	379.3
Derivatives not designated as hedges		**–**	–
Retirement benefit scheme surplus		**(12.0)**	(12.8)
Deferred tax liability on retirement benefit scheme		**3.0**	3.2
Invested capital		**917.9**	987.5
Average invested capital for ROIC calculation		**952.7**	987.7
ROIC (%)		**7.5%**	7.1%

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 DECEMBER 2023

£m	Note	31 December 2023	31 December 2022
Non-current assets			
Shares in Group undertakings	4	**309.5**	309.5
Current assets			
Loans to Group undertakings	6	**95.5**	95.6
Deferred tax assets		**0.1**	0.9
		95.6	96.5
Total assets		**405.1**	406.0
Current liabilities			
Loans from Group undertakings	6	**(2.5)**	(1.6)
Total liabilities		**(2.5)**	(1.6)
Net assets		**402.6**	404.4
Equity			
Called up share capital	7	**11.6**	11.6
Own shares held	7	**(4.4)**	(3.1)
Merger reserve	7	**23.8**	23.8
Retained earnings		**371.6**	372.1
Total equity		**402.6**	404.4

In accordance with the exemptions allowed by Section 408 of Companies Act 2006, the Company has not presented its own income statement or statement of comprehensive income. The profit for the period was £40.0m (2022: £38.5m).

The Financial Statements of Bakkavor Group plc, Company number 10986940, and the accompanying Notes, which form an integral part of the Company Financial Statements, were approved by the Board of Directors on 4 March 2024. They were signed on behalf of the Board of Directors by:

Mike Edwards
Chief Executive Officer

Ben Waldron
Chief Financial Officer and Asia Chief Executive Officer

COMPANY STATEMENT OF CHANGES IN EQUITY
52 WEEKS ENDED 30 DECEMBER 2023

£m	Note	Called up share capital	Own shares held	Merger reserve	Retained earnings	Total equity
Balance at 26 December 2021		11.6	–	23.8	371.3	**406.7**
Profit for the period		–	–	–	38.5	**38.5**
Purchase of own shares		–	(3.1)	–	–	**(3.1)**
Dividends	7	–	–	–	(38.8)	**(38.8)**
Credit for share-based payments		–	–	–	1.9	**1.9**
Cash-settlement of share-based awards		–	–	–	(0.6)	**(0.6)**
Deferred tax		–	–	–	(0.2)	**(0.2)**
At 31 December 2022		11.6	(3.1)	23.8	372.1	**404.4**
Profit for the period		–	–	–	40.0	**40.0**
Purchase of own shares	7	–	(2.4)	–	–	**(2.4)**
Dividends	7	–	–	–	(40.8)	**(40.8)**
Credit for share-based payments		–	–	–	2.0	**2.0**
Proceeds from exercise of share options		–	–	–	0.2	**0.2**
Equity-settlement of share-based payments		–	1.1	–	(1.1)	**0.0**
Deferred tax		–	–	–	(0.8)	**(0.8)**
At 30 December 2023		11.6	(4.4)	23.8	371.6	**402.6**

1. General information

Bakkavor Group plc is a public company, limited by shares, incorporated and domiciled in England, United Kingdom (Company number: 10986940, registered office: Fitzroy Place, 5th Floor, 8 Mortimer Street, London, England, W1T 3JJ). The Company's Ordinary shares are traded on the London Stock Exchange.

The principal activity of the Company is that of a holding company. The principal activities of the Company's subsidiaries are described within Note 1 of the Consolidated Financial Statements.

2. Significant accounting policies

The Company Financial Statements have been prepared in accordance with the Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006 as applicable to companies using FRS 101 and under the historical cost convention.

The Company Financial Statements are prepared on the going concern basis as set out in Note 2 to the Consolidated Financial Statements.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a. The requirement of IFRS 7, Financial Instruments: Disclosures.
b. The requirements of paragraphs 91–99 of IFRS 13, Fair Value Measurement.
c. The requirement in paragraph 38 of IAS 1, Presentation of Financial Statements, to present comparative information in respect of: Paragraph 79(a) (iv) of IAS 1, Presentation of Financial Statements, and Paragraph 73(e) of IAS 16, Property, Plant and Equipment, and Paragraph 118(e) of IAS 38, Intangible Assets.
d. The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A-D, 111 and 134–136 of IAS 1, Presentation of Financial Statements.
e. The requirement of IAS 7, Statement of Cash Flows.
f. The requirements of paragraphs 30 and 31 of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.
g. The requirements of paragraphs 17 and 18A of IAS 24, Related Party Disclosures.
h. The requirements in IAS 24, Related Party Disclosures, to disclose related party transactions entered into between two or more members of a group.
i. The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets.
j. The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2, Share-based Payment.

The principal accounting policies adopted have been applied consistently and are the same as those set out in Note 2 to the Consolidated Financial Statements except as set out below.

In assessing impairment, judgement is required to establish whether there have been any indicators of impairment, either internal or external. Where there is a need to determine the recoverable value of an investment this requires judgements and assumptions related to the expected future cash flows to be derived from the investment.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Amounts due from other Group companies are initially recognised at fair value and subsequently carried at amortised cost net of allowance for expected credit losses. An allowance is made when there is objective evidence that the Company will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. The Company's amounts due from other Group companies at 30 December 2023 amounted to £95.5m (2022: £95.6m).

None of these balances include an allowance for expected credit losses and all amounts are expected to be recoverable in full.

3. Employees', Directors' and Auditors' remuneration

Fees payable of £0.1m (2022: £0.1m) to the Company's Auditors in respect of the audit of the Company's Financial Statements for the periods ended 30 December 2023 and 31 December 2022 have been borne by fellow Group company Bakkavor Foods Limited.

The Company has 11 Directors (2022: 11 Directors) and no further employees. Payments to the Directors for the periods ended 30 December 2023 and 31 December 2022 have been borne by fellow Group company Bakkavor Foods Limited. Details of Directors' remuneration are disclosed within Note 33 of the Consolidated Financial Statements.

4. Shares in Group undertakings

£m	Investment in Group companies
Balance at 31 December 2022 and 30 December 2023	**309.5**

5. Subsidiaries

As at 30 December 2023, Bakkavor Group plc held investments in the share capital of the following companies:

Name	Place of registration and operation	Principal activity	% of voting shares as at 30 December 2023	% of voting shares as at 31 December 2022
Directly held investments:				
Bakkavor Holdings Limited[1]	UK	Holding company	100%	100%
Indirectly held investments:				
Bakkavor Finance (2) Limited[1]	UK	Holding company	100%	100%
Bakkavor Limited[1]	UK	Holding company	100%	100%
Bakkavor USA Inc[2]	US	Holding company	100%	100%
Bakkavor USA Limited[1]	UK	Holding company	100%	100%
Bakkavor Foods USA Inc[2]	US	Manufacture of fresh prepared meals and bakery products	100%	100%
Bakkavor China Limited[1]	UK	Holding company	100%	100%
Bakkavor Bakery Holdings Limited[3]	Hong Kong	Holding company	100%	100%
Bakkavor Hong Kong Limited[3]	Hong Kong	Preparation and marketing of fresh prepared foods	100%	100%
Bakkavor China Holdings Limited[3]	Hong Kong	Holding company	100%	100%
Wuhan Bakkavor Food Company Limited[4]	China	Manufacture of salad products	100%	100%
Wuhan Bakkavor Agricultural Product Processing Company Limited[17]	China	Manufacture of salad products	100%	100%
Jiangsu Bakkavor Food Company Limited[5]	China	Manufacture of salad products	100%	100%
Shaanxi Bakkavor Food Company Limited[6]	China	Manufacture of salad products	100%	100%
Beijing Bakkavor Food Company Limited[7]	China	Manufacture of salad products	100%	100%
Guangzhou Bakkavor Food Company Limited[8]	China	Manufacture of salad products	100%	100%
Bakkavor (Shanghai) Management Company Limited[9]	China	Holding company	100%	100%
Shaanxi Bakkavor Agriculture Processing Company Limited[10]	China	Manufacture of salad products	100%	100%
Fujian Bakkavor Food Company Limited[11]	China	Manufacture of salad products	100%	100%
Bakkavor (Taicang) Baking Company Limited[12]	China	Manufacture of bakery products	100%	100%
Chengdu Bakkavor Foods Company Limited[13]	China	Manufacture of salad products	100%	100%
Bakkavor Foods Limited[1]	UK	Manufacture of fresh prepared foods	100%	100%
Bakkavor Estates Limited[1]	UK	Property management	100%	100%
Bakkavor Pension Trustees Limited[1]*	UK	Pension trustee holding company	100%	100%
Bakkavor European Marketing BV[14]	Netherlands	Holding company	100%	100%
NV Bakkavor Belgium BV[15]	Belgium	Non-trading	100%	100%
BV Restaurant Group Limited[1]	UK	Production and distribution of fresh prepared foods	100%	100%
Bakkavor Iberica S.L.U.[16]	Spain	Distribution	100%	100%
Bakkavor Central Finance Limited[1]	UK	Customer invoicing and financing of receivables	100%	100%
Dormant companies				
Bakkavor Dormant Holdings Limited[1]*	UK	Holding company	100%	100%
Bakkavor Finance (1) Limited[1]*	UK	Dormant non-trading company	100%	100%
Bakkavor Finance (3) Limited[1]*	UK	Dormant non-trading company	100%	100%
Bakkavor Acquisitions (2008) Limited[1]*	UK	Dormant non-trading company	100%	100%
Bakkavor Invest Limited[1]*	UK	Dormant non-trading company	100%	100%
Bakkavor (Acquisitions) Limited[1]*	UK	Dormant non-trading company	100%	100%
Bakkavor Asia Limited[1]*	UK	Dormant non-trading company	100%	100%
Bakkavor Overseas Holdings Limited[1]*	UK	Dormant non-trading company	100%	100%
Bakkavor (London) Limited[1]*	UK	Dormant non-trading company	100%	100%
Bakkavor Finance Limited[1]*	UK	Dormant non-trading company	100%	100%
BV Foodservice Limited[1]*	UK	Dormant non-trading company	100%	100%
Bakkavor Desserts Leicester Limited[1]	UK	Dormant non-trading company	100%	100%
Bakkavor Fresh Cook Limited[1]*	UK	Dormant non-trading company	100%	100%
English Village Salads Limited[1]*	UK	Dormant non-trading company	100%	100%
Notsallow 256 Limited[1]*	UK	Dormant non-trading company	100%	100%

5. Subsidiaries continued

Name	Place of registration and operation	Principal activity	% of voting shares as at 30 December 2023	% of voting shares as at 31 December 2022
Kent Salads Limited[1]*	UK	Dormant non-trading company	100%	100%
Laurens Patisseries Limited[1]*	UK	Dormant non-trading company	100%	100%
Hitchen Foods Limited[1]*	UK	Dormant non-trading company	100%	100%
Bakkavor Brothers Limited[1]*	UK	Dormant non-trading company	100%	100%
Cucina Sano Limited[1]*	UK	Dormant non-trading company	100%	100%
Butterdean Products Limited[1]*	UK	Dormant non-trading company	100%	100%
Exotic Farm Prepared Limited[1]*	UK	Dormant non-trading company	100%	100%
Exotic Farm Produce Limited[1]*	UK	Dormant non-trading company	100%	100%
Associate companies				
La Rose Noire Limited[17]	Hong Kong	Operation of bakery and food and beverage outlets	0%	45%
Patisserie et Chocolat Limited[17]	Hong Kong	Operation of bakery and food and beverage outlets	0%	45%

1 The registered address of all these companies is Fitzroy Place, 5th Floor, 8 Mortimer Street, London, England, W1T 3JJ.
2 The registered address of these companies is 2700 Westinghouse Boulevard, Charlotte, NC 28273.
3 The registered address of these companies is Units 1902-1912, 19/F., Eight Commercial Tower, No 8 Sun Yip Street, Chai Wan, Hong Kong.
4 The registered address of this company is Mujiajing ZhangDuHu Farm, Xinzhou District, Wuhan, China.
5 The registered address of this company is Agricultural Development Area, Changle Town, Haimen City, Jiangsu Province, China.
6 The registered address of this company is Qinghua Keji Garden, Middle of Shiji Road, Xianyang City, Shanxi Province, China.
7 The registered address of this company is South Xitai Road, Da Sun Gezhuang Town, Shunyi District, Beijing, China.
8 The registered address of this company is No. 55 Banyutang Road, High Tech Development Area, Guangzhou, China.
9 The registered address of this company is Room 01, 3A Floor, Number 16 Lane 1977, Jinshajiang Road, Putuo District, Shanghai, China.
10 The registered address of this company is No.424, Building 4, Chongwen tower scenic area (phase I), Jinghe new town, Xixian new district, Shaanxi province, China.
11 The registered address of this company is Jiulong Industry Park of Hua An Economic Development Zone, China.
12 The registered address of this company is Taicang City, No 29 Qingdao East Road, China.
13 The registered address of this company is Rong Tai Road, Cross-Straits Science & Technology Industry Development Park, Wenjiang District, Chengdu, China.
14 The registered address of this company is Prins Bernhardplein 200, 1097 JB Amsterdam, The Netherlands.
15 The registered address of this company is Lammerdries-Zuid 16F, 2250 Olen, Belgium.
16 The registered address of this company is Calle Cartagena 57, 1º D Torre Pacheco, Murcia CP 30700, Spain.
17 The registered address of this company is Room 706, 7th floor, No. 1 Entrepreneurship service centre, Hanshi No. 1 road, Honggang village, Wuhan Yangluo Economic Development Zone, China.
* These companies are UK dormant companies which file dormant accounts which are exempt from audit by virtue of s479A of Companies Act 2006.

6. Financial instruments

FOREIGN CURRENCY RISK

The Company is not exposed to any significant foreign currency risk as principally all its balances are in Pounds Sterling.

INTEREST RATE RISK MANAGEMENT

The Company has intercompany loan receivables. There are no interest-bearing balances and therefore the Company is not exposed to any interest rate risk.

CATEGORIES OF FINANCIAL INSTRUMENTS

£m	30 December 2023	31 December 2022
Financial assets and liabilities		
Measured at amortised cost:		
Loans to Group undertakings	**95.5**	95.6
Loans from Group undertakings	**(2.5)**	(1.6)

7. Called up share capital and reserves

CALLED UP SHARE CAPITAL

£m	30 December 2023	31 December 2022
Issued and fully paid:		
579,425,585 (2022: 579,425,585) Ordinary shares of £0.02 each	**11.6**	11.6

All Ordinary shares of £0.02 (2022: £0.02) each are non-redeemable, and carry equal voting rights and rank for dividends and capital distributions, whether on a winding up or otherwise.

OWN SHARES HELD

During the period ending 31 December 2022, the Company began purchasing shares through an Employee Benefit Trust called the Bakkavor Group plc Employee Benefit Trust (the "Trust"). Own shares purchased are recorded at cost and deducted from equity.

The number of Ordinary shares held by the Trust at 30 December 2023 was 4,567,073 (31 December 2022: 2,940,514). This represents 0.79% of total called up share capital at 30 December 2023 (31 December 2022: 0.51%).

Total cash purchases made through the EBT during the year amounted to £2.4m (2022: £3.1m).

£m	Number of shares	£m
Balance at 1 January 2023	2,940,514	3.1
Acquisition of shares by the Trust	2,688,310	2.4
Distribution of shares under share scheme plans	(1,061,751)	(1.1)
Balance at 30 December 2023	**4,567,073**	**4.4**

No own shares held of Bakkavor Group plc were cancelled during the period.

DIVIDENDS

Reporting period ended	Dividend per share	Declared	Date paid	Number of dividend rights waived[1]	Amount paid
30 December 2023					
Interim dividend	**2.91p**	**September 2023**	**13 October 2023**	**3,264,816**	**£16,766,278**
31 December 2022					
Final dividend	4.16p	May 2023	5 June 2023	2,886,522	£23,984,025
Interim dividend	2.77p	September 2022	14 October 2022	2,492,273	£15,981,053
25 December 2021					
Final dividend	3.96p	May 2022	30 May 2022	2,439,135	£22,848,663

1 Dividend rights waived in relation to Ordinary shares held in the Bakkavor Group plc Employee Benefit Trust.

MERGER RESERVE

The merger reserve was created as a result of the acquisition of Bakkavor Holdings Limited and represents the difference between the carrying values of the net assets of Bakkavor Holdings Limited and the value of the share capital and share premium arising on the share-for-share exchange that resulted in Bakkavor Group plc acquiring Bakkavor Holdings Limited.

8. Related party transactions

During the period, the Company entered into the following transactions with related parties:

£m	30 December 2023	31 December 2022
Loans to Group undertakings	**95.5**	95.6
Loans from Group undertakings	**(2.5)**	(1.6)

Loans to Group undertakings relate to corporate loans of £95.5m (2022: £95.6m) due from Bakkavor Finance (2) Limited. These amounts are unsecured and will be settled in cash. The loans are repayable within 60 days of being given notice by the lender. No guarantees have been given or received. No provisions have been made for expected credit losses in respect of the amounts owed by related parties.

Amounts are denominated in Sterling. All related party receivables are held at amortised cost.

Loans to Group undertakings do not carry interest on the outstanding corporate loan balances.

Loans from Group undertakings relate to a corporate loan of £2.5m (2022: £1.6m) due from Bakkavor Foods Limited.

Loans from Group undertakings do not carry interest on the outstanding corporate loan balances.

The Company purchases its own shares through an Employee Benefit Trust, see Note 7.

9. Events after the statement of financial position date

There are no events after the statement of financial position date that need to be disclosed.

10. Controlling party

The controlling party of the Company and its subsidiaries are described within Note 35 of the Consolidated Financial Statements.

ADVISERS AND REGISTERED OFFICE

GENERAL COUNSEL AND COMPANY SECRETARY

Annabel Tagoe-Bannerman

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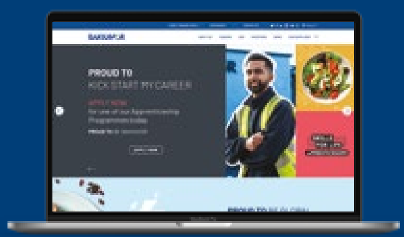

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Bakkavor Group plc

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